THE BASE OF THE PYRAMID:
A Growth Framework for SMME Action

Michael David van der Merwe

Dissertation presented for the degree of Doctor of Philosophy in Industrial Engineering
at the Faculty of Engineering at Stellenbosch University

The financial assistance of the National Research Foundation (NRF) towards this research is hereby acknowledged. Opinions expressed and conclusions arrived at, are those of the author and are not necessarily to be attributed to the NRF

Supervisor: Prof Sara S Grobbelaar

Co-Supervisors: Prof Cornelius SL Schutte, Mr Konrad H von Leipzig

December 2017

DECLARATION

By submitting this dissertation electronically, I declare that the entirety of the work contained therein is my own, original work, that I am the sole author thereof (save to the extent explicitly otherwise stated), that reproduction and publication thereof by Stellenbosch University will not infringe any third party rights and that I have not previously in its entirety or in part submitted it for obtaining any qualification.

Date: December 2017

ABSTRACT

A key challenge faced by South African enterprises operating in the market made up of the poorest socio-economic segment, namely the Base of the Pyramid (BOP), pertains to the difficulty of achieving sustained profitable growth whilst simultaneously promoting sustainable poverty alleviation. This study focuses on how growth promoting factors might be incorporated into a cohesive framework to provide consultants, enterprise owners, and academics alike with a means by which to guide Small, Medium and Micro-sized Enterprises (SMMEs) operating in the BOP towards attaining higher, lasting growth and socio-economic development. Existing enterprise growth models and frameworks have been found wanting in terms of their ability to cater for the unique approach necessary for navigating through the adverse and atypical conditions prevalent at the BOP.

Grounded on an empirically backed literature base arrived at via a systematic literature review, an expansive list of antecedents to enterprise growth, i.e. growth factors, was developed. These factors, when addressed appropriately, have previously been shown to improve enterprise growth. This study therefore addressed the development of a framework to aid enterprises in simultaneously promoting for-profit growth and maximising sustainable impact in the BOP.

The systematic literature review revealed 25 growth factors, of which five were within this study's scope in that they are business strategy related and within direct control of the enterprise. The five growth factors are: business modelling for detailed planning; following a suitable and detailed business strategy for long-term growth; utilising innovation to consistently create value and respond rapidly to market changes; implementing good marketing practices to ensure maximum value delivery to customers, and; forming strategic alliances to bolster core competencies, leverage resources, and scale operations. Furthermore, pursuing sustainable development was determined as crucial to ensuring both lasting profitability and social impact is realised.

Guided by the tenets of Soft Systems Methodology (SSM), the framework was iteratively developed by synthesising the BOP requirements with conventional growth factor processes, verifying the preliminary framework, and incorporating validation findings in its final design. Framework validation entailed four mechanisms, namely conducting: a retrospective case study to determine credibility and confirmability; expert screening interviews to ensure it is efficable, efficient, effective, and ethical; a survey of 57 for-profit South African enterprises to empirically establish need, reliability, relevance, and usefulness, and; expert focus interviews to maximise usability by identifying key stakeholder requirements within the framework. All routes validated the framework for use as a consultative tool in guiding SMME owners towards improved growth at the BOP.

The unique contribution is embodied in: the framework's novelty, combining multiple fields of knowledge pertaining to success at the BOP and in traditional markets into a cohesive whole for the first time; the confirmed practical significance of the framework requirements in that it provides users with an empirically vetted procedure for increasing growth potential as evidenced by the survey data, and; the optimised usability due to the visually clear framework, the easy to use evaluation scorecard, and incorporation of key focus areas for dealing with key stakeholders.

UITTREKSEL

'n Sleuteluitdaging vir Suid-Afrikaanse ondernemings wat opereer in die armste sosio-ekonomiese segment, naamliks die Basis van die Piramide (BOP), is die uitdaging om volgehoue winsgewende groei te handhaaf en terselfdetyd volhoubare verligting tot armoede te bevorder. Hierdie studie fokus op hoe groeibevorderende faktore in 'n samehangende raamwerk geïnkorporeer kan word om konsultante, ondernemings-eienaars en akademici te voorsien van 'n metode om klein, medium en mikro-grootte ondernemings (KMMO's) in die BOP te bestuur vir volgehoue winsgewende groei en sosio-ekonomiese ontwikkeling. Bestaande groeimodelle en -raamwerke vir ondernemings skiet tekort in terme van die unieke benadering wat nodig is om te navigeer deur die uitdagende en atipiese toestande wat in die BOP voorkom.

Deur gebruik te maak van ‘n sistematiese literatuuroorsig, is 'n empiries-ondersteunde literatuurbasis geskep waarvandaan daar 'n uitgebreide lys van voorlopers tot ondernemingsgroei oftewel groeifaktore ontwikkel is. Hierdie faktore het voorheen getoon dat indien dit korrek oorweeg word, dit groei van die onderneming mag verbeter. Hierdie studie het dus die ontwikkeling van 'n raamwerk aangespreek om ondernemings te help om gelyktydig groei vir wins te bevorder en volhoubare impak in die BOP te maksimeer.

Die sistematiese literatuuroorsig het 25 groeifaktore geidentifiseer, waarvan vyf binne die omvang van die studie geval het, aangesien hulle besigheidstrategie verwant is en direk binne die beheer van ondernemings is. Die vyf groeifaktore is: besigheidsmodellering vir gedetailleerde beplanning; 'n geskikte en gedetailleerde besigheidstrategie vir langtermyngroei; gebruik van innovasie om konsekwent waarde te skep en vinnig te reageer op markveranderinge; die implementering van goeie bemarkingspraktyke om maksimum waarde-aflewering aan kliënte te verseker; en; vorming van strategiese alliansies om kernvaardighede te versterk, hulpbronne te hefboom, en bedrywighede op te skaal. Voorts is volhoubare ontwikkeling nagestreef as noodsaaklik om winsgewendheid te handhaaf en sosiale impak te realiseer.

Die raamwerk is iteratief ontwikkel deur van die beginsels van Sagte Stelselmetodologie (SSM) toe te pas, en die BOP vereistes te sintetiseer met konvensionele groeifaktor prosesse. Die voorlopige raamwerk is verifieer en verifikasiebevindings in die finale ontwerp ingesluit. Die raamwerk se validasie het uit vier meganismes bestaan, naamlik die uitvoer van 'n terugwerkende gevallestudie om geloofwaardigheid en bevestigbaarheid te bepaal; onderhoude met deskundiges om te verseker dat die raamwerk doeltreffend, effektief en eties is; 'n meningsopname van 57 Suid-Afrikaanse ondernemings om empiries behoefte, betroubaarheid, relevansie en bruikbaarheid te vestig, en; laastens kundige fokusonderhoude om bruikbaarheid te optimeer deur sleutelbelanghebbendes se vereistes binne die

raamwerk te identifiseer. Al 4 meganismes valideer die raamwerk vir gebruik as 'n konsultasiemiddel om KMMO-eienaars te lei tot beter groei in die BOP.

Die unieke bydraes is gevestig in: die raamwerk se nuutheid, die kombinasie, vir die eerste keer in 'n samehangende geheel, van verskeie kennisvelde met betrekking tot sukses by die BOP en in konvensionele markte; die bevestigde praktiese betekenis van die raamwerkvereistes, omdat dit gebruikers 'n empiries vasgestelde prosedure bied (soos vasgestel deur die opname) om groei potensiaal te verhoog, en; laastens, die optimale bruikbaarheid as gevolg van die visueel bruikbare raamwerk, die maklik om te gebruik evalueringskaart, en die inlywing van sleutelfokusareas vir die hantering van sleutelbelanghebbendes.

ACKNOWLEDGEMENTS

"Not to us, Lord, not to us but to your name be the glory, because of your love and faithfulness."

Psalm 115 v 1 NIV

I would like to extend my sincerest gratitude to the following people for their time, effort, and relentless support which not only made this study possible and meaningful, but also enjoyable:

- Prof SS Grobbelaar, I cannot even begin to describe the value of your input in only a paragraph. The speed of your valuable responses, the level of detail and thoroughness with which you attend to every students' needs and my own, the hours and hours of useful and motivating discussions, and your unswerving kindness and professionalism have made these last two years enjoyable and immensely productive. Thank you for always going the extra mile for me
- Prof CSL Schutte, it is said that a true leader is one that knows the way, goes the way, and shows the way. When I have been tempted to settle for less or give up altogether, your exemplary way of effectively juggling the difficulties of life whilst living it fully has motivated me to press on until the end. Thank you for leading by example, for imparting on me an unyielding yet optimistic drive for perfection to bring out my best
- Mr KH von Leipzig, without your keen practical knowledge and captivating way of guiding foolhardy students like myself through their muddled thought processes and thus translating vision into reality, this study would never have been initiated or come to much effect. Thank you for the precious gift of your time, always maintaining your open-door policy and being there for me through the highs and lows of the last four years, it means so much to me
- Prof E Lutters, our series of in-depth discussions tore apart the misconceptions and weaknesses of my study, but you also provided the glue and instructions for putting it back together so that it ended up being significantly more valuable than before. Thank you for your critical eye and valuable, holistic guidance
- Ingé, if it weren't for you, the beautiful, smiling girl from industrial engineering, I would have had no hidden agendas that would have given me reason to continue with postgraduate studies in the first place. With time, I have come to appreciate their value, but you still remain the most precious person in my life, and getting to know you has helped me learn so much more than any degree ever could. Thank you for four years of being my best friend
- Mom, Dad, Karen, Sarah, Emily, and Sam, your love in all its various forms has come to mean so much more to me. From midnight video calls while I'm burning the midnight oil as I did so often and good morning messages to motivate me to get into gear, to the endless supply of cookies sent from home, you made it all possible, for which I am eternally grateful

CONTENTS

Contents

Contents

Contents

LIST OF TABLES

LIST OF FIGURES

LIST OF ACRONYMS AND ABBREVIATIONS

AAK	ability to absorb knowledge
AEE	apt entrepreneurial experience
AEO	apt entrepreneurial orientation
AFC	accessing financial capital
AFS	apt founding strategy
AGE	apt geographic expansion
AGL	apt geographic location
ALQ	apt leadership qualities
AMPS	All Media and Products Survey
ANOVA	analysis of variance
BBBEE	Broad-Based Black Economic Empowerment
BOP	Base of the Pyramid
BOS	blue ocean strategy
BPSN	broad professional and social network
BRIC	Brazil, Russia, India, and China
CAGR	Compound Annual Growth Rate
CATWOE	clients, actors, transformation, worldview, owner, environmental constraints
CMG	commitment to and motivation for growth
CPI	Consumer Price Index
CRM	Customer Relationship Management
CSR	Corporate Social Responsibility
DBP	detailed business planning

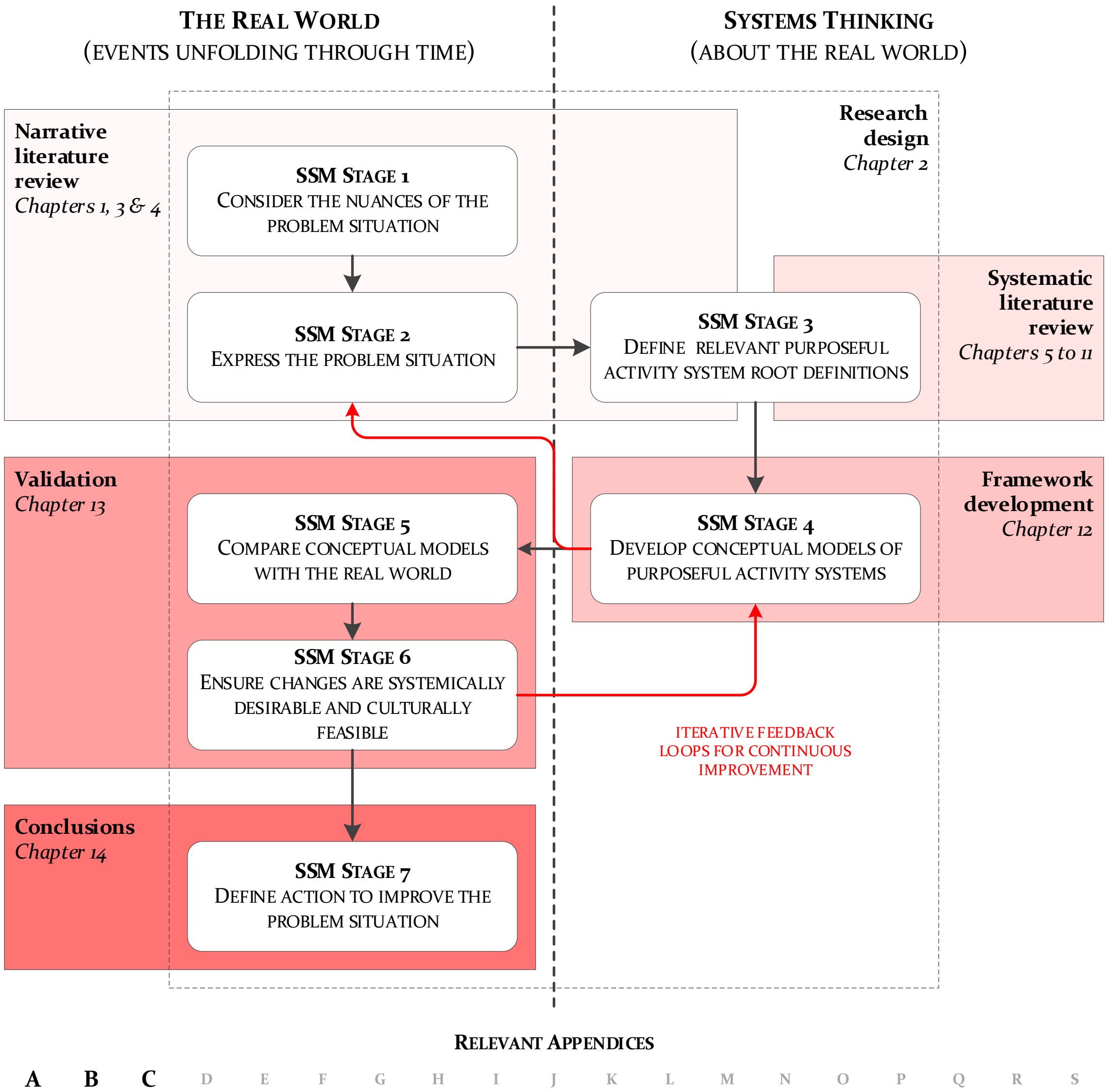
DTI	Department of Trade and Industry
DUI	doing, using, and interacting
EJV	equity joint venture
EOS	evolving organisational structure
FIS	fostering international sales
FPL	food poverty line
FPO	for-profit organisation
GDP	Gross Domestic Product
GHC	greater human capital
GLE	geographic location and expansion
GMS	Growth in Market Share
HAP	high acquisition propensity
HMC	holistic marketing capabilities
HUL	Hindustan Unilever Ltd.
IAMOT	International Association for Management of Technology
ICI	innovation for continuous improvement
ICT	Information and Communications Technology
ILCS	industry life cycle stage and market environment
IMF	International Monetary Fund
IP	intellectual property
IPBI	incorporating performance based incentives
IVMC	ideal vision, mission, and communication
IW	influential work
JRC	Jaipur Rugs Company

JRF	Jaipur Rugs Foundation
JRI	Jaipur Rugs Incorporated
KIW	key influential work
LBPL	lower-bound poverty line
LLLF	limited liability legal form
LOE	level of education
LSA	leveraging strategic alliances
LSM	Living Standards Measure
MDG	Millennium Development Goals
MEA	minority equity alliance
MNC	Multinational Corporation
MNE	Multinational Enterprise
NDP	National Development Plan
NFPO	not-for-profit organisation
NGO	Non-Governmental Organisation
NPO	Non-Profit Organisation
NRF	National Research Foundation
PPP	Purchasing Power Parity
PR	public relations
PVO	Private Voluntary Organisation
R&D	research and development
RBV	resource based view
RIE	relevant industry experience
ROE	Return on Equity

ROI	Return on Investment
RSA	reduced size and age
SAARF	South African Audience Research Foundation
SABF	South African Breweries Foundation
SEDA	Small Enterprise Development Agency
SETA	Sector Education and Training Authority
SIC	Standard Industrial Classification
SME	small to medium-sized enterprise
SMME	small, medium and micro-sized enterprise
SSM	Soft Systems Methodology
STS	synergistic team size
SW	supporting work
TBL	triple bottom line
TCV	transaction costs view
TEA	total early-stage entrepreneurial activity
UBPL	upper-bound poverty line
UVC	unique value creation for customers
4As	affordability, acceptability, availability, awareness
4Ps	[of innovation space] product, process, position, paradigm
4Ps	[of marketing] product, place, price, promotion

CHAPTER 1

INTRODUCTION



"Globally, researchers and policymakers now agree that the highest impact in terms of growth, employment creation and contribution to the economy can be obtained by actively supporting small businesses which have successfully survived their first few years of trading and are now positioned for growth."

National Gazelles (2015a)

1.1 Introduction

To begin with, it is necessary to lay the foundations of the research so as to ensure both the usefulness and adequacy of its contribution to the greater body of knowledge. This introductory chapter identifies the opportunities that exist for further research to be conducted, and also serves to uncover the opportunities for new contributions to be made. First off, the research opportunity is therefore discussed. Following this, a succinct statement of the problem and overall aim of the study is stated, combining its three foci, namely: the base of the pyramid (BOP) population; small, medium and micro-sized enterprises (SMMEs), and; enterprise growth. Hereafter, the main research questions are formulated and a description of the scope within which the study takes place is provided. A document outline is provided at the end of the chapter.

This chapter constitutes stage one (and alludes to stage two) of the Soft Systems Methodology (SSM) approach used throughout this study (Checkland & Scholes, 1990:211), as discussed in Chapter 2.2 where it is portrayed in Figure 2-1.

The objective of this chapter is to answer the following research sub-questions in order to provide a foundation for the focus of the study and the key issues addressed in the following chapters:

- What is the rationale for addressing poverty and poverty alleviation within the context of the BOP in South Africa?
    - How has BOP literature progressed in recent times?
    - What approaches (paradigms) exist with regards to poverty alleviation in society?
- What is the motivation behind focusing on SMMEs as mechanisms for poverty alleviation?
    - What is the rationale for developing a decision support framework for SMME owners operating at the BOP?
    - What view of social enterprises is most suitable to the purposes of this study so as to avoid any ambiguity?

1.2 Research opportunity

This section serves as an introduction to the problematic aspect of the research topic.

Although social problems require present day answers to bring about a desirable future, one must first look to preceding events to find one's bearings. For this, it is worthwhile briefly looking to South Africa's historic past which undeniably established the roots of present day poverty levels.

1.2.1 Historical backdrop

With the advent of democracy in 1994, the African National Congress-led South African government was presented with the task of simultaneously rebuilding an economy stunned by sanctions and preparing a disadvantaged black majority so as to compete in a rapidly globalising world. Just as the poorly educated black population poured into the labour force, the economy was in the process of shifting towards more skills-intensive sectors. Agricultural and mining sectors which had once provided most opportunities to labourers had now given way to other sectors, such as retail and financial services (Dugger, 2010). Beyond this however, the inherited apartheid promoting system of the state was set up to provide quality services to a privileged minority and deliberately ensure the systematic underdevelopment of the majority of South Africans (Pillay, 2000).

Since then, though much has been invested in the post-apartheid education system for the next generation in an attempt to overcome South Africa's racist legacy, the failing education system has far from achieved this goal. Roughly 24% of the population (around 2.3 million households) live on less than 20 Rands per day, whilst a further 41% of the population (around 5.4 million households) live on less than 80 Rands per day, which when combined qualify as the BOP according to Eighty20 (2011). Many people stuck in poverty struggle to find a job, in an economy where it is the scientists, engineers, accountants, and managers that are in high demand. The country's skilled labour deficit has furthermore constrained the ability of businesses to expand, at its worst leading to xenophobic instances whereby relatively poor locals have lashed out at foreigners who are accused of stealing their jobs (SAHO, 2015). Even at a higher level, professionals from outside the country with so-called *critical skills* have been sought, as these professional capabilities are sorely lacking in South Africa (Republic of South Africa, 2014b).

1.2.2 Development of the BOP approach

Profitable enterprise action at the BOP is not a new concept, however throughout the years since its conception the BOP approach has been improved upon by scholars and practitioners alike.

In 2002, the late Prof CK Prahalad and his co-writer Stuart Hart introduced the radical notion of '*The Fortune at the Bottom of the Pyramid*' (Hart & Prahalad, 2002) to the business world, which aimed at attracting large corporations to the massive market in developing countries presented by the BOP. This was in opposition to the traditional aid or philanthropic view of BOP dealings at that time. The appeal factor lay in the idea that poverty might be alleviated as a by-product of profit generation. By the close of 2010 it was evident that the idea had not been met with adequate success, as there was little empirical evidence backing the feasibility of the concept, let alone proof of it being worthwhile (Paramanand, 2015). The lexicon thereafter changed to '*The Fortune with the Bottom of the Pyramid*' which promotes co-creation as the core tenet for success. A few years later and the concept has moved yet further, beyond this mantra to what can be termed the open era of BOP thinking whereby open innovation is the focus, combining multiple sources in creating value at the BOP (Casado Cañeque & Hart, 2015).

BOP literature has progressed steadily since Prahalad's seminal work on the subject of profitable poverty alleviation (Hart & Prahalad, 2002), which has since been found wanting, as will be shown in the next few sections regarding the progression of BOP literature (Swaans, Boogaard, Bendapudi, Taye, Hendrickx & Klerkx, 2014; Leeuwis & Van den Ban, 2004; Cozzens & Sutz, 2014). Yet, the core tenet of BOP dealings remains the same, revolving around "*the structures and processes required to develop and deliver innovative technologies (goods and services) for poor consumers*" (Foster & Heeks, 2013a). A summary discussion of BOP 1.0, 2.0, and 3.0 follows, as the goal of this section is to further familiarise the reader with the historical progression of the BOP approach.

1.2.2.1 BOP 1.0

According to Casado Cañeque and Hart (2015), "*the unfortunate truth is that most BOP ventures and corporate initiatives over the past decade have either failed outright, or achieved only modest success at great cost.*" The failings of the original BOP 1.0 approach have been partially attributed to its incremental nature.

BOP 1.0 emphasises the adaptation of existing products, the reduction of price points, and an extension of distribution to customers that were previously un- or under-served (Mohr, Sengupta & Slater, 2009). Furthermore, mediating with the poor via Non-Governmental Organisation (NGO) partners was promoted as a means of compensating for lack of BOP market experience, in essence adopting an arm's length relationship with the poor.

These efforts can basically be seen as business model innovations, which although necessary, are less than sufficient to meet the task of deriving adequate profits from the BOP market so that businesses can flourish. Hart likens the formative BOP 1.0 approach to "*the proverbial 'child with a hammer',*" to whom everything looks like a nail (Casado Cañeque & Hart, 2015). Enterprises know very well how to swing their pre-existing hammer, and for them the BOP may seem like little more than numerous albeit smaller new nails.

1.2.2.2 BOP 2.0

To make up for the failings of the initial approach, BOP 2.0 was advanced as a means of overcoming the problems of simply selling to the poor, to promote enterprise that is inclusive, culturally embedded, sustainable, as well as profitable (BoP Global Network, 2012). The secondary approach thus strongly promotes the necessity for co-creation of value propositions with under-served communities, in essence innovating from the bottom-up, leapfrogging to sustainable technologies, and also creating unique metrics and timelines suited to the distinctive features of the under-served market (Arora & Romijn, 2012:485). There is a fundamental shift from finding a fortune at the BOP towards creating a fortune with the BOP, which means a change of premise from a logic of tapping into existing under-served markets to a logic of creating wholly new markets (London & Hart, 2010). The role of NGOs thus becomes one of facilitating relationships with the poor, promoting direct and personal relationships with them (Mohr, Sengupta & Slater, 2009:452).

1.2.2.3 BOP 3.0

The latest adaptation of the BOP approach is that of BOP 3.0 which has been outlined in the book entitled '*Base of the Pyramid 3.0: Sustainable Development Through Innovation and Entrepreneurship*' by Casado Cañeque and Hart (2015).

In essence, BOP 3.0 aims to move the focus towards inclusive business and thus enhance transformation of the whole socio-economic system of the BOP (Foster & Heeks, 2015, 2014, 2013a; Heeks *et al.*, 2014; Swaans *et al.*, 2014). This inclusive approach will require collaboration among various role players in the development of scalable solutions as opposed to specific pilot projects which have been shown to have a generally inadequate impact on poverty reduction (Karnani, 2006). Currently, in line with the tenets of inclusive innovation (Foster & Heeks, 2014, 2013a; Swaans *et al.*, 2014), the BOP are included in projects as entrepreneurs, producers, and consumers; and through partnerships are able to co-create inclusive innovations.

A number of themes have since emerged (BoP Global Network, 2012), each of which enhance the BOP approach, namely:

- **Shifting from protected space to purpose and mind-set:** although BOP 2.0 stresses the need to create protected organisational *white space* to allow BOP initiatives the time and space for creative co-creation and embedding, it is important to consider BOP endeavours in the broader context of the organisation's core purpose, mind-set, and level of ambition
- **Moving from co-creation to open innovation:** even though BOP 2.0 established the significance of co-creating solutions from the bottom-up through partnering with the poor (instead of merely marketing low-cost products from the top down), organisations struggle to acquire the skills necessary for effective co-creation and therefore mutual value creation. Moving towards open innovation presents organisations with the ability to draw on the wisdom of the crowd, to generate previously unheard-of solutions. In addition, inclusive innovation has moved the focus from generalised economic growth to development through active inclusion of the excluded marginalised population prevalent at the BOP (Foster & Heeks,

2013a; Heeks *et al.*, 2014; Swaans *et al.*, 2014). These participatory grassroots innovations can point BOP businesses towards new opportunities (Foster & Heeks, 2015)

- **Advancing from stand alone to innovation ecosystem:** the importance of engagement with the communities in the BOP is clearly seen with the BOP 2.0 approach, however it still tends to view the business as a lone entity. Success or failure is argued as being driven by the organisation's strategy, price point, business model, and/or value proposition. With BOP 3.0 it is imperative for success that the organisation is securely embedded in a larger innovation ecosystem, which should include: non-traditional demand-side innovators and informal sector workers (King, 1996; Nichter & Goldmark, 2009); lead users (O'Farrell, 2003; Cheneau-Loquay, 2010); potential technology providers; innovation intermediaries who operate between original suppliers and final consumers (Howells, 2006; Stewart & Hyysalo, 2008); innovators who help with product diffusion (Foster & Heeks, 2013a); on-the-ground partners; capacity builders; funders, and; supply chain players
- **Shifting from extended distribution to innovation for the last mile:** of course, as covered in the BOP 2.0 approach, the importance of taking on the challenge of gaining effective distribution in typically decrepit or non-existent transport routes must be understood, as well as dealing with the high costs associated with dedicated downstream channels set up for sole products or narrow value propositions. Beyond this, BOP 3.0 looks towards more collaborative and creative approaches to distribution, including wider bandwidth value propositions and sharing channels with other complementary partners and players
- **Diversifying from only NGO engagement to cross sector partnership networks:** BOP 2.0 clearly puts forward the importance of partnering with NGOs (and other key on-the-ground players) so as to bolster much needed and often lacking experience, however BOP 3.0 promotes more sophisticated and complex partnership networks, formed with NGOs, governments, and academic partners, across a broad array of sectors to bring about success
- **Changing approach from poverty alleviation to sustainable development:** though noble, the original drive for BOP business wherein the power of enterprise to serve the poor, create livelihoods, and alleviate poverty was and still is a strong rationale for going to the BOP. It has come to be seen however that integrating a sustainable development (and triple bottom line accounting) perspective into the BOP space may prove critical for lasting change

A summary of the BOP approaches is included in Table 1-1.

Table 1-1 BOP literature progression

Component	**BOP 1.0**	**BOP 2.0**	**BOP 3.0**
Lexicon	The Fortune at the Bottom of the Pyramid	The Fortune with the Bottom of the Pyramid	Sustainable Development Through Innovation and Entrepreneurship
Rationale	Utilising the power of enterprise to serve the poor, create livelihoods, and alleviate poverty	Utilising the power of enterprise and working with the poor to serve the poor, create livelihoods, and alleviate poverty	Pursuing and integrating a sustainable development (and triple bottom line accounting) perspective into the BOP space to arrive at socially, environmentally and economically sustainable business
Approach	Business model innovation, emphasising the adaptation of existing products, the reduction of price points, and an extension of distribution to customers that were previously un- or under-served	Promoting enterprise that is inclusive, culturally embedded, sustainable, as well as profitable, leapfrogging to sustainable technologies, and also creating unique metrics and timelines suited to the distinctive features of the under-served market	Moving the focus towards inclusive business and thus enhance transformation of the whole socio-economic system of the BOP, considering BOP endeavours in the broader context of the organisation's core purpose, mind-set, and level of ambition, moving towards open innovation to gain the ability to draw on the wisdom of the crowd to generate previously unheard-of solutions
Distribution	Utilising existing channels	Actively taking on the challenge of gaining effective distribution in typically decrepit or non-existent transport routes, as well as the high costs associated with dedicated downstream channels set up for sole products or narrow value propositions	Looking towards more collaborative and creative approaches to distribution, including wider bandwidth value propositions and sharing channels with other complementary partners and players
BOP relationships	Arm's length transactions	Co-creation of value propositions with under-served communities through partnering with the poor (instead of merely marketing low-cost products from the top down), creating protected organisational white space to allow BOP initiatives the time and space for creative co-creation and embedding, in essence innovating from the bottom-up	The BOP are included in projects as entrepreneurs, producers, and consumers, and through partnerships are able to co-create inclusive innovations
Partnerships	Utilising NGO partnerships to compensate for lack of market experience, however not stopping at arm's length relationships	NGOs facilitate relationships with the poor, promoting direct and personal relationships with the poor	Collaboration among various role players in the development of scalable solutions as opposed to specific pilot projects, forming sophisticated and complex partnership networks with NGOs, governments, and

Component	**BOP 1.0**	**BOP 2.0**	**BOP 3.0**
			academic partners, across a broad array of sectors
Market approach	Tapping into existing markets	Creating new markets, with success or failure argued as being driven by the organisation's strategy, price point, business model, and/or value proposition	Embedding the organisation in a larger innovation ecosystem, which should include: non-traditional demand-side innovators and informal sector workers, lead users, potential technology providers, innovation intermediaries who operate between original suppliers and final consumers, innovators who help with product diffusion, on-the-ground partners, capacity builders, funders, and supply chain players

1.2.3 Poverty

The aim of this section is to establish the reality of poverty in South Africa as a pressing need that is worthy of being addressed.

1.2.3.1 Poverty defined

Poverty is defined as "*the state of one who lacks a usual or socially acceptable amount of money or material possessions*" (Merriam-Webster, 2015). A commonly agreed upon socially acceptable amount of money is any income level above the poverty line limit, otherwise referred to as the upper boundary of the Base of the Pyramid (BOP) population (Prahalad, 2009). The BOP population is further discussed in Chapter 3 wherein it is divided into categories according to living standard.

1.2.3.2 Absolute poverty

Absolute poverty refers to living conditions below the minimum subsistence level. The level of poverty is generally established in comparison to socially acceptable living conditions related to the nutritional requirements, essential goods, or per capita income of the people in question.

In 2012, the use of three national poverty lines, in a cost-of-basic-needs approach, was made in South Africa to differentiate between the various degrees of poverty in the country, namely the food poverty line (FPL), lower-bound poverty line (LBPL), and upper-bound poverty line (UBPL). The FPL corresponds to the level of consumption below which individuals would be unable to purchase sufficient food to adequately nourish themselves. To obtain the LBPL and UBPL, the common variation of Ravillion's cost-of-basic-needs approach was followed (Ravallion, 2012). The LBPL extends to include non-food items, however these items come at the expense of losing the individual's ability to sustain an adequate diet. Individuals above the LBPL but still below the UBPL can afford to buy both food and non-food items but are still classified as poor. The poverty lines for the period 2006 to 2011 were updated annually by making use of the consumer price index data, and have been included in Appendix A.

Those below the FPL constitute the extremely poor whilst those below the UBPL constitute the poor in their entirety. For an idea of how large the population in poverty is, one can look to the results of the Statistics S.A. (2014:7) *Poverty Trends in South Africa* survey which reveals that in 2011, as many as 23 million people (45.5% of the total population) were living in poverty, with 10.2 million of those living in extreme poverty. As can be seen, there is little consensus on the exact size of the BOP due to various measures being employed to measure it by different parties, however, the fact remains that it is indeed substantial.

Poverty headcounts, although intuitively easy to understand and communicate, tend to oversimplify the matter, assuming all of the poor are equally deprived within each band of the poverty lines. A more useful approach is to look at the size of the poverty gap, which "*measures the average distance of the population from the poverty line and is expressed as a percentage of the poverty line*" (Statistics S.A., 2014:13). Thus, the poverty gap indicates the depth of poverty. Figure 1-1 shows the official estimates of the poverty gap and headcount of the poor as a percentage of all those stuck in poverty in South Africa.

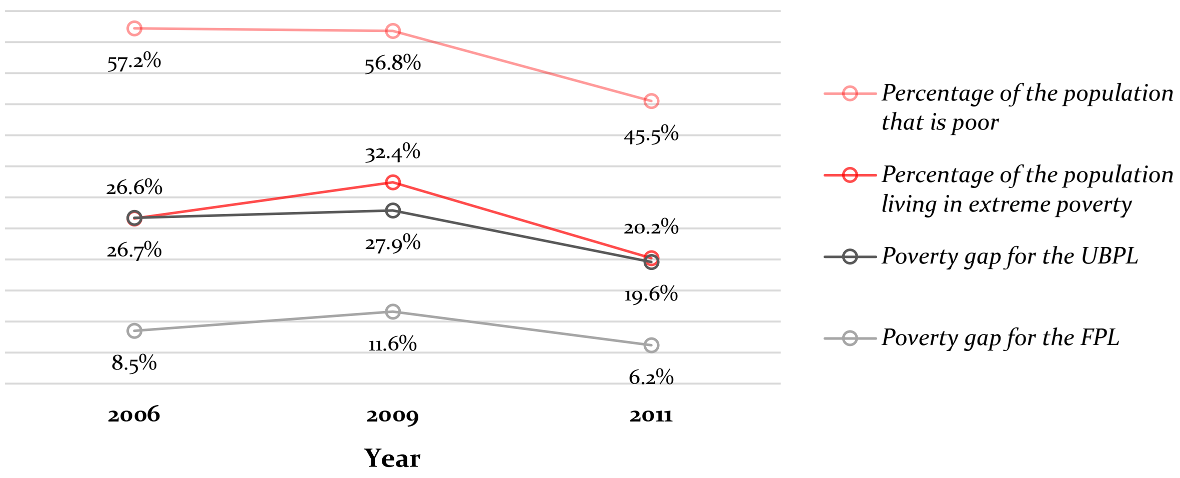


Figure 1-1 Poverty headcounts and poverty gaps (Statistics S.A., 2014:13)

It is evident that despite the increase in the poverty gap size for 2009 (related to the global economic crisis), poverty is on the decline, which, according to Statistics S.A. (2014:22), can be attributed to:

> *An expanding social safety net, income growth, above inflation wage increases, decelerating inflationary pressure on households, expansion of credit (especially unsecure lending) and the growth in formal housing. While the expansion of grants is probably the most significant of all these forces, it is a combination of multiple factors that has aided the country in poverty alleviation.*

As will be addressed shortly, such an approach based predominantly on grants may alleviate poverty, but it is not the most ideal in terms of empowering the BOP.

1.2.3.3 RELATIVE POVERTY

Another way in which poverty is commonly measured is through relative measurements. Relative poverty compares the poorest segments of a population to the wealthiest, generally in terms of the respective shares of income in each segment (Philip & Rayhan, 2004), and is therefore a test for equality. Although poverty levels are declining, inequality remains a serious issue in South Africa.

A well-known indicator of relative poverty is the Gini coefficient, which is a number between zero and one, where zero is indicative of total equality (zero inequality), and one is indicative of total inequality. South Africa's Gini coefficient in 2011 was 0.65 based on expenditures (per capita, excluding taxes) and 0.69 based on income data (per capita, including salaries, wages, and social grants), which are among the highest in the world (Statistics S.A., 2014:13).

Table 1-2 Gini coefficients and the share of national consumption (Statistics S.A., 2014:13)

Inequality indicators	**2006**	**2009**	**2011**
Gini coefficient (income per capita including salaries, wages, and social grants	0.72	0.70	0.69
Gini coefficient (expenditure per capita, excluding taxes)	0.67	0.65	0.65
Share of national consumption of the poorest 20% (per capita)	4.4%	4.4%	4.3%
Share of national consumption of the richest 20% (per capita)	64.1%	61.4%	61.3%

To break it down a bit, as shown in Table 1-2, the richest 20% of the population accounted for 61.3% of the national consumption in 2011, whilst the share of the poorest 20% remained fairly constant, below an alarmingly low level of 4.5%. It is therefore clear that whether one looks from an absolute or relative stance, South Africa is home to many impoverished people needing help.

1.2.4 POVERTY ALLEVIATION

Before discussing the role of SMMEs in poverty alleviation strategies, it is worthwhile defining those aspects of the various approaches to poverty alleviation which can be used to understand the thinking which promotes that particular approach, as not all approaches are equal in terms of their capacity to empower the poor.

1.2.4.1 CLASSIFYING POVERTY ALLEVIATION APPROACHES

There are two broad perspectives held by poverty alleviators (Statistics S.A., 2012:6), accompanied by two views of the deprivations which need to be addressed, each of which result in vastly different approaches to poverty alleviation. These approaches along with examples of the associated types of approaches are shown in the poverty alleviation approach matrix of Figure 1-2.

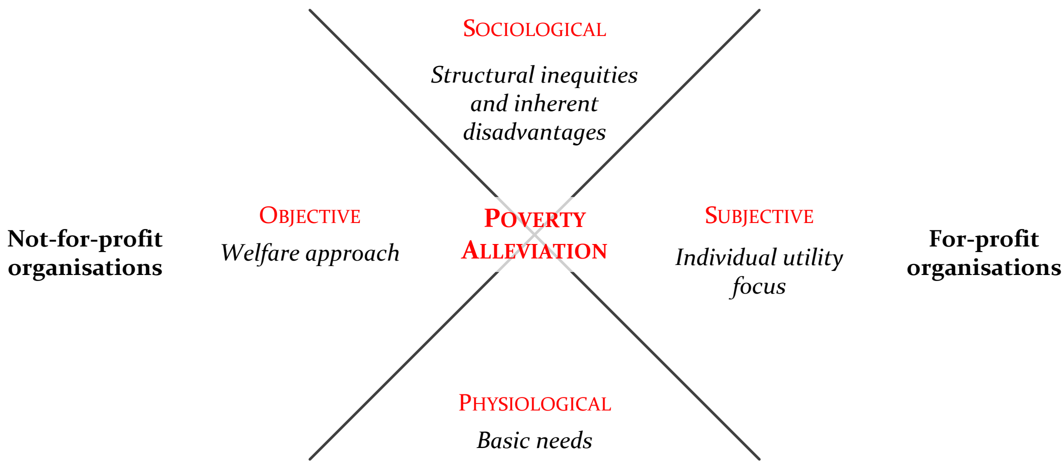


Figure 1-2 Poverty alleviation paradigms

The two perspectives regarding what an adequate solution entails include objective and subjective views (Philip & Rayhan, 2004). When approached from an objective perspective, otherwise known as the welfare approach, normative judgements are made regarding what constitutes poverty, and thereafter the necessary requirements are addressed in order to get the poor out of their classified state of poverty. According to Statistics S.A. (2012:6) "*objective poverty is based on an expert derived definition of poverty, which allows an objective identifier of poverty that can be used to monitor progress over time,*" for which Statistics S.A. has adopted the absolute money-metric poverty line approach as discussed earlier. This approach is consistent with providing grants and focusing on alleviating negative circumstances. A subjective approach on the other hand focuses on the poor's preferences, looking to how much the poor value some or other good or service, in essence increasing individual utility to alleviate poverty by empowering the poor. According to Statistics S.A. (2012:7) "*subjective poverty … is an individual's assessment of his or her own welfare, utility or happiness.*" This approach challenges the conventional view of poverty being objective, money oriented, and uniformly applicable across all poor people. Proponents of measuring poverty subjectively reason that through directly asking the poor populace whether they are poor (and how poor) gives a much clearer picture on well-being status (Ravallion, 2012).

These two views are however not at odds with one another in that a growing body of work on subjective measures of poverty (Kingdon & Knight, 2006, 2007; Posel & Casale, 2011) reveals that overall there is a positive correlation between objective income measures and their subjective measure counterparts. However, when comparing the correlates of the two approaches, although a number of variables explain both, both the direction and magnitude of their effects can differ in important ways (Kingdon & Knight, 2006). According to sources such as Blaylock and Smallwood (1986), Ferrer-i-Carbonell and Van Praag (2001), Kingdon and Knight (2006, 2007), and Ravallion (2012), subjective measures may provide more practical information surrounding what makes the poor so, including some common factors such as: lack of access to services, lack of income, lack of access to land, poor health, lack of employment, and lack of basic needs (e.g. food, clothing, housing).

Several dominant approaches to measuring subjective poverty have emerged in literature, including:

- **Perceived wealth:** respondents indicate whether or not they deem themselves as poor
- **Minimum income requirement:** respondents define the minimum income they would require to make ends meet (often referred to as the Leyden approach). This is advantageous over the pre-defined money-metric objective approach in that respondents can define a threshold which is relevant in their particular context (Ravallion, 2012)
- **Economic ladder method:** respondents consider a number of steps which correspond to their (or their household's) economic status in particular reference areas (e.g. community, city, province)
- **Multi-dimensional indicators:** by combining a number of the domains just outlined, this approach asks respondents whether or not specific consumption needs are being met adequately (Pradhan & Ravallion, 2000)

As alluded to in Figure 1-2, there are two perceived forms of deprivation that poverty alleviation strategies tend to address, namely physiological and sociological deprivations (Philip & Rayhan, 2004). If physiological deprivations are being addressed, the underlying assumption is that the poor are poor because they lack income, clothing, food, and shelter, i.e. basic needs. On the other hand, organisations that predominantly address sociological deprivations would assume poverty alleviation is best effected through addressing the underlying structural inequities and inherent disadvantages in society. The reasoning behind this view is that it is often the case that resources flowing into a poverty-stricken population don't achieve the desired outcomes due to an inability of the poor to take full advantage of the resources, perceivably due to the presence of social structural impediments. This is where the role of enterprise is arguably suitable, as will be seen shortly.

1.2.5 SMMEs

Although there exist a number of poverty alleviation role players, including government and the enterprise system which consists of not-for-profit organisations (NFPOs) and for-profit organisations (FPOs), for-profit SMMEs have been elected as the focus of this study. This is in keeping with the tenets of BOP literature addressed earlier, and therefore need not be elucidated on. The reader is encouraged to refer to the detailed discussion in Appendix B pertaining to the poverty alleviating role of government, NFPOs, and Non-Profit Organisations (NPOs) to gain a clearer picture of each.

The inherent nature of humans, as Friedman (1979) put it (see Appendix B), is to look to their own good. Though it is narrow minded to say there are no selfless people in the world (e.g. Mother

Theresa), they are however arguably the exception rather than the rule. It is from this line of thinking that one might begin to understand the attractiveness of SMMEs targeting the BOP as a profitable market when attempting to create buy-in among enterprise owners, as opposed to purely donating to the poor. Pursuing profitability is not only ideal for growing the enterprise and promoting that high operating standards are kept, but it is also useful for attracting the right people with the right skill sets for tackling poverty effectively. No less can one say that there exist no selfless people in the world than they can say that there are no talented and ingenious people who will work for markedly lower salary if their work is meaningful. However, it is true that many intelligent, innovative, and entrepreneurial people want to be paid well for their efforts. For this reason, the profit-making capabilities of SMMEs operating in the BOP are again ideal in that they can attract these people as well as staunch philanthropists to their cause. Beyond these two soft reasons for SMMEs as ideal vehicles for poverty alleviation, there are reasons which have more substance, and they will be discussed in the following subsections.

More common arguments for SMMEs acting as the vehicle for bringing about growth in both developed and developing countries include rationale regarding their value creation, job creation, and economic development capacities. Each will be discussed in turn.

1.2.5.1 SMMEs as value creators

The first driving factor behind focusing on SMMEs regards their ability to create value. Fundamentally, SMMEs exist to create wealth for their owners and achieve this by creating value for their customers. Of course, this wealth can also be redirected into the enterprise instead of being used to line the pockets of those in charge, which is a core concept of this study as will become apparent. The vast majority of SMMEs compete with other SMMEs over market share and employ many different strategies based on industry and buyer characteristics. However, as established by Ver Loren van Themaat (2011), the BOP presents businesses both large and small with a huge and largely untapped market with little to no competitors, acting as a massive uncontested market space, albeit one with many of its own nuances and unique attributes which make it initially more difficult to traverse with any measure of success.

As is often the case, large corporate enterprises which specifically target the poor in the BOP tend to do so in a limited manner as a means of satisfying their Corporate Social Responsibility (CSR), in an effort to increase their public visibility and social standing whilst satisfying stakeholders (Jenkins, 2005:525). This however is most often not the case for SMMEs, as "*the incentives for both managers and workers tend to be clearer and stronger*" (McIntyre 2001:11), which means that those SMMEs which specifically target the BOP tend to do so committedly. Social entrepreneurship has thus come to the fore in recent years with SMMEs and Multinational Corporations (MNCs) increasingly seeing the poor not only as customers but also as business partners (Kolk, Rivera-Santos & Rufín, 2013), as discussed earlier.

With their often-unique skill sets, SMMEs offer a competitive option for approaching the BOP market. Macroeconomic factors undeniably set the potential for productivity to a large extent, however the aim of this study is to promote the development of SMMEs operating in the BOP with the end result being a reduction in poverty levels at the BOP, and assumes that the macro environment (political, economic, and social) will remain feasible and become increasingly conducive to SMME action at the BOP.

1.2.5.2 JOB CREATION CAPACITY

The second reason for focusing on SMMEs lies in their ability to generate jobs as a by-product of their growth. Over the last decade, the unemployment rate has steadily increased to its current level of 25.3% (Statistics S.A., 2017). Studies show that small enterprises exhibit higher net job creation rates than large enterprises do (Headd, 2010; Neumark, Wall & Zhang, 2011; Wright, Roper, Hart & Carter, 2015). It should however be noted that significant flows of gross job gains coexist simultaneously with large flows of gross job losses (especially among small enterprises), in a process which Schumpeter (1942) terms *creative destruction*, otherwise known as *churning*. Birch (1979) found that the end result of small businesses' creative destruction was a net increase in employment. Furthermore, SMMEs are more labour intensive than larger enterprises which results in SMMEs exhibiting lower capital costs associated with job creation (Schmitz, 1995).

Small to Medium-sized Enterprises (SMEs) in particular are seen as the engine which will drive job creation well into the future in South Africa. The National Development Plan (NDP) envisages that by the year 2030, SMEs will be responsible for 90% of the 11 million jobs to be created in South Africa (Republic of South Africa, 2012:119). Small Business Development Minister, Ms Lindiwe Zulu, insists this is indeed possible (Business Day, 2014). While this may seem like little more than wishful thinking to many, it is still on the agenda at a national level.

Of course, job creation is a necessity for lasting poverty alleviation countrywide, however total employment may not be the godsend many purport it to be. According to Worstall (2015), although employment becomes a nonissue when there is zero unemployment, income equality will not necessarily increase as many believe. He argues that if hypothetically there was zero unemployment, wages would not continue to rise, even though there would be no out-of-work labour pool to replace any workers who are let go. His claim is that although zero unemployment should increase the wage of workers it will only work in such an ideal way when there are no monopolistic or oligopolistic corporations that can work together to enforce a limit on wages across the sector.

In South Africa it is arguable, therefore, that for full employment and the eradication of poverty, which is the dream of the NDP, the country should ideally move away from absolute monopolistic or oligopolistic powers in the market place, and rather bolster the influence and capabilities of numerous independent SMMEs.

1.2.5.3 SMME CONTRIBUTION TO ECONOMIC DEVELOPMENT

The third motivation behind focusing on SMMEs regards their economic prowess. In most developing countries, the government has exceptional influence over the macroeconomic competitiveness of a country; however, in terms of microeconomic competitiveness, it is the conglomeration of enterprise level action which holds sway.

According to the Global Competitiveness Report 2014-2015 (Schwab & Sala-i-Martín, 2014:340), South Africa is ranked as an efficiency driven economy. SMME growth and advancement in innovative activities is seen as the logical next step in pushing South Africa from an efficiency driven economy to an innovation driven one, as can be seen in Figure 1-3 (Harvard Business School, 2015). This requires a focus on microeconomic competitiveness, which is ideal for SMMEs.

Economic stage of development	**Source of competitiveness**	**Common attributes**		
Innovation driven	**MICROECONOMIC**	Quality of business environment	Degree of cluster development	Firm operations and strategy sophistication
Efficiency driven	**MACROECONOMIC**	Sound monetary and fiscal policies	Human development and effective political institutions	
Factor driven	**ENDOWMENTS**			

Figure 1-3 National economic competitiveness and associated economic stage

Of course, endowments are beneficial to a country, but are not sufficient to grow its economy (especially not on a very long-term), as shown by the fact that many countries in Africa which boast the greatest natural resources simultaneously exhibit the highest rates of poverty in the world. These natural resources will one day be depleted, and it will then be innovative contributions to the global market which will keep the country economically competitive.

As value creators, job creators, and economic growth promoters, SMMEs have been shown to exhibit the potential to make a lasting impact in South Africa's economy in addition to alleviating poverty. Enterprise failure rates are substantial in South Africa, even when operating in traditional markets (Goldstuck, 2014), and for this reason a decision-making framework to aid SMME owners operate and grow their businesses in the BOP would be valuable. The BOP presents an inherently different and riskier business environment, making it arguably more difficult for SMMEs to perform well. For this reason, the focus of the next section involves understanding the importance of pursuing growth in a structured and systematic manner.

1.2.6 ENTERPRISE GROWTH

So far, it has been established that there exists a pressing need in South Africa to better the lot of the large impoverished percentage of the population (Statistics S.A., 2014). The literature also reveals that of the approaches available to poverty alleviation, one which is on the rise and advantageous in many ways is the alleviation of poverty via action of SMMEs (Business Day, 2014). SMMEs however, vary greatly in their effectiveness, as will be shown. It is therefore the aim of this section to relate to the reader the need for SMMEs to seek growth in their endeavours at the BOP, if they want to make a substantial impact on poverty alleviation in South Africa.

1.2.6.1 RATIONALE FOR PURSUING GROWTH

According to neoclassical growth economics there are a number of factors which contribute to the economic growth of a nation, including population growth, capital accumulation, and technological progress (Solow, 1956, 1994). However, new (endogenous) growth models place more emphasis on fostering entrepreneurial ideas, the role of institutions, good governance, and a focus on human capital as critical to achieving economic growth (Romer, 1994; Barro & Sala-i-Martin, 1995; Rodrik, 2000; Grindle, 2004; Lucas, 2009). This being said, the various enterprises which contribute to this growth vary greatly in how effective they are. Henrekson and Johansson (2008) argue that a comparatively small number of high growth SMMEs make up for the deficiencies of the majority of SMMEs, in terms of job and wealth creation.

i. High growth SMMEs and job creation

Jobs are created by births of new businesses, and expansions of existing ones within an economy (Neumark, Zhang & Wall, 2006), both of which are accelerated by high growth regardless of enterprise size or age. Studies encompassing all business sectors have shown that high growth enterprises account for a disproportionately large component of the gross jobs generated in an economy (Storey, 1994b; Dennis, Phillips & Starr, 1994; Schreyer, 2000; Decker, Haltiwanger, Jarmin & Miranda, 2014). Though younger and smaller enterprises may boast higher gross rates of job creation, it is the more mature ones which often have higher net rates in developed economies (Davis, Haltiwanger & Schuh, 1996).

The job creation capacity of SMMEs is not limited to developed countries, or advanced economies, but is also true in developing countries. In a policy research working paper of the World Bank, spanning 99 countries and looking at SMMEs in particular, it was found that "*small firms employ a large share* *of workers and create most jobs in developing economies*" (Ayyagari, Demirgüç-Kunt & Maksimovic, 2011).

Thus, it can be said that although SMMEs remain key players in creating jobs in all countries, not all SMMEs create a significant number of jobs (Henrekson & Johansson, 2010). The exact figures are a topic of debate; however, general consensus is that a small number of high growth enterprises account for a disproportionately large share of jobs created. In the United States of America, Shane (2009) has shown that most jobs are created by relatively few fast-growing enterprises which account for only 6% of the total number of enterprises. Domestically however, Endeavor (2013) has shown through the use of the World Bank's Enterprise Survey data that enterprises growing at or above 20% per annum represented only 13% of South African enterprises, yet accounted for a quarter of the net new jobs created during the prior three years.

Fin24 (2015) further reveals that an estimated 49,000 SMEs growing at 20% per annum would be sufficient to ensure that the NDP's target of creating 9.9 million jobs (i.e. 90% of the 11 million jobs in South Africa) by 2030 are met. This represents only 7.3% of the official estimates of the number of formal SMMEs operating in South Africa, and a mere 2.2% of the combined total when informal SMMEs are included, as will be shown in Chapter 4.4. If the focus were rather placed on fostering only small and micro-sized enterprises, it would require roughly 8.2 million successfully operating enterprises to create the same number of jobs (Fin24, 2015). This is not to say that micro-sized enterprises have no role to play, they must indeed be developed, however focusing on SMEs is necessary for mass job creation over a short period of time according to Mike Vacy-Llyle, CEO of First National Bank Business (Fin24, 2015). From this, one can clearly see the ideality of fostering high growth enterprises in South Africa.

At a government level, the National Gazelles (2015b) programme has been launched in South Africa in 2015. Worldwide however, government initiatives have not been notably successful in way of promoting high growth SMEs, and it has largely been the action of private initiatives outside the sphere of government control that have consistently been the most successful (Timm, 2015). As with the National Gazelles programme, it is often the case that winners are chosen in the first place, and there is little fostering involved. Thus, as Autio and Rannikko (2016) put it, the success of government programmes involving high growth SMEs may not have as much to do with their ability to foster entrepreneurs as it has to do with their ability to find strongly promising entrepreneurs with enterprises already on the verge of, if not already at a state of high growth. Furthermore, according to Autio and Rannikko (2016), government intervention can oftentimes lead to:

- **Wasted funds:** as the government are notoriously bad at picking winners

- **Incentive distortion:** this is where support (especially unconditional support) may distort the motives of the awarded entrepreneurs to the extent that applicants wrongly compete for access to support rather than growth
- **Biasing of markets:** through supporting some ventures and not others, government can end up unwittingly biasing markets

The focus of this study is therefore aimed at helping private SMME owners learn how to grow through best practices, and thus puts a strong emphasis on development outside the sphere of government control. This is not to say that the developed framework is not beneficial to SMMEs linked to government initiatives, but rather that it seeks to primarily help the average SMME owner without external government support. This does not however mean that the framework would not be brought to best effect via the guidance of a consultant, as will be addressed in Chapter 13.4.5.2.

ii. High growth SMMEs and economic growth

Rapid growth enterprises also play an important role in stimulating economic growth for the national economy, and have been proven to act as reliable indicators of market acceptance and enterprise success (Feeser & Willard, 1990: 93). More specifically though, young high growth enterprises have been seen to create new industries and act as a driving force behind development in product and service innovation (Barringer, Jones & Neubaum, 2005:664).

SMMEs have long been believed to be crucial to economic and social development in developing countries (Abor & Quartey, 2010). In an economic sense, they act as the engines through which growth objectives are achieved, and with the high growth SMME this can be done at an accelerated pace. Due to the flexible, more adaptive nature which is characteristic of SMMEs, they respond better to changes in market conditions, making use of generally higher-skilled workers to withstand adverse economic conditions (Dalitso & Peter, 2000). SMMEs not only supply products and services, they also consume them. The demand which they generate for industrial and consumer goods in turn stimulates activity amongst their suppliers, in a similar fashion to the way in which their activity is stimulated by demands of their clientele.

For lasting impact in terms of economic development attributable to SMMEs, sustained (and of course sustainable) growth is required. To this end, Hölzl (2014) found that high growth enterprises were 30 times more likely than average performing enterprises to reach and sustain mid-size, further stressing the importance of actively pursuing growth for economic development.

1.2.6.2 Need for growing SMMEs at the BOP in South Africa

One might ask why there is a need to target the BOP as a market specifically, thinking that due to the trickle-down effect one might presume the job is basically done, and that the poor will eventually rise up out of poverty. However, this is not the case.

According to trickle-down theory the accumulation of wealth by the rich eventually trickles down to the poor, thus alleviating poverty albeit minimally so. According to Aghion and Bolton (1997) who analysed the trickle-down effect of capital accumulation and developed a model of growth and income inequalities in an imperfect capital market setting, they found that "*with a sufficiently high rate of capital accumulation the economy will converge to a unique invariant wealth distribution.*" As the economy has indeed converged upon this unique yet unequal wealth distribution, this means that the trickle-down effect will never be able to fully redress the problem of inequality in South Africa. Active measures will have to be taken, to which government has responded by putting into effect Broad-Based Black Economic Empowerment (BBBEE) incentives (as discussed in Appendix B.1) and provided vast sums towards social grants. Whilst these two measures are indeed necessary, it is arguably the empowering impact that enterprise can enact (as discussed earlier in Chapter 1.2.4.1) that will accelerate lasting poverty alleviation. To this end, government has provided multiple forms of enterprise support structures, as discussed in detail in Appendix C, however their effectiveness is very much open to debate.

As put by Mbuli (2009:16), the very high levels of inequality in South Africa contribute to and likely even exacerbate the high levels of poverty, due to the fact that for any given economic growth, the poor only obtain a very small share of that growth. Beyond this, the poor often lack the infrastructural requirements to utilise the growth which improves the lives of the rich (who are by and large the source of economic growth).

For these reasons, it is important that enterprises not only pursue economic growth, but also that they include social accounting in their endeavours if they truly desire to alleviate poverty. Alleviating poverty in a manner which will rapidly improve the lot of the poor is indeed possible through ethically targeting the BOP as a market itself, providing solutions to their specific needs, and by developing value creating offerings which can help them help themselves.

Understanding how owners and/or managers of SMMEs may increase their likelihood of attaining higher growth levels is therefore imperative for job creation and economic development, as well as for making as large an impact as possible in the lives of the marginalised poor in South Africa.

1.2.7 ARRIVING AT A WORKING DEFINITION OF SOCIAL ENTERPRISES

Private enterprises operating at the BOP in a bid to alleviate poverty are often referred to ambiguously as so social enterprises. Therefore, it is worthwhile addressing any misperceptions that might exist around the term, and thus develop a basis from which to clearly orientate discussion surrounding social enterprises in the remainder of the study.

There exist a multitude of notions pertaining to what a social enterprise is and how it should be classified (Dees, Emerson & Economy, 2001; John, 2006; Alter, 2007; Neck, Brush & Allen, 2009). One of these notions is that they might be "*differentiated and located on a diametrically opposed scale between purely philanthropic and purely commercial*" (Volkmann, Tokarski & Ernst, 2012). For a detailed discussion on the role of FPOs and NFPOs, the reader is again referred to Appendix B.2. A purely philanthropic entity is the NPO which primarily aims to generate a high social return/impact, whilst a purely commercial entity would be that of purely for-profit enterprises aiming to achieve the greatest financial return ethically possible. In between these two opposed entities would be all others, which can thus be called hybrid entities, as they incorporate to different degrees the aforementioned aims. This is where social enterprises are located.

Table 1-3 outlines the various characteristics of the different organisation types.

Table 1-3 The organisation philanthropy-commerce spectrum, based on Dees *et al.* (2001)

Characteristics	**Purely philanthropic**	**Hybrids**	**Purely commercial**
Motives, methods, and goals	Fully mission-driven, appealing to the goodwill, and focusing on social value creation	Mixed motives, embracing a balance between market orientation and social mission, to create both economic and social value	Fully market-driven, utilising aims and methods consistent with their appeal to self-interest, to primarily create market value
Beneficiary contribution and degree of value	Recipients pay nothing, but oftentimes value is less than what is needed	Oftentimes seen solely as customers who pay subsidised or lower rates for value offerings, maximising affordable value for customers	Customers and clients always pay the full market rates possible, receiving more value than often necessary
Capital source to build organisation	Donations and grants	Funds are raised through private funding, grants, or through socially-oriented investors, e.g. angel investors and social impact investors	Typical investors, such as banks and loan providers that have surety of exacting returns
Workforce constituents	Volunteers, not paid at all, perhaps receiving only tokens of appreciation	Staff often paid below market wages, on a part-time basis, also making use of volunteers	Full compensation provided, being paid at or above market rates
Role of suppliers	Make in-kind donations	Providing special discounts, or mixing in-kind contributions with full prices	charge market prices

A further notion is that of the profit orientation of the organisation (Alter, 2007), wherein organisations can be positioned along the spectrum of not-for-profit and for-profit. Once again, it is argued that social enterprises fall in the hybrid region between these two polar extremes.

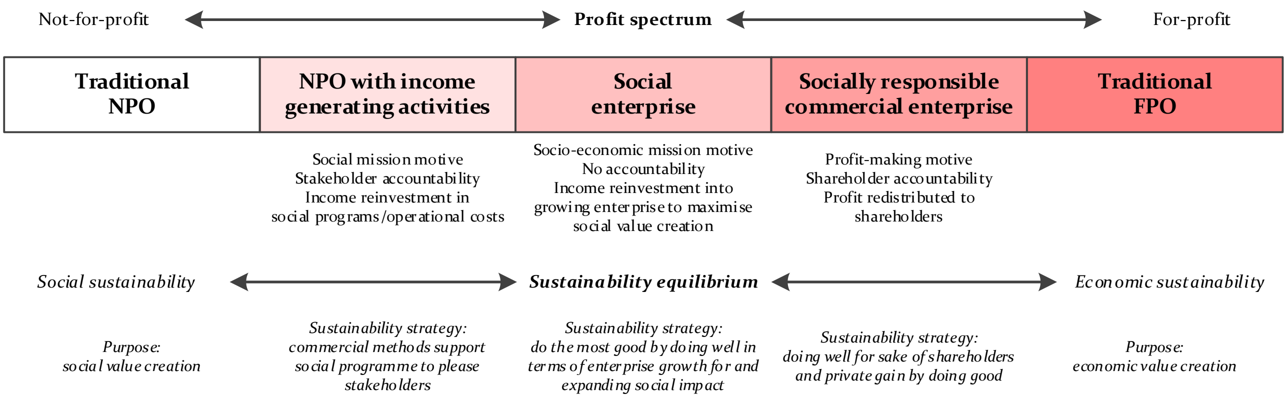


Figure 1-4 The profit orientation spectrum, based on Alter (2007) and Volkmann *et al.* (2012)

As shown in Figure 1-4, at the far left are traditional NPOs, and at the other extreme are traditional FPOs. There are three dominant organisation types of hybrid organisations in-between. The first type pertains to NPOs with income generating activities wherein business activities do not create social value; they only fund the social mission, which is reported back to stakeholders. The second type are social enterprises whose business activities create the social value and generate profits for further social value to be created. Lastly, there are socially responsible commercial enterprises whose business activities normally create social value in more affluent income groups than the BOP, and are driven primarily by profits, oftentimes meaning that they are accountable to shareholders.

The social enterprise view just outlined is the one adopted in this study, and is consistent with current BOP literature, challenging the notion of enterprises having to make trade-offs between social mission and profit motives. The notion is thus one of pursuing profitable enterprise growth to maximise impact, as opposed to maximising shareholder satisfaction or charitable donations.

It should be noted that the reason for addressing the term *social enterprise* only after discussing the role of SMMEs in their capacity to alleviate poverty, is that a crucial aspect of this study is the attainment of a profitable enterprise operating in the BOP. By not addressing the social enterprise view of enterprise action at the BOP from the offset, it is hoped that any misconceptions or misperceptions associated with the reader's idea of what constitutes a social enterprise were taken out of the equation, allowing for a greater appreciation of the for-profit poverty alleviating capabilities of SMMEs to be attained first.

Thus, the focus of this study pertains to for-profit SMMEs operating at the BOP in a bid to alleviate poverty, otherwise referred to as social enterprises for the purposes of this study.

1.2.8 Research Gap

The basic need for enterprise action at the BOP is well specified by Prahalad (2009:xi) who stated that:

> *Doing more of the same, by refining the solutions of the past – developmental aid, subsidies, governmental support, localized nongovernmental organization (NGO)-based solutions, exclusive reliance on deregulation and privatization of public assets – is important and has a role to play, but has not redressed the problem of poverty.*

Regardless of the direction in which an SMME seeks profitable growth, be it at the BOP or in a conventional market, there are many more struggling or even failing enterprises than there are ones which have reached their aspired-to size, and even less attaining lasting growth (Goldstuck, 2014). Consistent growth is difficult to attain in the conventional business and even more so in the BOP targeting business, as the BOP is a hugely understudied market segment that has unique contextual and environmental needs and behaviours which affect the necessary strategies for attaining growth.

Furthermore, alternative means by which poverty reduction is traditionally approached have been found wanting in light of the inadequate technical and problem-solving capacities of those institutions. Much less adequate for alleviating poverty is the notion that wealth will eventually trickle down to the poorest, if only the rich distribute a bit of their wealth in a charitable manner. What is arguably required to substantially reduce poverty, beyond improved education and training which is the mandate of the government, is a thriving SMME community that appropriately targets the BOP market segments in an empowering manner, providing them with value creating products and services in addition to the basics necessary for leading a dignified life.

In order to achieve poverty reduction via SMME action, it is important that SMME owners and/or managers have a means by which they might evaluate their efforts, and furthermore a framework to guide them towards attaining improved growth. Regarding the role of social entrepreneurship and enterprise, Chell, Nicolopoulou and Karataş-Özkan (2010:485) posit that emphasis must be placed on "*the need to develop a sound theoretical platform and raise methodological problems common to management research*."

Thus, the aim of this study is specifically to design a framework to aid in helping entrepreneurs of SMMEs originating in the upper tiers of the economic pyramid in their pursuit of profitable poverty alleviation in the upper tiers of the BOP. This is depicted in Figure 1-5, whereby it is made clear that the extreme poor are best served by NGOs that follow a welfare approach due to the fact that there is almost no spending power in that market segment. The rationale for targeting the upper tiers of the BOP will be more thoroughly addressed in subsequent chapters.

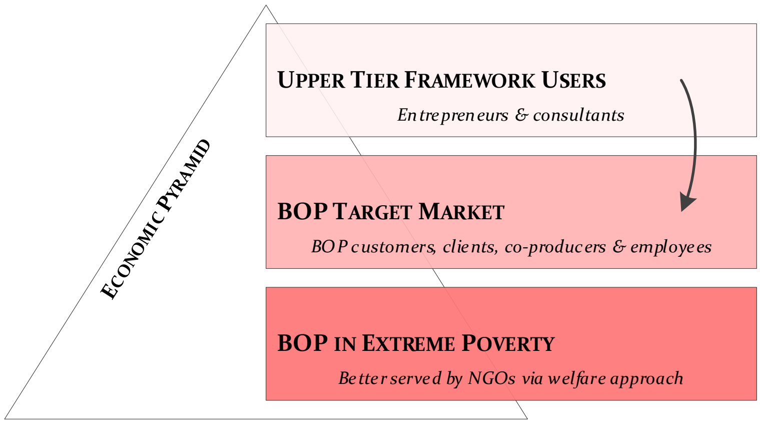


Figure 1-5 Outlining the framework's intended audience

The need for research in this area is further substantiated by the fact that this this study was proposed to and evaluated by the National Research Foundation (NRF, 2014) who deemed it of academic value and provided a substantial portion of the funding necessary for its pursuit. From an engineering perspective, this problem is attractive in that it has not yet been thoroughly addressed in literature via a systematic, holistic approach, which the engineer's skills are arguably well suited to.

1.3 Concise problem statement and formulation of aim

A statement of the problem situation and a succinct formulation of the aim of the research is given in this section.

Existing studies on the BOP have mainly focused on the role of MNCs, and the few that have looked at the role of SMMEs have limited their research to the development of business models for contextually-specific enterprises (see Thakoor (2013)). As far as can reasonably be determined, there exists no decision support framework for SMME owners operating in the BOP, nor is there any indication of one specifically tailored to the unique context of South Africa. It must also be noted that the framework must exhibit the tenets of BOP 1.0, BOP 2.0, and BOP 3.0 thinking, looking beyond targeting the BOP as purely a market and include the BOP as co-creators through inclusive innovation.

1.3.1 PROBLEM STATEMENT

Thus, the problem statement can be put as follows: there exists no framework by which SMMEs pursuing profitable growth at the BOP might be guided or evaluate their efforts in order to maximise sustainable poverty alleviation in South Africa.

1.3.2 AIM

The aim of this study is therefore to develop a framework that supports managerial decision making and evaluation in SMMEs by incorporating in its design the fundamental factors that influence the likelihood of increasing profitable growth in order to maximise sustainable poverty alleviation at the BOP in South Africa.

1.4 Demarcating the field

This section acts so as to delineate the research problem into a main research question and a set of answerable research sub-questions, and also forms a basis for outlining the scope within which this study is conducted and therefore relevant.

1.4.1 Main research question

The main research question can be stated as: what does a framework designed to guide and evaluate SMMEs in their simultaneous pursuit of profitable growth and sustainable poverty alleviation at the BOP in South Africa look like?

1.4.2 Research sub-questions

The research sub-questions are laid out in Table 1-4, including the introductory questions answered in this chapter which provide the theoretical foundation on which following chapters are built.

Table 1-4 Research sub-questions

Chapter heading	**Research sub-questions**
Introduction	What is the rationale for addressing poverty and poverty alleviation within the context of the BOP in South Africa?
	• How has BOP literature progressed in recent times?
	• What approaches (paradigms) exist with regards to poverty alleviation in society?
	What is the motivation behind focusing on SMMEs as mechanisms for poverty alleviation?
	• What is the rationale for developing a decision support framework for SMME owners operating in the BOP?
	• What view of social enterprises is most suitable to the purposes of this study so as to avoid any ambiguity?
Research design	What methodology would be well suited to the social nature of BOP endeavours?
Base of the pyramid market	What is the BOP?
	• What is the economic breakdown of the South African BOP?
	• Is the South African BOP a viable market?
	• How is the BOP commonly segmented in South Africa?
	• What are the determinants of poverty in a South African context?
	What are the consumption patterns of the poor in the South African BOP?
	• How does the cash flow of the BOP work?
	• What does this spending pattern mean for SMMEs operating in the BOP?
	As a market, how does the BOP compare to other tiers of the economic pyramid (i.e. what are its critical dimensions)?
	What impediments to SMME action exist at the BOP?
Small, medium and micro-sized enterprises and social entrepreneurship	How are SMMEs important for the South African economy?
	Is entrepreneurship important for SMME growth?
	• What is the definition of entrepreneurship?
	Is social entrepreneurship necessary when targeting the BOP market?

Chapter heading	Research sub-questions
	• What are the differences between commercial and social entrepreneurship?
	• Is a for-profit or a not-for-profit approach better suited to poverty alleviation via SMME action?
Enterprise growth (and subsequent chapters)	How is enterprise growth measured?
	Do consistently growing enterprises exhibit many of the same or similar characteristics or factors?
	What systematic approach to compiling a comprehensive list of growth factors can be used?
	What factors promote growth?
	• Which of these factors are within the scope of this research?
	• What other considerations are crucial for the BOP context?
Conceptual framework development	How can each of these factors be applied to the BOP context?
	What is a conceptual framework?
	• What are the essential features of a conceptual framework?
	How can a conceptual framework be constructed?
Validation	What routes to validation exist?
	• How can a case study be used to validate the framework?
	• How can interviews with experts be used to validate the framework?
	• How can a survey be used to validate the framework?
	Are the framework and the findings of this study valid for the attaining of higher growth in BOP markets for SMMEs?
Conclusions and recommendations	What are the findings of this study?
	• Taking into account the findings of the validation process, what does the final framework look like?
	• Who is the framework useful to?
	Is there potential for future research?
	• In what way would future research best be conducted?

In proceeding with this study, a focus is first placed on understanding the BOP target market and furthermore determining the adequacy of SMMEs and the role of entrepreneurs and entrepreneurship in pursuing SMME growth. From there, in order to determine which factors constitute the primary building blocks of consistently growing enterprises, an extensive, systematic, and structured literature review is conducted. Thereafter, six chapters address the specific growth factors deemed relevant from the systematic and structured literature analysis. In ending, the final three chapters combine all of the findings into a cohesive whole, culminating in a framework which aims to foster learning and open up areas for future research to be conducted.

1.4.3 Research scope and nature

Herein the focus population of this study and the assumptions, limitations, and delimitations which delineate its scope are established.

1.4.3.1 Definition of population

The primary population of concern relates to SMMEs and those directly involved in managing them (e.g. founders/owners/entrepreneurs, managers, and consultants). The secondary population is the BOP population.

1.4.3.2 ASSUMPTIONS

According to Leedy and Ormrod (2010:59), assumptions are so basic that without them the research problem itself could not exist. The following assumptions are therefore necessary:

- **Market existence:** the BOP will continue to exist for the foreseeable future. Due to the fact that poverty levels have only been increasing in recent times, this assumption is indeed credible (Statistics S.A., 2017). Furthermore, even if the local South African BOP market were to diminish within the foreseeable future due to South Africa's relatively developed state in comparison to other developing economies, the global BOP market would still remain substantial enough for enterprises to pursue as a viable market
- **Competitive nature:** the BOP will remain as a largely untapped market. Despite an increase in the publicity associated with BOP endeavours, the vast majority of enterprises the world over have failed to enter the market with much success (BoP Global Network, 2012)
- **Political climate:** government will continue to look to SMMEs to grow the economy and provide an enabling environment in which to flourish
- **Regulatory environment:** the regulatory environment will remain conducive to enterprise action at the BOP. As poverty reduction is a pressing need in South Africa, it can be argued that the regulatory environment will continue to promote enterprise action in the BOP

1.4.3.3 LIMITATIONS

The following limitations restricted this study:

- **Time:** this study was conducted over an interval of four years, making it implausible for the findings to be tested through real-time application and implementation
- **Practicality:** the likelihood of finding an enterprise that will hand over control at the necessary level for testing the framework in action is unlikely, and furthermore would require a number of such enterprises to determine any credible cause and effect relationships between the framework and realised growth
- **Success story scarcity:** although many success stories exist in way of enterprises targeting the BOP profitably in other countries with large BOP markets (e.g. India), South Africa has relatively few equally successful cases to draw conclusions from, which would be ideal for a keen understanding of the impact of specific cultural and behavioural traits of the South African BOP

1.4.3.4 DELIMITATIONS

The following delimitations define the scope and boundaries of this study:

- **Organisational size:** the focus in this study lies only on SMMEs, not those categorised as large-sized enterprises, although the preference lies with SMEs due to their higher potential for surviving and achieving scale
- **Influencing factors:** internal factors (those inside the business which affect performance) of the enterprise will be the focus of this study and not external ones, although they may be mentioned in passing. This is to ensure that entrepreneurs using the framework are positioning themselves in the most ideal setting for attaining growth
- **Business life cycle stage:** the framework developed will focus on having the greatest impact on enterprises in the start-up phase of their life cycle, but more specifically those enterprises that have already:
    - Successfully navigated the regulatory environment (e.g. legal requirements)
    - Penetrated the BOP market with a profitable value offering and are attempting to transition to the early-growth phase (i.e. that phase after the start-up phase, but before the maturity phase)

  This is not to say the framework is not useful to entrepreneurs that are still in the ideation phase, it is just to say that enterprises already operating in the market are best positioned to achieve growth
- **Economic level:** focus will be placed on factors which affect microeconomic success, whilst enterprise influence on macroeconomic advancement will only be inferred
- **Strategic focus:** in this study, business strategy and human resource strategy are seen as two interdependent but separate forms of strategy (human resources in this context include founders/owners/entrepreneurs, managers, staff, employees, partners, customers, and clients). Only business strategy will be focused on in developing the framework. This is not to say that the business strategy component will be void of the human aspect, as the two are inextricably linked. On the contrary, it will address the roles of various human resources in depth, but will not focus on the detailed social aspects pertaining to individuals and their unique characteristics (e.g. psychological, experiential, and motivational aspects)
- **Organisational level:** the developed framework is intended to aid those at an executive or managerial level in making decisions, not necessarily those at an operational level, although it can be used to direct those at the operational level
- **BOP complexity:** beyond defining the BOP and its critical dimensions, cultural and social differences and influences among the array of South African BOP culture groups will not be addressed, as the breadth of such an endeavour is not consistent with the time scale of this

study, nor is it arguably appropriate for the engineering orientation of this study. Furthermore, the topic of intercultural differences has been addressed in detail by sociologists

1.5 Chapter outline

The chapters in this dissertation are ordered such that they reflect the logical course of the study. Each chapter has an introductory paragraph, and is concluded with a succinct summary. A brief outline of the chapter contents and motivation for each is now given.

1 **Introduction:** this chapter presents the motivation behind the research problem. It acts so as to substantiate the notion that a leading solution for poverty alleviation in South Africa is realisable through the fostering of SMMEs, for whom attaining growth is tantamount to making an impact on poverty in the BOP society. The multiple aspects of the problem statement were thoroughly described and presented.

2 **Research design:** the second chapter provides a detailed description of the chosen methodology, namely Soft Systems Methodology (SSM). Furthermore, it discusses the study's ethical implications in terms of how it was implemented and those parties it directly influenced. Thereafter, it takes a quick look at the methods of analysis which are used to address each of the chapters in this dissertation, from start to finish.

3 **Base of the Pyramid market:** in order to understand the BOP and ascertain the context in which SMMEs need to operate, it is necessary to arrive at a clear understanding of the BOP population, which is the focus of the third chapter. The BOP is broken down into its various components, by looking at the market's characteristics (segments, consumption patterns, and critical dimensions), as well as international approaches to poverty alleviation at the BOP, and by understanding the impediments to SMME action at the BOP.

4 **Small, Medium and Micro-sized Enterprises and social entrepreneurship:** as the chosen vehicle for poverty alleviation at the BOP in this study, it is the objective of the fourth chapter to define the SMME and SMME sector, further understand the suitability of SMMEs for addressing poverty, and to clearly understand the type of entrepreneur that is required for an SMME to be an effective vehicle for poverty alleviation, i.e. the social entrepreneur.

5 **Enterprise growth:** this chapter addresses the concept of enterprise growth and the factors which promote it. As there exists a vast literature base regarding enterprise growth, a systematic means of arriving at the most important factors is derived, allowing for some measure of repeatability in way of a more scientific approach. To determine which growth factors are relevant to this study,

given its limitations, they are then filtered according to scope, providing the foundation on which the framework is deductively developed in subsequent chapters.

6 **Business modelling:** this chapter addresses the first of the five selected factors pertaining to growth which were found to be necessary for pursuing sustainable growth at the BOP. By looking at previous research on business models, a comprehensive approach is determined and defined, and thereafter applied to the BOP context in South Africa. The aim of the chapter is to develop a list of requirements that SMMEs must address in developing a viable business model at the BOP. It is worth noting that this chapter provides a blueprint for the evaluation technique and framework which are developed in Chapter 12.

7 **Sustainable development:** the second factor addressed is not a growth factor per se, yet it is deemed necessary for sustained growth in the BOP, namely sustainable development. Its deliberation constitutes the seventh chapter of this study. The impact of sustainable development on enterprises targeting the BOP is related and discussed. The aim of the chapter is to provide enterprises with a list of requirements that ensure the fostering of an understanding of the fundamental guiding principles that need to be adhered to for sustainable poverty alleviation and enterprise growth to be achieved.

8 **Business strategy:** the second growth factor deemed crucial to pursuing lasting growth within the BOP context is the implementation of a suitable business strategy, for which blue ocean strategy (BOS) is deemed highly suitable. It is therefore defined, and discussed in detail, by looking at each of the six principles it is built upon, and understanding how it relates to the BOP. The aim of the chapter is to arrive at a list of key requirements for successful enterprise strategy development and implementation at the BOP.

9 **Innovation:** the third growth factor is that of innovation, the focus of the ninth chapter. The importance of innovative efforts in relation to the generation and exploitation of new ideas for developing value offerings for the customer is discussed. With a process view of innovation, it is the aim of this chapter to provide a list of requirements that must be addressed by SMMEs for them to attain a solid understanding of what innovation entails; promoting both the improvement of existing value offerings and the development of altogether new ones so as to continually maximise the value for both the enterprise and the BOP.

10 **Marketing:** the fourth growth factor within the scope of this study pertains to marketing the value proposition, one specifically developed for the BOP market. Marketing is shown to be a key attribute in the way that it enables the enterprise to segment the customers and therefore better answer their specific problems/needs, thus creating maximum buyer value. A crucial part of

marketing is the development of important channels to get the value offering to the BOP, which will also be elaborated on. The aim of the chapter is to understand the key requirements for effectively dealing with the specifics of marketing in the BOP.

11 **Strategic alliances:** the final growth factor pertains to the formation and management of strategic alliances within and across the private, public, and civil sector,. This includes partnerships with the BOP in what can be termed inclusive innovation. This is crucial to penetrate and scale impact in the BOP market, and acts so as to bolster the enterprise's core competencies, whilst simultaneously acting to negate the potential loss thereof. The aim of the eleventh chapter is to arrive at the requirements for effective strategic alliance management across sectors when operating at the BOP.

12 **Conceptual framework development:** this chapter combines the main findings from all the previous chapters, consolidating the requirements arrived at in each so as to appropriately develop the growth promoting framework by ensuring its adherence to these requirements. The main elements of the framework correspond with the five factors just discussed, and are appropriately called the framework's subsystems. Each system of the framework is iteratively developed in conjunction with the validation process of Chapter 13, by making use of the SSM stages of Chapter 2.2 and the conceptual framework development phases set out in Chapter 12.4.

13 **Validation:** the aim of the thirteenth chapter is to present the validation strategy and its outcomes. By utilising a three-prong approach to validation, including a detailed retrospective case study, a pair of semi-structured interview processes with multiple experts, and a detailed survey of for-profit South African social enterprises, the framework was validated.

14 **Conclusions and recommendations:** in ending, this chapter presents a summary of the research conducted and clearly points out the conclusions reached in each chapter. It concludes the research with a summary of the dissertation's findings per chapter, a discussion of for whom the framework is useful, a final definition of how to best address the problem situation, a list of recommendations for future research, and a list of the research questions detailing where in the text each was answered.

1.6 Conclusion

This introductory chapter served to identify the research opportunity and provides the rationale behind pursuing profitable SMME growth at the BOP in an effort to sustainably alleviate poverty.

To begin with, the progress in BOP literature was noted, looking at how it has become focused on co-development from the bottom-up as opposed to the upper tier market approach. It was found that poverty alleviation is a pressing issue in South African society, with many South Africans still stuck in the BOP, and thus a study premised on poverty alleviation was determined to be a valid pursuit. Poverty levels were found to be predominantly determined through the varying spending powers of the people within the BOP. Commonly used measures include the poverty lines (i.e. the FPL, LBPL, and UBPL). Official estimates of the size of the BOP put it at around 45.5% of South Africa's population, therefore roughly 25.03 million South Africans are stuck in poverty. This is indeed a substantial number of people, and the BOP is therefore an arguably substantial market.

After reviewing the changes in BOP approaches over time, the value creating, job creating, and economic growth promoting capabilities of SMMEs were reviewed in order to substantiate the use of such enterprises as the vehicle by which poverty alleviation be pursued in this study.

In terms of the paradigms with which poverty alleviation is generally approached, there exist objective and subjective approaches to both the measurement and alleviation of poverty. Each addresses sociological and physiological needs of the poor to different extents. Subjective approaches focus on maximising individual utility at the BOP, and this is usually the focus of FPOs. Objective approaches are more welfare oriented and tend to be favoured by NFPOs. Furthermore, both approaches tend to either focus on sociological or physiological needs when approaching the BOP. Sociological approaches address structural inequities, thus empowering the BOP, whereas physiological approaches aim to address all of the basic needs of the BOP population. Thus, when it comes to enabling the BOP to help themselves, and creating value offerings which help empower the BOP, FPOs are oftentimes the more ideal route to poverty alleviation. A pervasive and oft looked to vehicle for just this is the SMME. Government has high hopes for SMMEs and their contribution to economic and social development in South Africa in the years to come. Thus, it can be said with certainty that SMMEs are indeed viable vehicles to poverty alleviation.

Lasting growth was shown to be something which few enterprises ever attain. Due to the advantages of attaining growth, it was determined that understanding how to attain growth for an SMME in the BOP is necessary. The failure rate of SMMEs in typical upper tier markets is very high in South Africa, for which reason it is even more important to have a framework to guide BOP oriented SMMEs, as the BOP context is vastly different and poses many new challenges for the entrepreneur.

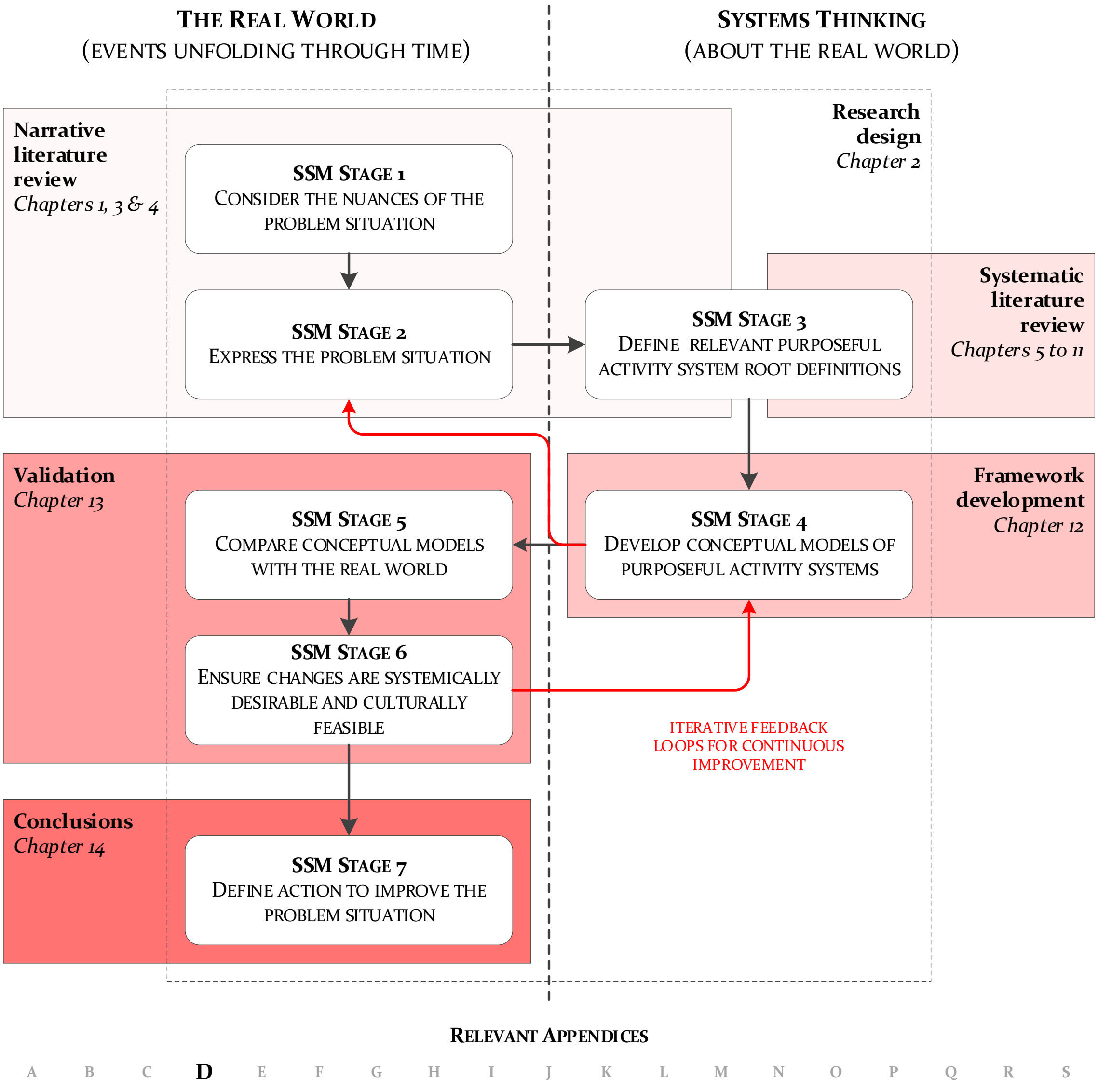
For the purposes of this study, the term *social enterprise* was deemed as being a for-profit enterprise seeking to alleviate poverty at the BOP through reinvesting profits back into the enterprise so as to maximise its growth and similarly, its potential for achieving sustainable development at the BOP.

In South Africa, there appears to be no holistic growth framework by which SMMEs seeking to alleviate poverty at the BOP might be guided. The aim of this study was therefore determined as being the understanding of the factors which affect growth, and the subsequent development of a framework to aid SMMEs in achieving growth.

Before proceeding with the literature review process any further, it is instructive to determine a methodology which is suitable to the context of the research problem of this study, and that is the aim of the next chapter.

CHAPTER 2

RESEARCH DESIGN



"A thorough, well prepared, and well documented analysis is what distinguishes scientific approach from superficial conjecture. The researcher's task is to organise, compare, and validate alternative interpretations. Only when the researcher can identify the systematic procedure that has been followed in this process, can it be shared with others."

Malterud (2001:486)

2.1 Introduction

In order that the aforementioned research questions are concisely and accurately addressed in a manner which is scientific, proven, and likely to yield the most useful findings, it is imperative that the research is conducted in a systematic and established manner.

With a clear direction and understanding of the problem, the research design is discussed in this chapter, which covers both the approach taken and the strategy adopted in developing the framework. Hereafter, a few methodological concepts are elucidated and a brief note on the ethical implications of the study are discussed. To conclude this research design chapter, a preparatory discussion of the methods of analysis utilised throughout the study is included.

This chapter outlines the stages (one to seven) of the Soft Systems Methodology (SSM) approach used throughout this study (Checkland & Scholes, 1990:211), as portrayed in Figure 2-1 of the next section.

The objective of this chapter is to answer the following research sub-question in order to provide guidance when tackling the key issues addressed in the following chapters:

- What methodology would be well suited to the social nature of BOP endeavours?

2.2 Research methodology

In line with the nature of this study, Soft Systems Methodology (SSM) is used (Checkland, 1985:763), as alluded to in Chapter 1. It is a multidisciplinary problem-solving approach as well as an action-orientated process of inquiry into problematic situations, whereby the user learns from investigating the situation and then defining action so as to improve the situation. Its merits in terms of addressing social concerns will be discussed in due course.

SSM was developed from the systems thinking framework of Systems Engineering (developed by the Bell Telephone company in the 1950s and 1960s), but differs in its ability to deal better with problems which have no single correct or commonly agreed upon solution or outcome. Systems Engineering uses techniques to engineer a *hard* system to meet a set of objectives, whereas SSM was developed to tackle the complexity of social and human situations otherwise known as *soft* systems which are too complex for Systems Engineering to be effective in addressing. Thus, for SSM, systems models were no longer just descriptions of things in the real world, but rather seen and used as devices based on specific worldviews to organise debate about how best to cause change, so as to bring about improvement.

A system in an SSM context is basically "*a device used in a learning process to define desirable and feasible action to improve*" (Checkland & Scholes, 1990:197). Generally, SSM is most suitable for management-related problem situations in an organisational context, which makes it ideal for this study.

Learning is achieved through an organised process wherein the situation is explored via a set of purposeful models of purposeful action that act as intellectual devices/tools to inform, as well as structure discussion, about the situation and how to possibly improve it. SSM is defined according to Von Bulow (1989) as:

> *A methodology that aims to bring about improvement in areas of social concern by activating in the people involved in the situation a learning cycle which is ideally never-ending. The learning takes place through the iterative process of using systems concepts to reflect upon and debate perceptions of the real world, taking action in the real world, and again reflecting on the happenings using systems concepts. The reflection and debate is structured by a number of systemic models. These are conceived as holistic ideal types of certain aspects of the problem situation rather than as accounts of it. It is taken as given that no objective and complete account of a problem situation can be provided.*

SSM comprises seven ordered stages which are shown in Figure 2-1, the same graphic depicted at the beginning of each chapter. The seven stages are shown alongside the chapters they impact.

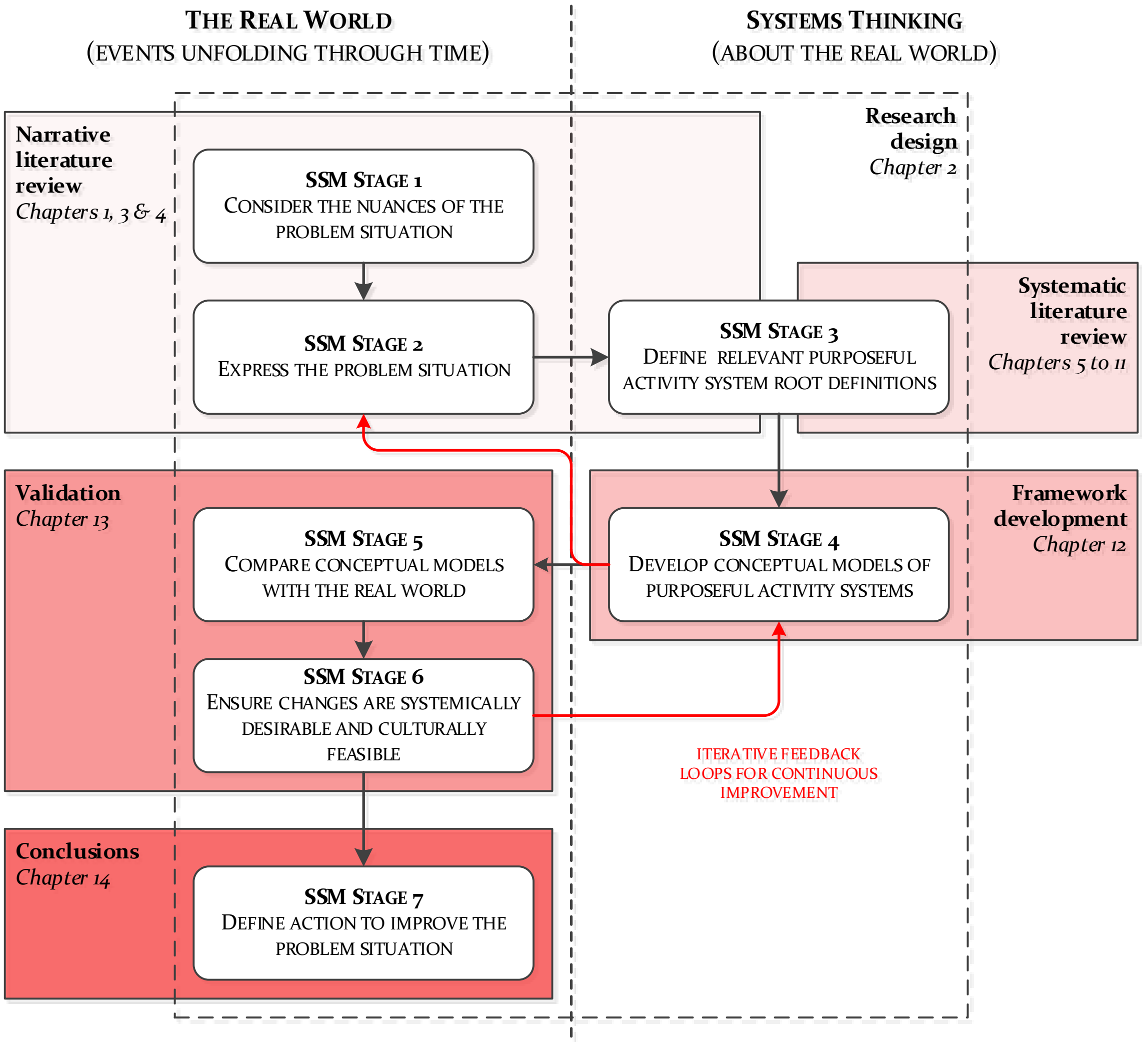


Figure 2-1 The stages of SSM, adapted from Checkland and Scholes (1990:27)

Stages two, three, and four and stages four, five, and six provide the dynamics of the method, wherein the stages are repeated iteratively until a sufficiently appropriate solution is arrived at. The iterative feedback loops are shown with red lines. This iterative process is clearly shown in the validation route breakdown in Figure 13-1 of Chapter 13.2

2.2.1 STAGES 1 AND 2 – EXPRESSION

In this phase (stage 1 and 2), an attempt is made to build up the richest possible picture of the situation in which there is perceived to be a problem, as opposed to just defining the problem itself. So as to not impose any particular structure on this picture, the initial analysis is conducted by recording elements of slow-to-change structure (e.g. slow growth, inequality, and poverty measures) and elements of continuously-changing process (e.g. roles of government, NFPOs, and FPOs) within the situation, as well as the relationships between structure and process.

2.2.2 STAGE 3 – ROOT DEFINITIONS OF RELEVANT SYSTEMS

The third stage involves naming the systems which seem to be relevant to the putative problem, and then concisely defining what these systems are as opposed to what they do. This is achieved via interviews and a systematic literature review which will be discussed later. The goal is to obtain carefully phrased explicit statements regarding the nature of the systems, which can subsequently be seen to improve the problem situation. Whether or not this will lead to improvements cannot be guaranteed, however the formulation may be modified in later iterations as understanding of the field increases. The term *root definition* is appropriate here because it indicates that the definitions capture the most basic nature of the chosen systems.

Several generally accepted criteria that must be specified in order to ensure that a given root definition is rigorous and comprehensive can be summarised in the mnemonic CATWOE (Strickland, 2011:44):

- **Clients:** who are the beneficiaries or victims of this particular system, i.e. who would benefit or suffer from its operations?
- **Actors:** who are the people responsible for implementing this system, i.e. who would carry out the activities which make this system work?
- **Transformation:** what transformation does this system bring about, i.e. what are the inputs and what transformation do they go through to become the outputs?
- **Worldview:** what worldview in particular justifies the existence of this system, i.e. what point of view makes this system meaningful?
- **Owner:** who has the authority to change the measures of performance of this system, or abolish it altogether?
- **Environmental constraints:** which external constraints does this system take as a given?

By following this form of analysis, the researcher is able to clarify what is trying to be achieved. Explicit acknowledgement of these perspectives forces the user to consider the impact of the proposed changes on all of the people involved.

2.2.3 Stage 4 – Making and testing conceptual models

Once these definitions are in place, conceptual models of the human activity systems are named and defined in the root definitions. This is achieved by outlining the action-oriented steps required for the model to work effectively, and requires that activities are ordered logically, showing dependencies. After developing the models, they are then verified in accordance with the requirements procured in the first three stages. The detailed steps for doing this are discussed in Chapter 12.6.1.

2.2.4 Stages 5 and 6 – Validating the conceptual models

After building the model, it is tested in stage five by bringing it into the real world, and comparing it with the perceptions of what already exists. The drive behind this comparison is to generate a debate with concerned people in the problem situation, so that in the next stage possible changes can be ascertained, resulting in improved conceptual models.

In the sixth stage, for a possible change to be appropriate, it must simultaneously meet two criteria: it must be arguably desirable, and culturally feasible. This implies that it be feasible in terms of the prevailing attitudes of the current point in time, and in terms of existing power structures with regard to the history of the situation being examined. Culturally feasible means that for the people in the situation, the outcome must be sensible in terms of the unique history and narrative that has been constructed over time. The key is thus to find an accommodation or version of the situation that people of different worldviews could live with.

2.2.5 Stage 7 – Defining action to improve

The seventh stage involves defining action to improve the problem situation. This will inevitably lead to more questions and a new problem, which may then be approached with the help of the methodology in an iterative process. Due to time constrictions, implementation is not possible (therefore action cannot be taken to improve the situation), however it is possible to arrive at a clearly defined way forward which is strengthened through validating the findings. According to Checkland and Scholes (1990:213), in the management science field, most studies try to get by through focusing entirely on the logic of situations, even though much of human action is motivated in cultural norms and emotions as opposed to straight logic. Thus, to be effective in bringing about action in these social situations, culture must play an important role in SSM. Accounting for this is achieved through analyses of experts with experience in the relevant fields.

In summary, the stakeholders consist of client, actors and owner, all of whose sides need to be taken into account by the researcher in debating which direction to pursue. Various root definitions (succinct statements of appropriate systems) then need to be deliberated upon and conceptual models proposed, improved, and developed until a desirable model is achieved which is acceptable to all stakeholders. The final model then forms the basis for real world changes.

2.2.6 MEASURES OF PERFORMANCE

After having specified the CATWOE attributes, useful criteria for every situation by which the system performance can be measured include (Checkland, 2000:30):

- **Efficacy (E_1):** indicates whether the transformation provides the intended outcome
- **Efficiency (E_2):** indicates whether the least possible amount of resources is being used to implement the transformation
- **Effectiveness (E_3):** indicates whether the transformation helps to realise a more long-term goal (i.e. if it fits into a long-term strategy of the system)
- **Ethicality (E_4):** indicates whether the transformation is morally correct

These criteria ensure the solution is adequate along a number of key dimensions which may otherwise be overlooked.

2.2.7 RECONCILIATION OF SSM CONCEPTS

These measures are used in the validation process of Chapter 13. Table 2-1 expands on a number of the vaguer aforementioned concepts in light of this particular study.

Table 2-1 SSM concept elucidation

Concept	**Elucidation**
Social concern	This relates to the existence of poverty at BOP, and the minimisation thereof via sustainable action of SMMEs in a unique economic environment. The impact which SMMEs potentially have on national economic growth and job creation is also of social concern
Problematic situation	SMMEs aiming at poverty alleviation do not have a framework by which to evaluate their efforts in pursuing (profitable) growth through operating in the BOP market. Elements of slow to change structure include government policies, regulations, and the profile of the BOP. Elements of continuously changing process such as strategy, planning, innovation, marketing, alliances, and other enterprise dependent characteristics reside within the SMME and are continuously changing due to the flexibility and nimbleness of SMMEs
Systems (purposeful activity systems)	In this context, the primary relevant system is that of the BOP targeting SMME pursuing growth. The government, partners, and BOP form part of the wider system and therefore only provide context to this study. The SMME involves a host of stakeholders with different and often conflicting agendas or goals. Important subsystems include the various systems operating within the SMME
Conceptual systems (systemic models)	This pertains to the systems based on enterprise growth characteristics/factors, as well as the framework being developed to aid SMMEs in targeting the BOP. The role of the model and framework is to bring about improvement through change, by providing relevant stakeholders of SMMEs with holistic ideal types against which they can evaluate their efforts in pursuing growth in the BOP market

2.3 Ethical implications

The research conducted by the author fully adheres to Stellenbosch University's ethical guidelines for scholarly and scientific research. This study is developed theoretically and has not been implemented due to time constraints posed on it, and therefore has not adversely impacted anyone. As for potential adverse effects in the future regarding the findings and the developed framework, it takes into account social, environmental and economic sustainability factors and in so doing ensures their adherence to these standards. Furthermore, the developed framework's goal is to alleviate poverty in a sustainable manner via SMME action, and thus the findings are ethically grounded and do not pose any ethical threats or dilemmas per se.

Ethical clearance was however obtained from the Research Ethics Committee of the Division of Research Development at Stellenbosch University prior to commencing any work regarding data of a classified nature. For sake of fullness, the protocol number SU-HSD-002168 of the ethics clearance is included. During the research process, the identities of all interviewees and survey respondents has been kept strictly confidential.

2.4 Research method

The research method employed is crucial as it relates practical information regarding how the study must progress in order to arrive at a suitable solution.

2.4.1 RESEARCH DESIGN

The research design method employed in this study is a combination of both an empirical analysis of existing enterprises in South Africa and non-empirical qualitative content analysis of existing textual data, as indicated in Figure 2-2 whereby the appropriate region is greyed out.

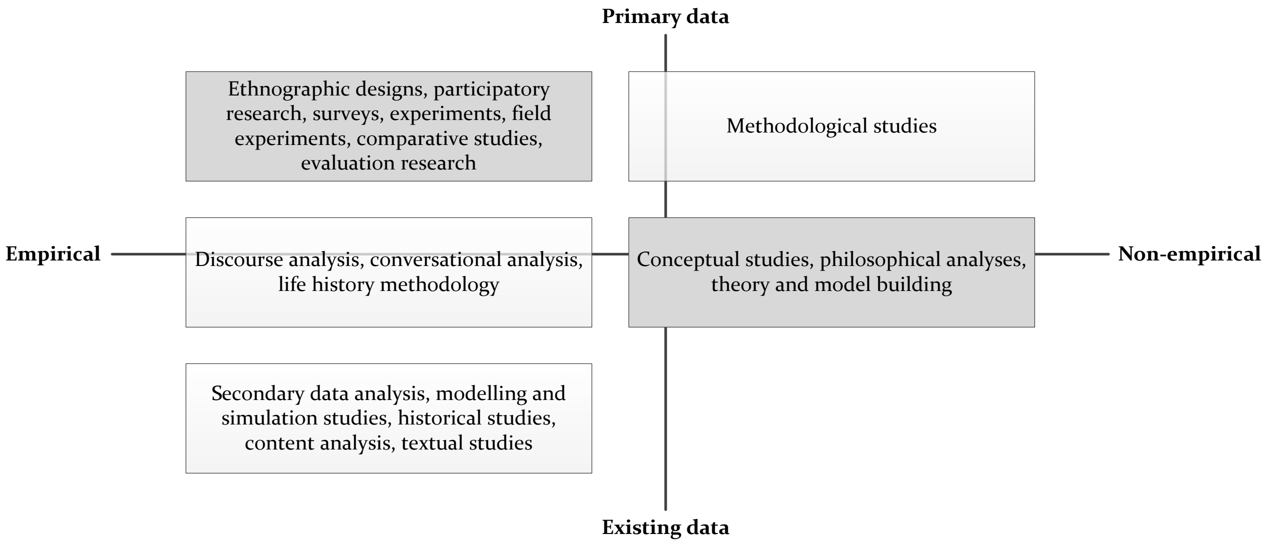


Figure 2-2 Research design mapping, adapted from Mouton (2011:144)

The research is actively conducted from a constructivism theory approach, whereby cognitive development and deep understanding are the foci (Fosnot, 2013).

2.4.2 METHODS OF ANALYSIS

The detailed process for the systematic literature review, as well as the merits, drawbacks, and reasons for utilising a case study, semi-structured interviews, and a survey to validate the framework are addressed in detail in Chapter 13.

A progressive breakdown of the analysis methods used to generate solutions to the research sub-questions, and thus the main research question, is shown in Figure 2-3. To begin with, a narrative literature review (to critique and summarise the body of literature about the dissertation topic) is conducted to define the problem situation, and gain a general understanding of the BOP, SMMEs and enterprise growth. A systematic literature review (to holistically review material pertaining to growth in a replicable, no limitations manner) then delves deeper into the topic of enterprise growth, and thus provides most of the theoretical foundation from which the framework is built, guided by discussions with professionals in the field and academics (including research supervisors). The conceptual framework itself was developed through active model building.

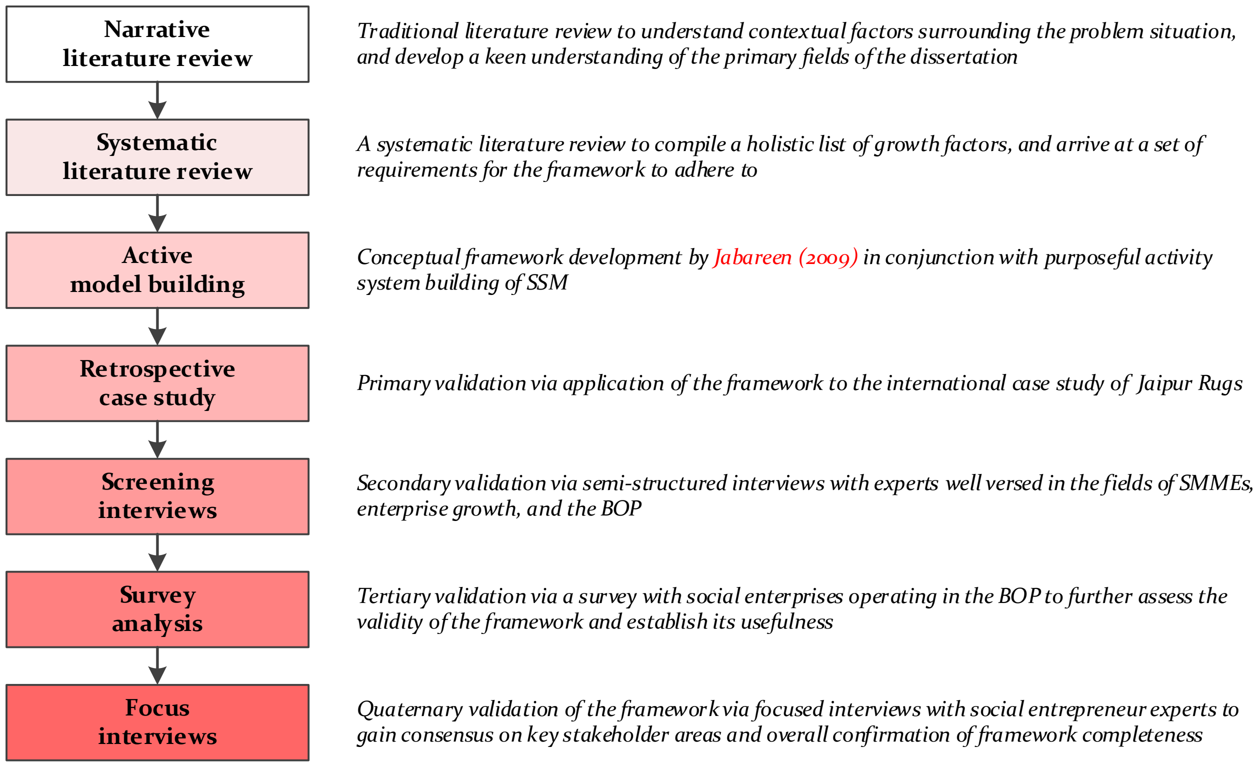


Figure 2-3 Methods of analysis breakdown

The preliminary framework was firstly validated via a case study of Jaipur Rugs. Thereafter, semi-structured screening interviews with a number of experts well versed in the fields of growth, SMMEs, and the BOP were conducted so as to detect any fundamental flaws in the framework. With an amended framework in place, a survey was conducted on South African social enterprises to garner empirical evidence of the framework's suitability for social entrepreneurs (i.e. the respondents). In ending, a number of semi-structured focus interviews with experts well versed in social entrepreneurship were utilised to further assess the soundness of the developed framework and determine the key requirements that need to be addressed when dealing with key stakeholders. With a verified and final framework in place, conclusions and recommendations were drawn through retrospective reflection.

The systems engineering approach of Appendix D relates how problems are addressed and questions are answered through a process of breaking them down into their components and focusing on each separately and then again as a whole, uniting them to form a final solution.

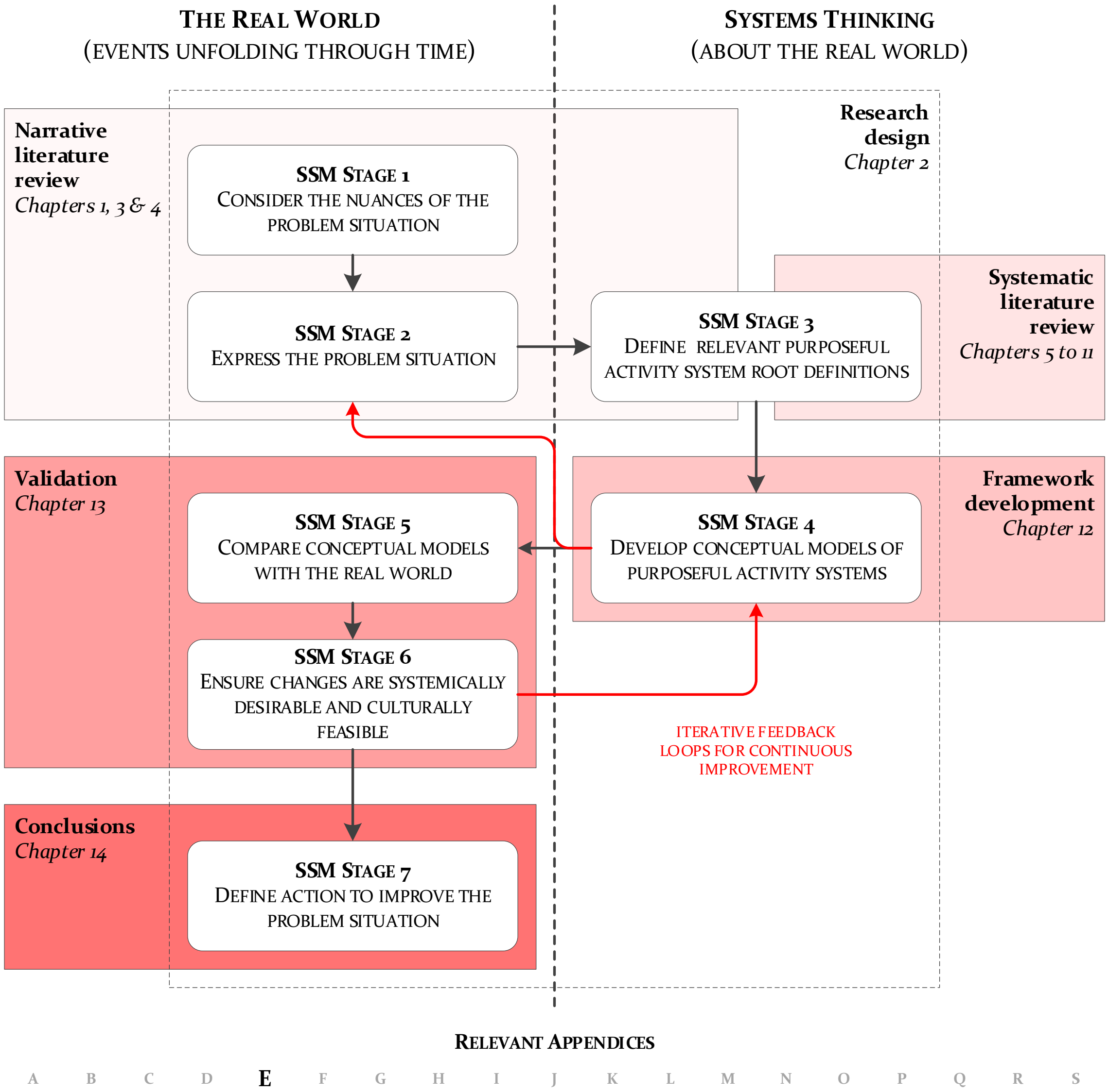
2.5 Conclusion

In this chapter, the research methodology was decided upon. Due to its proven ability to cope well with social situations, SSM was chosen as the guiding methodology for this study. It consists of seven ordered stages from problem identification to defining feasible action to improve the problem situation. Ethical implications (the lack thereof to be precise) were also addressed. In ending, the methods of analysis were explored briefly so as to give the reader an idea of what to expect in following chapters.

With a firm foundation in place regarding the reasoning for and approach of the dissertation, it is now necessary to understand more of the subject matter pertaining to enterprise growth at the BOP, and follow the roadmap developed in this chapter to answer the research questions of this study. To do this, the narrative literature review is continued with for the next three chapters, whereat the systematic literature review begins, which covers the next six chapters after that.

CHAPTER 3

BASE OF THE PYRAMID MARKET



"Overcoming poverty is not a task of charity, it is an act of justice. Like slavery and apartheid, poverty is not natural. It is man-made and it can be overcome and eradicated by the actions of human beings."

Nelson Mandela as quoted in his Trafalgar Square speech entitled Make Poverty History (2005)

"When the poor at the BOP are treated as consumers, they can reap the benefits of respect, choice, and self-esteem and have an opportunity to climb out of the poverty trap."

Prahalad (2009:125)

3.1 Introduction

To bring about any change that is socially acceptable and culturally feasible at the BOP, it is important to define the BOP market and understand it as well as possible. Important aspects of the BOP market include the impact of poverty and unemployment, the market's size and segments, the consumption patterns, the critical dimensions by which it operates, and lastly the problems associated with approaching it as a market. This chapter serves so as to expand on each of these areas.

As portrayed in Figure 2-1 of Chapter 2.2, this chapter contributes to stage three of the SSM approach used throughout this study (Checkland & Scholes, 1990:211).

The research sub-questions which are answered in this chapter include:

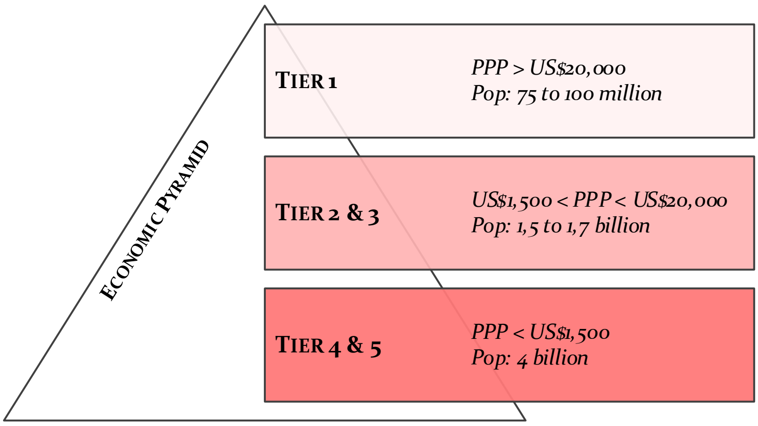
- What is the BOP?
    - What is the economic breakdown of the South African BOP?
    - Is the South African BOP a viable market?
    - How is the BOP commonly segmented in South Africa?
    - What are the determinants of poverty in a South African context?
- What are the consumption patterns of the poor in the South African BOP?
    - How does the cash flow of the BOP work?
    - What does this spending pattern mean for SMMEs operating in the BOP?
- As a market, how does the BOP compare to other tiers of the economic pyramid (i.e. what are its critical dimensions)?
- What impediments to SMME action exist at the BOP?

3.2 BOP definition

To begin in the right place, it is instructive to learn from the man who first popularised the idea that there was money to be made at the base of the economic pyramid. For this we go to Prahalad (2009) who believed that:

> *What is needed is a better approach to help the poor, an approach that involves partnering with them to innovate and achieve sustainable win-win scenarios where the poor are actively engaged and, at the same time, the companies providing products and services to them are profitable.*

He believed that large-scale and wide-spread entrepreneurship are both right at the heart of the solution to world poverty and that through a low price, low margin, high volume approach, enterprises operating at the BOP can simultaneously alleviate poverty and turn over a profit. This belief is based on multiple case studies where entrepreneurs have entered the BOP and established successful markets via private enterprises.



Whereby PPP is the Purchasing Power Parity and Pop is the population estimate

Figure 3-1 The global economic pyramid (Hart & Prahalad, 2002)

Figure 3-1 depicts the global economic pyramid and reveals that the BOP is in excess of four billion people. It also implies that more than four billion people currently live at the BOP on less than US$2 per day. The fact of the matter is that there exist an astonishingly large number of people at the BOP with a huge aggregate spending power, thus creating a huge market for any organisation to tap into.

The high-end market situated at the top of the pyramid is much smaller in terms of population size. Typical attributes of this market would include an abundance of skills, wealth, high performance, greater speed, and use of latest technologies in daily lives. Products developed for this high-end market are typically expensive, complex, luxurious excessively packed with extras and targeted at the high-end market seeking these advanced products with the means to afford them.

The BOP of course lies in the low-end of the market and has different needs to the high-end market. Low-end markets need simpler and more affordable products, whereby simpler denotes an elimination of excess and has nothing to do with lower quality.

3.3 The South African BOP

The BOP population's characteristics are highly dependent on the country and geographic location in question, making it necessary to specifically understand the local BOP in attempting to appreciate the South African context.

3.3.1 ECONOMIC PYRAMID BREAKDOWN

Figure 3-2 shows the breakdown of the South African economic pyramid, according to a report released by Eighty20 (2012) which is a South African consulting company of marketing specialists. The breakdown lists the sizes of households, the daily income per capita in these households, and the compound annual growth rate over the period 2006 to 2011.

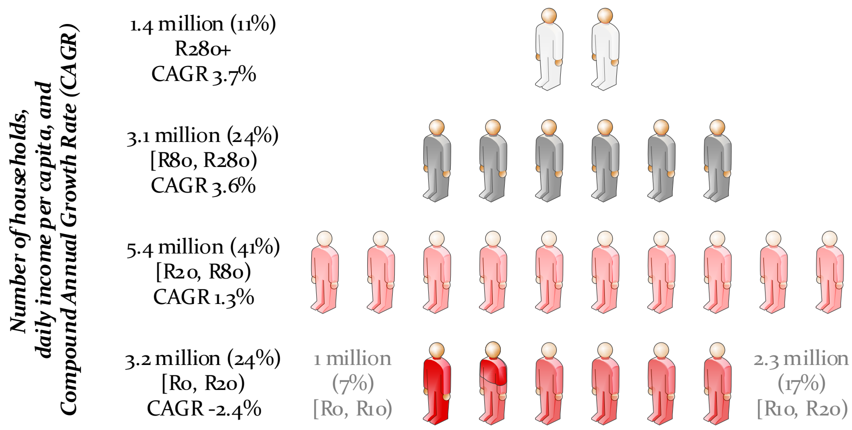


Figure 3-2 The South African economic pyramid (Eighty20, 2011)

This data is very near to the findings of the Statistics South Africa Income and Expenditure Survey 2010/2011 (Statistics S.A., 2011), promoting its accuracy. For a comparison, see Eighty20 (2012).

3.3.2 Market Segmentation

Segmenting the South African market is meaningful in that it further divides the population into manageable and meaningful sub-groups. Market segmentation is based on the fundamental assumption that groups of people in similar circumstances behave in a similar manner to one another, enabling enterprises to better target specific segments of the market when developing their products or services. Consumer characteristics which might be used to segment a market include demographic, geographic, psychographic, benefit, and buying behaviour (or usage) segmentation.

A widely used segmentation tool in South Africa is the Living Standards Measurement (LSM). The LSM is primarily a demographic means of segmentation, however it incorporates accessibility and geographic indicators to better segment the local market. It was developed by the South African Audience Research Foundation (SAARF, 2015), which says that the LSM:

> *Cuts across race and other outmoded techniques of categorising people, and instead groups people according to their living standard using wealth and access indicators such as degree of urbanisation, ownership of cars and major appliances and access to basic services such as water and electricity. Because it is a multivariate segmentation tool constructed from 29 individual variables, it is a stronger differentiator than any single demographic.*

According to Truter (2007), the LSM is "*the most widely used marketing research tool in South Africa,*" further supported by Cant, Brink and Brijball (2006). LSM is a multi-attribute segmentation tool based on the level of access to services and durables within the South African population, which partly uses geographic indicators as determinants of standards of living. The multi-dimensional analysis is based on a combination of principle component analysis and stepwise regression analysis.

The LSM is useful in that it is relatively stable over time yet still sensitive enough to register changes, giving enterprises the ability to understand the market without biases from individuals' personal variables disrupting the segment definitions, which are themselves being continually updated. The

LSM divides the population into ten groups, ranging incrementally from one (the lowest) to ten (the highest) in terms of living standard. The breakdown of the population as a percentage of total South Africans in the LSM groups through the years is shown in Figure 3-3. The LSM group definitions change with time, showing a general upwards trend due to economic growth and investment in social development by the government.

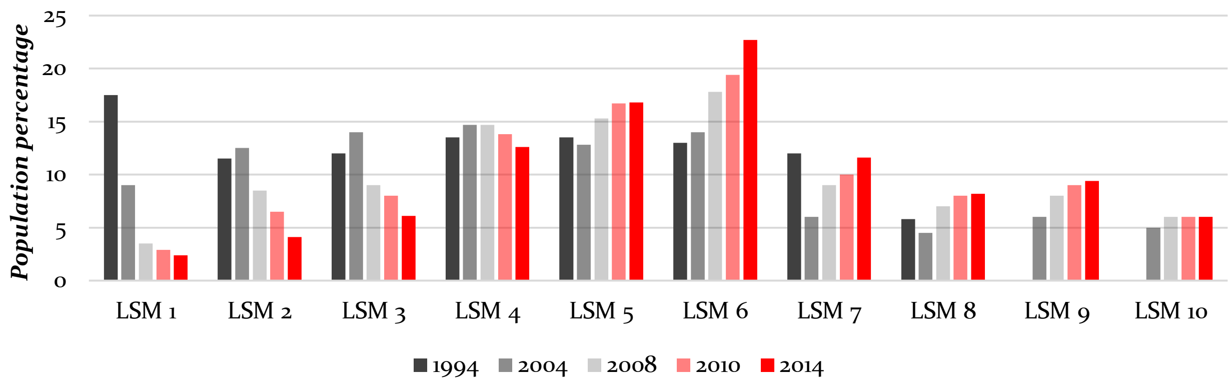


Figure 3-3 Percentage population in LSM groups over time, adapted from Nedbank Group (2011:4)

In accordance with Statistics S.A. (2017), in 2015 the poverty levels had reached a height of 55.5% of the population, which corresponds to the first five LSM groups entirely and almost half of the sixth in terms of population. However, only the first five LSM groups constitute the BOP according to the generally accepted income definition of the BOP. This discrepancy is to be expected as the national poverty indicators and the LSM poverty indicators are substantially different. Each of the first five LSM groups are described in Table 3-1 in terms of their demographics, most used media forms, and generally associated characteristics. The size of each is also given as a percentage of the total population in South Africa. For a detailed description of the other LSM groups (6 to 10), see Appendix E.1.

Table 3-1 LSM group 1 to 4 characteristics (SAARF, 2014:1)

LSM group *(and size)*	**Demographics**	**Media**	**General**
LSM 1 (2.4%)	Female bias 50+ years old Some high school Small urban/rural Traditional hut R1,666 average household income per month	Radio a major channel of media communication; mainly African Language Services (ALS)- Umhlobo Wenene FM, Ukhozi FM and community	Minimal access to services Minimal ownership of durables, except radio sets 37% have a savings account Activities: minimal participation in activities, singing
LSM 2 (4.1%)	Female bias 15–24 and 50+ years old Some high school Small urban/rural Squatter hut shack, matchbox and traditional hut R2,290 average household income per month	Radio: Commercial, mainly ALS-Ukhozi FM, Umhlobo Wenene FM	Communal access to water Minimal ownership of durables, except radio sets and stoves 38% have a savings account Activities: minimal participation in activities, singing, attend burial society meetings and traditional gatherings

LSM group *(and size)*	**Demographics**	**Media**	**General**
LSM 3 (6.1%)	Female bias 15–24 and 50+ years old Some high school Small urban/rural Squatter hut shack, matchbox and traditional hut R2,619 average household income per month	Radio: Mainly ALS stations, Ukhozi FM, Umhlobo Wenene FM	Water on plot or communal Minimal ownership of durables, except radio sets and stoves 48% have a savings account Activities: singing
LSM 4 (12.6%)	Female bias 15-24 and 50+ years old Some high school Small urban/rural Squatter hut shack, matchbox and traditional hut R3,268 average household income per month	Radio: Commercial mainly ALS, Gagasi, Motsweding, Ukhozi, Umhlobo Wenene FM, Community Radio TV: SABC 1	Electricity, water on plot or communal, non-flush toilet TV sets, electric hotplates 55% have a savings account Activities: attend gatherings, go to night clubs
LSM 5 (16.8%)	Male bias 15-34 years old Some high school Small urban/rural House, matchbox/matchbox improved R4,242 average household income per month	Radio: Commercial mainly ALS stations, Lesedi FM, Motsweding FM, Ukhozi FM, community radio TV: SABC 1,2,3, e.tv, Top TV	Electricity, water on plot, flush toilet outside TV sets, hi-fi/radio set, stove, fridge 61% have savings accounts Activities: singing, bake for pleasure, go to clubs, attend gatherings, buy lottery tickets

The LSM population percentage breakdown is shown in Figure 3-4, however it must be noted that it bears no relationship to the geographic location of the LSM groups.

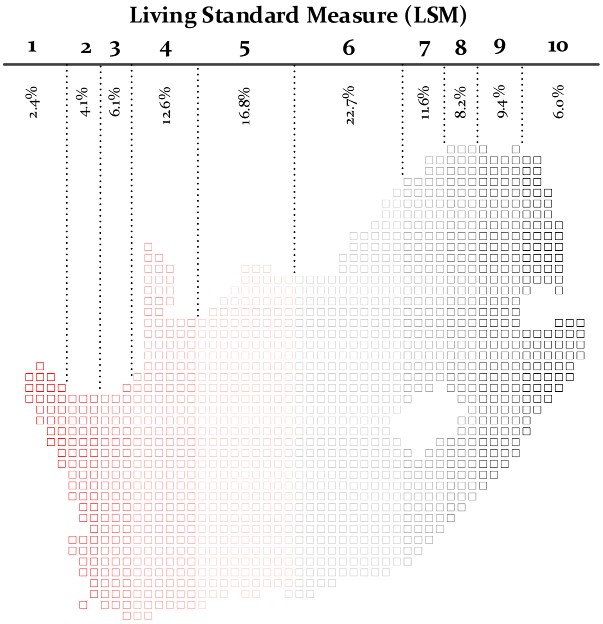


Figure 3-4 LSM population percentage breakdown (SAARF, 2014:1)

Demographics are a commonly used means of primal segmentation, which although useful are not often strong differentiators of market segments on their own (Truter, 2007). There are a number of other measures which can be used in conjunction with the LSM for differentiating among the market segments, including but not limited to life stages, education, mothers with children, household purchases, large item purchases, occupation, gender, language, family size, mobile phone usage, internet usage, sports and music interests, communication media (TV, radio, newspapers, magazines), and age (SAARF, 2014). The SAARF also provides these indicators to enterprises for a fee, in what they call their All Media and Products Survey (AMPS). The AMPS is by nature a behavioural study allowing the enterprise to see trends in the lifestyles and choices made by consumers.

3.3.3 Determinants of poverty

Determinants can be classified according to economic, social, political, and environmental causes, and occur predominantly at either a micro or macro level (Hulme, Moore & Shepherd, 2001). According to Alcock (1997:36), "*Once we recognize that poverty exists, then we... know that it must have a cause (or causes); and if we can identify the cause of poverty, then that should give us a basis to develop a policy response to it.*" The aim of this section is therefore to summarise the theoretical and empirical determinants of poverty applicable to the South African context.

3.3.3.1 Economic causes

Low productivity, poor economic skill, macroeconomic shocks (e.g. shrinking or stagnant economic growth, inflation), microeconomic shocks (e.g. un- or underemployment), adverse terms of trade, technological backwardness or lack of research and development, and negative consequences of globalisation all contribute to poverty.

Of particular concern is the effect of globalisation. Not only do the poor benefit disproportionately less from it, but under certain circumstances globalisation can in actual fact exacerbate poverty (Khor, 2002; Watkins, 2002). The perception is that "*trade accentuates not ameliorates, deepens not diminishes, poverty in both the rich and the poor countries*" (Bhagwati & Srinivasan, 2002:180). Based on a number of surveys regarding the effects of globalisation on poverty (Harrison, 2006; Mbuli, 2009), the following themes emerged:

- **Trade reform does not always benefit the poor:** this can be attributed to the fact that:
    - Due to a number of flawed assumptions (i.e. all countries produce all goods; goods imported from abroad and domestically are close substitutes, and; comparative advantage can be fixed vis-à-vis all trading partners), the popular Heckscher-Ohlin (HO) framework for international trade which economists use to argue that trade liberalisation raises the income of abundant unskilled labour (the poor) is not true in reality (Davis & Mishra, 2007). For example, when looking at South Africa, the USA, and China, granting South Africa may have a comparative advantage in producing low-

skill goods in trade with the United States, its comparative advantage switches vis-à-vis trade with China

- Historically, trade reforms have protected the unskilled labourers (poor) who may lose this protection with new reforms

- **Financial crises are very costly to the poor:** although opening up financial markets is often commonly agreed as being beneficial to poverty reduction, in reality the opposite is true for the majority of developing countries (Mishkin, 2007:273), as this effect is not robust in that it has been empirically shown to only be true in countries where there exist good institutions and quality governance (Prasad, Rogoff, Wei & Kose, 2005; Klein, 2005)
- **Globalisation produces both winners and losers among the poor:** the poor are a heterogeneous population group and what helps one segment may not help another. Jenkins (2006) found that although globalisation may help one industry or sector, it may cripple another simultaneously. This was the case in South Africa for the textile industries whereby between 1996 and 2004, South Africa lost 75,000 clothing and textile jobs due to opening up to international competition from countries such as China (according to the *Mail&Guardian*, 2005, as cited by Desai (2005))
- **Trade distortion generates poverty:** although trade liberalisation may benefit both parties, this is definitely not an evenly distributed gain for both, for instance in the case of trade tariffs, which according to Oxfam International (Watkins & Fowler, 2002) are up to four or five times as much between developing countries and industrialised countries as compared to that between industrialised countries alone. The industrialised countries have limited tariff cuts related to those products where emerging countries are competitive and uphold tariff peaks in labour intensive products (Disdier, Fontagné & Mimouni, 2015:37)

Stagnant or shrinking economic growth and high levels of inflation work hand in hand to worsen poverty levels (Tambunan, 2005). In essence, stagnant (or worse, shrinking) economic growth results in decreasing economic outputs and thus employment levels drop, whilst at the same time domestic prices go up and the real income of the poor is effectively cut, both of which lead to heightened levels of poverty. Inflation, which is an increase in the general prices of goods, can be seen as a type of tax which affects the poor substantially more so than the rich (Easterly & Fischer, 2001). Thus, inflation not only increases the prices of goods, but it also decreases the purchasing power of the poor as the increases in inflation are not commensurate with the changes in their real income.

Another strong exacerbator of poverty is unemployment. According to Herrington, Kew and Kew (2015:18), over ten million people in South Africa live below the breadline (the poorest condition in which it is acceptable to live). In addition, the country's inequality levels are among the highest in the world; exhibiting a Gini coefficient based on expenditure of 0.65 in 2011 which, with zero representing complete income equality and one representing complete income inequality, is substantially higher than the BRIC (Brazil, Russia, India, and China) average of 0.43 (World Bank, 2014). In terms of consumption the wealthiest 20% of the population account for over 61% while the poorest 20% account for only 4.5%.

According to the International Labour Organisation (ILO, 2014:19), South Africa has the highest level of unemployment of 25.3% in the Sub-Saharan Africa region (over three times higher than the regional average of 7.6%). The general method of measurement is however flawed in that it does not account for discouraged work seekers who have given up seeking employment. If taken into account, this would nearly double the unemployment rate to 45% (Herrington *et al.*, 2015:19). This says nothing of the people whose jobs are nonetheless subpar in that they either earn insubstantially low wages, are still stuck in poverty, or have what can be termed vulnerable jobs. Aptly described as a ticking time bomb, the high level of youth (working class people aged 15-24 years old) that are unemployed being 51.3% is a huge challenge for the future of South Africa (Statistics S.A., 2015a).

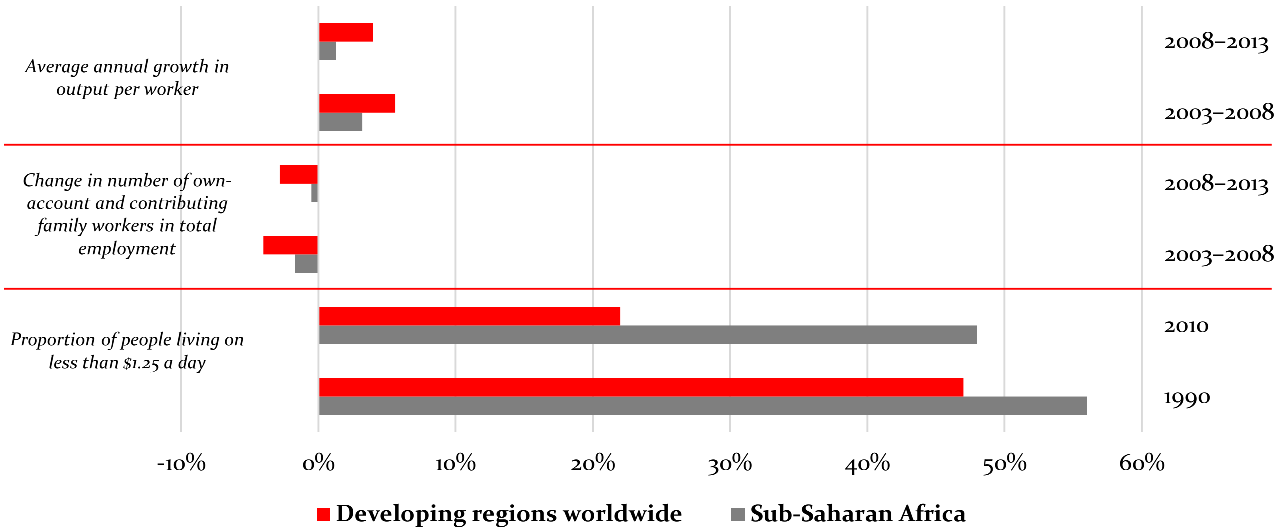


Figure 3-5 Poverty in Sub-Saharan Africa put in context (Ki-moon, 2014:10)

According to The Millennium Development Goals (MDG) Report 2014 (Ki-moon, 2014), extreme poverty in a global sense has been on the decline over the past decade as shown in the infographics of Figure 3-5. As depicted, the extreme poverty rate in Sub Saharan Africa has lowered to less than 50%, with an even greater reduction occurring in total for developing regions worldwide which lowered to just 22% by 2010 (from 1.9 billion people in 1990 to 1.2 billion in 2010). In effect, the MDG target for reducing extreme poverty was met five years before its time. However, this progress is mostly attributed to poverty reduction in Asian regions, and Sub-Saharan Africa did not reach the target by the end of 2015 on a number of fronts (Statistics S.A., 2015b).

Labour markets have been hit hard by slow economic growth, particularly so in the developing world. In 2013 the global economic growth rate reached its lowest rate since 2009, showing its negative effects in limited progress concerning low-quality employment reduction (Ki-moon, 2014:10). For instance, the rate of decrease of vulnerable employment rate (which is the percentage of own-account and unpaid family workers in total employment) for Sub-Saharan Africa went from -1.7% to -0.5%, which is substantially below the advances made in the rest of the developing world which went from -4% to -2.8%. The vulnerable employment rate is estimated to be around 56% for developing regions. Sub-Saharan Africa exhibits the highest overall vulnerable employment rate estimated at 77.4% in 2013 (ILO, 2014:68). A high rate of vulnerable employment is indicative of widespread informal working arrangements, which implicates that workers in this situation generally lack adequate social protection. The end result of such conditions is low incomes, arduous working conditions, and oftentimes the violation of fundamental human rights.

Accompanying this limited improvement in job quality is a slowdown in productivity growth. According to Ki-moon (2014:10), "*labour productivity is a key measure of economic performance*." As labour productivity is in essence a measure of the quantity of products or services a worker produces in a given time, it is sad to see that the average annual labour productivity growth rates have decreased significantly in Sub-Saharan Africa from 3.2% to 1.3% in the years 2008 to 2013 as compared to the period 2003 to 2008.

Thus, in order to create value for the BOP, it is important to take into account their true needs whilst not further violating their fundamental human rights, and at the same time pricing the value offering so as to be affordable to the high count of unemployed people at the BOP. For a more thorough understanding of the South African context, the BOP in South Africa will be looked at in the next section.

3.3.3.2 SOCIAL CAUSES

Discrimination (gender, age, ethnicity, caste, race, impairment), high fertility and dependency ratios, poor health and HIV/AIDS, inequality, corruption, lack of trust or social capital, and absence of successful role models all play a role in the social causes of poverty.

A prevalent promoter of poverty in developing countries regards corruption at the market level and at the level of the government (Justesen & Bjørnskov, 2014). Corruption can thus be divided into the following factors:

- **Economic factors:** through its impact on economic growth, corruption worsens poverty (Chetwynd, Chetwynd & Spector, 2003; Mauro & Carmeci, 2007). It impedes growth by discouraging foreign and domestic investment, diminishing the quality of public infrastructure, over-taxing and otherwise stifling entrepreneurship, decreasing tax revenues, and distorting the composition of public expenditure. Furthermore, corruption exacerbates income inequality (Gupta, Davoodi & Alonso-Terme, 2002)

- **Governance factors:** according to the World Bank (2001a), corruption reduces governance capacity by weakening political institutions and hindering citizen participation, each of which lead to lower quality government services and infrastructure. The poor bear the brunt of the negative side-effects due to the fact that they depend the most on public utilities and infrastructure (Gupta, Davoodi & Tiongson, 2000; Mauro & Carmeci, 2007)

Rapid population growth of 2% or higher per annum (Pernia, 2004) in itself exacerbates poverty as oftentimes in developing countries there is already an insufficient amount of resources or adequate infrastructure to deal with the poor, when the poor multiply rapidly it becomes even more of a trouble for government. The links between rapid population growth and poverty are well studied (Eastwood & Lipton, 1999, 2001; Pernia & Quibria, 1999; Orbeta, 2003; Lipton & Ravallion, 1993; Balisacan & Tubianosa, 2004). Rapid population growth hinders development for two main reasons, namely because it:

- **Reduces growth in per capita incomes (and therefore savings):** this reduces the funds available for investment in a productive capacity. This underinvestment reduces economic growth and prospects for poverty reduction (Coale & Hoover, 1958; Birdsall, 1988)
- **Increases the aggregate availability of labour in an economy:** this is out of balance with the availability of tenable land and physical capital (Birdsall & Griffin, 1993; Bloom, Canning & Sevilla, 2003). As a consequence, a relative decline in labour wages invariably occurs, particularly so for unskilled labour. The end result is greater levels of inequality and higher poverty rates all over

Rapid population growth therefore generally outpaces the capacity of industries to absorb the unskilled labour in particular sectors, e.g. mining and manufacturing. For example, in South Africa, between the year 1995 and 2002 the net increase in number of jobs created was only 1,600,600 (16.75%) in comparison to an increase of 5,005,600 (37.24%) in the number of working age people (Statistics S.A., 1995, 2002). Thus, rapid population growth compounded unemployment and underemployment. A portion of this increase can be attributed to a rise in the number of people migrating from rural to urban regions (Abedian, 2004).

Empirical evidence also shows that in countries with high inequality, the beneficial effects of economic growth may be dampened due to the fact that the rich obtain disproportionately more from growth than the poor (Lucas & Timmer, 2005; Bautista, 1999; Paci, Sasin & Verbeek, 2004). This has been shown as true in South Africa where inequality levels are very high (Whiteford & McGrath, 1994). This is not so for developing countries with little inequality, whereby the poor and rich grow in a commensurate manner.

3.3.3.3 POLITICAL CAUSES

Poor political governance, poor macroeconomic governance (including poor resource management), insecurity, violent conflict, domination by regional/global superpowers, and even globalisation each contribute to the political causes of poverty.

In South Africa, poor political and macro-economic governance are the major political poverty exacerbating factors at play. Corruption in public administration has rendered the economy unstable, significantly contributing towards the country's investment grade being demoted to junk status by both Standard & Poor's and Fitch Ratings in 2017. Though the ramifications of this downgrade are not immediately apparent, in the long run it is always the poor who suffer the most in an economic crisis.

3.3.3.4 ENVIRONMENTAL CAUSES

Low quality natural resources, environmental degradation, disasters (including floods, droughts, and fires, etc.), remoteness and lack of access, and propensity for disease (which is predominantly climate dependent), all worsen the lot of the poor from an environmental stance.

Of course, environmental risk faces all of humanity, however it is more a result of the increased degree of exposure and the associated decreased ability to cope with environmental risk that intensifies the detrimental effects on the poor. Ill-constructed houses susceptible to damage, infertile land for agriculture being subject to droughts and fires, inadequate access to finances to insure against loss of property, health-related consequences of malnutrition, and minimal or non-existent education to give the poor access to other income sources all aggravate poverty (Anderson, 1999; Mbuli, 2009).

Environmental disasters have three costs associated with them (Anderson, 1990): direct costs (e.g. losses of inventories and capital stock); indirect costs (e.g. lost income, employment, or services that result from impaired productive capacity); and secondary costs (e.g. decreases in economic growth and development that occur due to inflation, increased debt, price changes that have redistribution effects).

Environmental effects on poverty are amplified in remote rural regions due to a number of reasons (Ravallion, 2001), including: an inherently lower level of technological resources and their associated advantages; lower education and general health due to non-whites once being domiciled in these regions with inadequate schooling facilities and healthcare opportunities; increased vulnerability as resources are harder to come by or recover after a disaster, and; inaccessibility due to decrepit or non-existent transport routes.

Forced removals significantly exacerbate poverty, effectively stripping the already disadvantaged of one of their most essential assets, namely their house and associated sense of security (Skeldon, 2014). Those removed to and already staying in rural regions often look to better their lot by returning to the richer urban regions of the country. Thus, in the pursuit of increased earning power, internal migrants (people migrating within their home nation) in developing countries tend to leave their rural roots in the hopes of a better future, as well as to be able to help those they leave behind. These hoped for higher returns however are a function of the migrants' means (assets and resources) and strategies (networks and planning), which makes their potential for success highly context dependent. Once a migrant reaches his/her destination there are oftentimes complications due to intensified oversupply of unskilled workers to that region, generally due to false myths regarding the potential for bettering one's self drawing many to that region (Kothari, 2002; Skeldon, 1997). This results in migrants struggling to find either a job or accommodation, making them even more vulnerable.

3.3.3.5 PERCEIVED CAUSES OF POVERTY

Undeniably, the Apartheid era resulted in exacerbated poverty for non-white citizens, and since then the poor have remained a pressing concern for government. The causes of poverty are numerous, however there are three commonly held beliefs as to why the poor are stuck in poverty. Many theories exist as to what the causes are, however in order to determine which is more likely it is worthwhile looking at what the average South African attributes poverty to.

To this end, Davids and Gouws (2013:1201) performed a survey to ascertain the perceived causes of poverty in South Africa. Based on their literature study they determined three broad theoretical explanations of the causes, namely: individualistic explanations, whereby blame is placed solely on the poor themselves; fatalistic explanations, whereby poverty is attributed to plain bad luck and illness, and lastly; structural explanations, whereby external social and economic forces are perceived as being the cause of poverty. The results indicated that by and large, poverty was perceived to be due to structural factors. This result supports the claims made by Statistics S.A. (2014:13) that progress in alleviating poverty is due to a culmination of advantageous economic factors. However, the majority of financially more secure recipients erroneously believed it was mainly due to individualistic factors, or to a lesser degree due to fatalistic factors.

Regardless of the reason for poverty in South Africa, and due to the multidimensional nature of poverty, the end goal should be to approach poverty alleviation in a practical and clearly visible manner. Thus, the next question is one of finding out which poverty alleviation strategies exist, as well as their associated merits and inadequacies.

3.3.4 INTERNATIONAL BEST PRACTICES

Poverty alleviation is a topic on the agenda of many nations the world over. The approaches of three notable cases whereby poverty alleviation was effected at a national scale are discussed at length in Appendix E.2, including China, Uganda, and Vietnam. For more information regarding these three countries and more, see Mbuli (2009) and Fan, Brzeska and Shields (2007).

Essentially, international best practices utilise the creation of economic opportunities for the poor, good governance, and targeted programmes to reduce poverty on a national scale. A similar take on poverty alleviation in South Africa can be seen in the Reconstruction and Development Programme (RDP) which is essentially a socio-economic policy framework which seeks to "*lead to growth in all parts of the economy, greater equity through redistribution, and sustainability*" (ANC, 2017).

The role of the government cannot be understated; however, their role has been shown to be largely regulatory in nature. An invariably key component to the reduction of poverty lies with the action of enterprise owners in the BOP, and this is exactly where a BOP targeting social enterprise should aim to intervene. By providing value offerings that enable the BOP to help themselves, it is possible to further increase the extent to which poverty may be alleviated.

3.4 Consumption at the BOP

In terms of what the BOP spends its money on, it is useful to look at their consumption patterns. The estimated BOP market by sector is shown in Figure 3-6 with a net worth of US$5 trillion in 2007 (Hammond, Kramer, Katz, Tran & Walker, 2007). Africa's share is around US$429 billion. As can be seen, the acutely price sensitive worldwide BOP consumers spend roughly two thirds of their income on food alone.

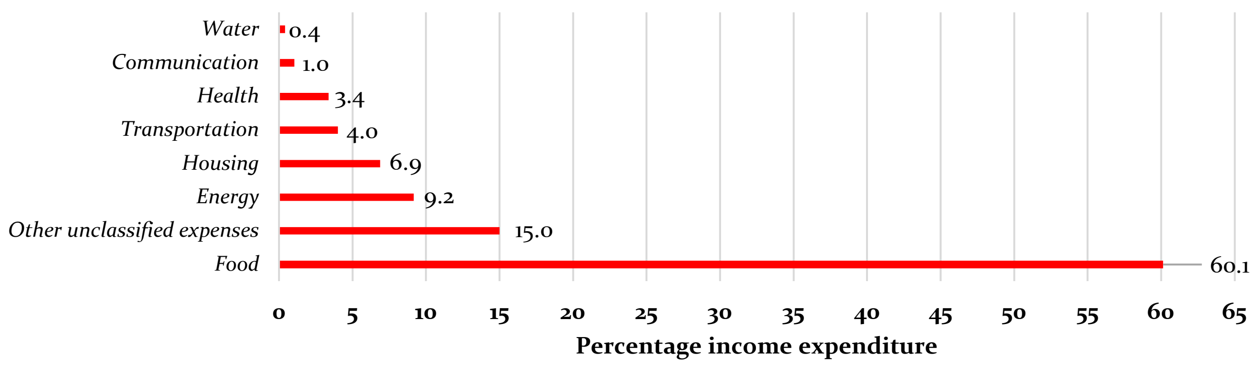


Figure 3-6 Estimated international BOP market by sector, adapted from Hammond *et al.* (2007)

In South Africa, the expenditure is slightly different, however in the same proportions. In the next section, the South African BOP market will be broken down in terms of their buying habits and some consideration will be given to how cash flow is a key concern in the BOP.

3.4.1 Expenditure in South African BOP households

By averaging the expenditures for the four lowest deciles of the LSM groups, the expenditure pattern for the poorest in the South African BOP shown in Figure 3-7 was arrived at.

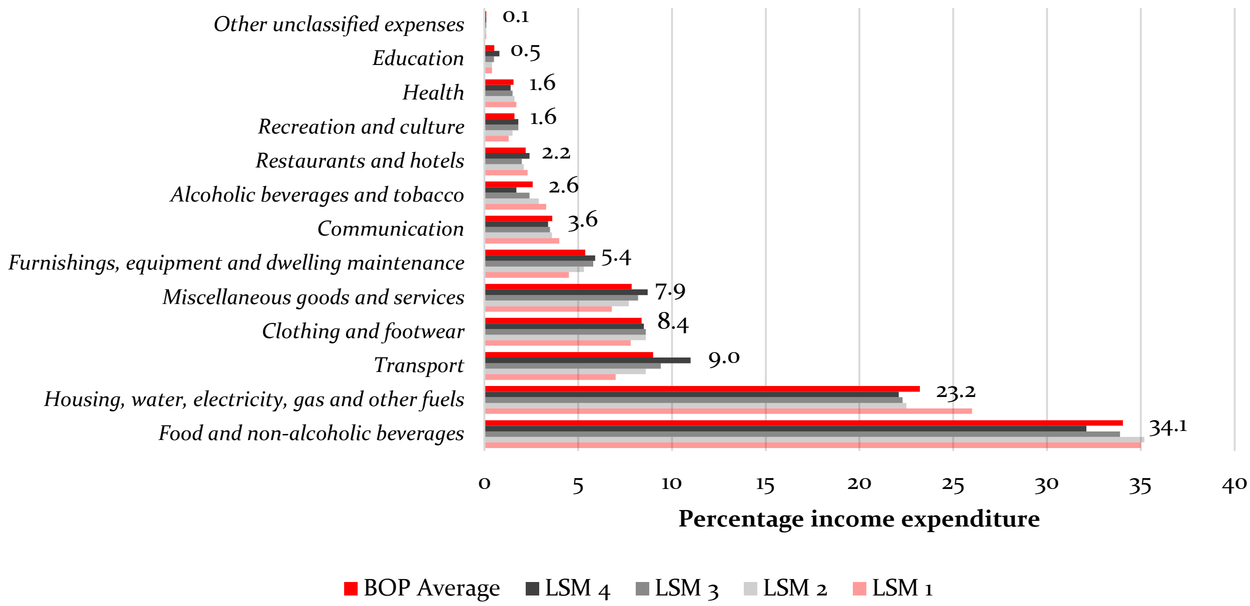


Figure 3-7 South African BOP household expenditure, extracted from Statistics S.A. (2011:59)

It is evident that each of the four LSM segments of the BOP buy products and services in the same proportions.

3.4.2 Cash flow in the BOP

In the BOP, consumers operate from a very different standpoint to those of the higher tiers. Not only is the amount of money they possess at the BOP inherently less, but it is also uncertain and intermittent in nature, and subject to the social setting in which the respective BOP person lives. This position is well described by Rutherford (2000) who says:

> *The difficulty comes not so much with finding the resources from which to save, as with the practical problems of saving up. It is very hard to find a safe place to store cash. Formal opportunities to do so – at banks and the like – are rarely accessible. Cash kept at an insecure slum or village home can be stolen, lost, burnt, blown or washed away. It can be captured by mothers-in-law with hard voices, visiting relatives with hard-luck stories, and alcoholic husbands with hard knuckles. How do you keep even a few cents back when the children are hungry?*

The two main forms of money movement are shown in Figure 3-8, namely saving up and saving down (Rutherford, 2000). Saving up is understandable enough, and occurs when savings are stored until they have accumulated into a sum large enough to serve some expenditure need. Saving down on the other hand relates to borrowing and repaying a loan. Of course, repaying loans depends equally on the act of saving up money, however the difference is in the timing of the lump sum coming into action. In saving down the lump sum is available before saving is necessary (to repay some or other loan).

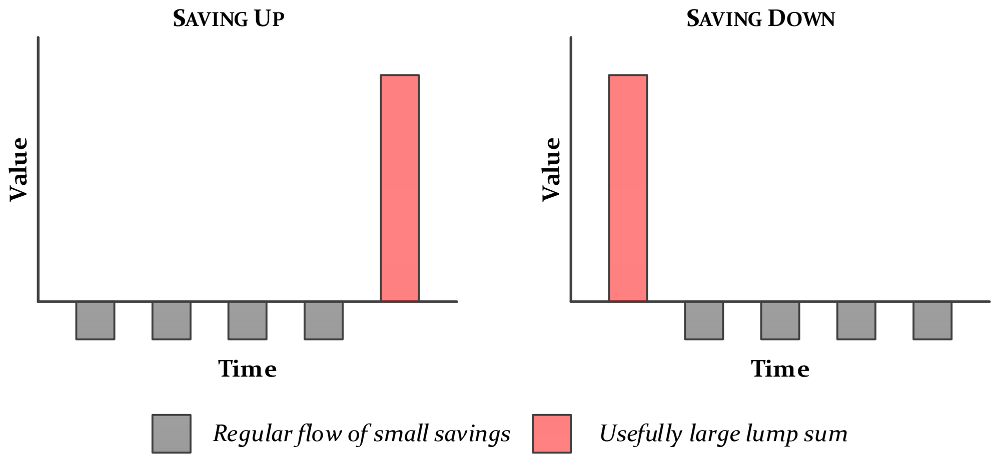


Figure 3-8 Savings and credit from the perspective of the poor

It could be said that there is a third means by which BOP manage their money, a hybrid form of the above two extremes, whereby the BOP person saves through. Saving through refers to when the lump sum of money is available to the BOP person in the form of a loan only when some or other criteria is met (other than that the amount previously loaned is fully repaid, e.g. insurance claims).

Thus, the discretionary spending power of the BOP must be taken into account when trying to price products and services, as each of the abovementioned forms of saving impact the money a BOP consumer can readily access. The regularity and timing of cash flows are critical variables to understand so as to ensure both monthly and daily income earners have the ability to pay for value adding products and services, either up front or on credit if possible (Eighty20, 2009:37).

3.4.3 REVENUES, COSTS, AND SCALE IN URBAN AND RURAL BOP MARKETS

Dealing with these small cash flows prevalent at the BOP requires a different approach to be employed in developing value offerings. Prahalad (2009) claims that the secret to any successful BOP endeavour is to approach the market with "*small unit packages, low margin per unit, high volume, and high return on capital employed*." This is further supported by Rangan *et al.*, 2011 who claim that scale is critical, and that "*tentative forays into the base of the pyramid do not yield success*."

Critics of Prahalad's pioneering views of the BOP have slightly more stringent takes on this approach, such as Simanis (2012) who serves as managing director of market creation strategies at Cornell University's Centre for Sustainable Global Enterprise. He argues that for the low price, low margin, high volume approach to be successful, an impractically high market penetration rate must be achieved (above 30%), which is not easy in remote and sparsely distributed rural areas with a fragmented BOP market. For Simanis (2012), success is dependent on two other variables which he claims are invariably absent in BOP markets, namely the existence of decent infrastructure for product distribution (commonly referred to as the *last-mile* problem), and familiarising consumers with products and services being offered. Without these, the BOP product lines may be too costly to maintain.

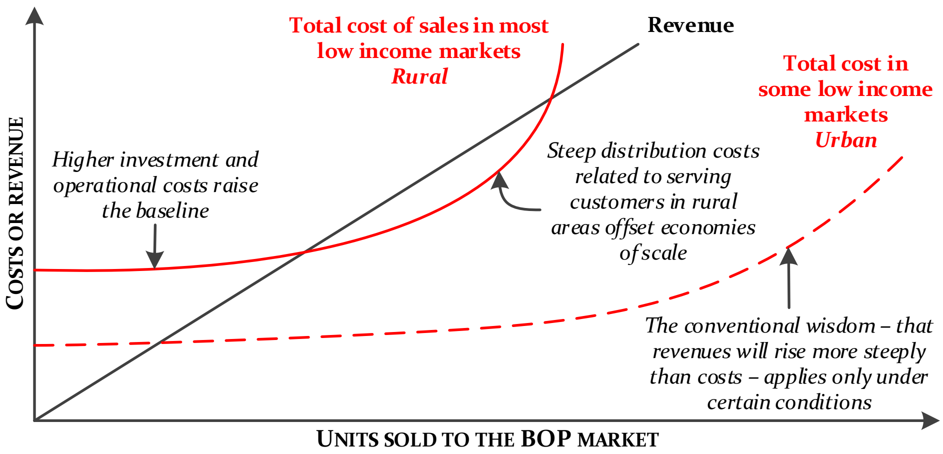


Figure 3-9 Rural drawbacks of low price, low margin, high volume approaches (Simanis, 2012:124)

The basic premise of this problem is shown in Figure 3-9, which portrays the inherently higher investment and operational costs which are prevalent in targeting rural BOP markets. As can be seen, the total cost of sales (in the typical low-income market in BOP literature) for rural areas become too high for sufficient profits to be made, often making the route infeasible. This is due to the invariably higher capital expenditures in a distributed business model approach. However, in the conventional wisdom surrounding BOP literature, the total cost is low enough that the rise in revenues due to high volume sales brings about sufficient profits to grow the enterprise in the BOP, assuming large numbers of people are easily accessible. This is generally only the case in urban BOP populations.

Simanis (2012) holds that the key to sustainable BOP dealings lies in enterprises improving their margins by reducing variable costs and raising price points for single transactions, which he believes is achievable through a three-pronged strategy for boosting margins:

- **Localising base products sold as a bundle:** by packaging several product functions in bundles, the customer experience is increased in terms of greater access to needed products, and allows the enterprise to increase the price point per transaction, e.g. solar powered lights with the ability to charge mobile phones
- **Creating an enabling service:** a concurrent service to the product being sold can increase its value to consumers, making sales more likely, e.g. low-cost cement sales for BOP houses with architectural services being provided to give advice on how to best use the cement

- **Marketing through customer peer groups:** greater associations among customer groups can help aggregate sales, thus reducing the distribution costs as customers are likely to seek the value offering of the enterprise by themselves

By following these three tactics he believes that enterprises may be able to reduce costs and sell more per transaction, whilst giving the BOP customers the skills which are necessary to maximise the functionality of their new product. This acts so as to bolster the positive associations with the product in the BOP, enabling further sales. As Simanis (2012) puts it, "*companies must embrace the reality that high margins and price points aren't just a top of the pyramid phenomenon; they're also a necessity for ensuring sustainable businesses at the bottom of the pyramid.*"

With this being said however, large segments of South African BOP markets are accessible due to the rural to urban movement which is filling up townships nearby the country's largest cities (with 41.7% of the poor living in urban settlements as of 2011, according to Statistics S.A. (2014)), allowing vast numbers of BOP consumers to be much more easily reached than in the typically Asian markets prevalently mentioned in BOP literature.

3.5 Critical dimensions of the BOP

With poverty comes an associated difficulty in being heard, which only accentuates misconceptions held by those not in the BOP. The following critical dimensions provide an outline that defines the reality of the BOP market, according to Ver Loren van Themaat (2011) (among others as referenced):

- **There is money at the BOP:** a dominant assumption exists that says poor people have no purchasing power and cannot therefore embody a viable market, however this is incorrect. In actual fact, it is the aggregate spending power of the BOP is what matters. For instance, if the nine developing countries of China, India, Brazil, Mexico, Russia, Indonesia, Turkey, South Africa and Thailand are combined they represent 70% of the developing world population and 90% of the developing world's Gross Domestic Product (GDP) in Purchasing Power Parity (PPP) terms (Prahalad, 2014). This market is even larger than the GDP of Japan, Germany, France, the United Kingdom, and Italy all combined. The BOP is definitely a market to be pursued. By virtue of their sheer numbers, the developing world is worth more than the developed world even though the spending power per person is drastically lower
- **BOP markets can be accessed:** a dominant assumption is that distribution access to the BOP is difficult and a major impediment to participation of large enterprises. The fact however is that urban areas have been drawing poor people to live in settlements right next door. Densities of these settlements exceed 15,000 people per hectare making for extreme distribution opportunities albeit difficult ones to pursue

- **Brand-consciousness exists at the BOP:** contrary to the dominant assumption that the poor are not brand-conscious, poor people are very brand-conscious and also very value-conscious out of necessity. This is due to the fact that wearing or using designer brands portrays a sense of wealth and social status in an otherwise deprived and humble world
- **The BOP market is connected:** popular belief is that BOP consumers are not connected or networkable; however, with the decline in prices and increase in availability of second hand mobile devices it is now easy for the poor to access networks and communicate for very little cost (Ki-moon, 2014:52)
- **BOP consumers readily accept advanced technology:** for the plain and simple fact that if you have not ever had something you cannot forget it or miss it, poor people are easily able to move towards more technologically advanced devices and ways of life. For instance, it is easier to go from no communication device to a smart phone's wireless capabilities than to go from an efficient and easily understood landline with its reliable quality to wireless devices. In this way, the BOP may actually leapfrog to latest technologies quicker than upper tier markets

These critical dimensions provide an argument for the lucrativeness of the BOP market. Though the market is different, it is not disadvantageous. Enterprises that understand how to do business in the BOP stand to benefit immensely.

According to Narayan, Chambers, Shah and Petesch (2000) there are a number of constraints which hinder the lifestyle of the poor and also stop organisations from penetrating the BOP market. These constraints include low income, lack of education and skills, proximity (isolated, dispersed and also distant locations), cultural barriers (lifestyle and language) and lastly bad infrastructure. These and other impediments will be touched on in the following section.

3.6 Impediments to enterprise action at the BOP

All enterprises will be faced with unique challenges whilst operating in the BOP, regardless of their legal form, headquarter base (local enterprises or international MNCs), or marketing approach. Some of the key challenges faced by enterprises have been addressed by Arnold and Quelch (1998), Austin (1990), Austin and Kohn (1990), and Covin and Slevin (1989), to name but a few, so as to prepare the enterprise for when it approaches and operates in the BOP market.

As shown by statistical analyses by the World Bank's International Monetary Fund (IMF, 2014) and the United Nations Conference on Trade and Development (UNCTAD, 2013), countries with large BOP markets have consistently been the most difficult to do business in, primarily due to macro-environmental factors. The difficulties posed by macro-environmental factors are compounded by the risk and uncertainty inherent in the BOP market (Loazya, Ranciere, Servén & Ventura, 2007; Ndulu, Chakraborti, Ramachandran & Wolgin, 2007; Raddatz, 2007).

Impeding factors discussed in this section include: economic, financial, political, governance, and cultural factors (Eifert & Ramachandran, 2004; Gunning & Mengistae, 2001; Perdana, 2005).

3.6.1 ECONOMIC IMPEDIMENTS

BOP markets by and large exist in developing countries with higher macro-economic volatility introducing a number of risks to enterprises operating in this market, which some claim to be the greatest obstruction to success (Dercon, 2005; Ersado, 2006; Rodrik, 1991). This is mainly due to external shocks including financial crises, policy induced difficulties, a troublesome regulatory environment, and more specifically due to a disproportionate income spread combined with weak infrastructure in the BOP market (Loazya *et al.*, 2007).

Consumer income plays a huge role in the marketability of products and services at the BOP, as disproportionate and low levels of income distribution are common among the BOP consumers (IMF, 2014). Although this has been shown to be a viable market for many enterprises (notably Hindustan Unilever), many enterprises struggle to come up with a viable price to capture the greatest market segment possible (Chikweche, 2009). This difficulty is amplified by inflation which impacts consumer spending patterns substantially at the BOP (Coorey, Clausen, Funke, Muñoz & Ould-Abdallah, 2007; Hanke, 2008).

With respect to infrastructure at the BOP in terms of energy, telecommunications, and transportation, its commonly weak and decrepit nature in these markets complicates matters for enterprises in reaching the customers and distributing value offerings efficiently (Fay & Morrison, 2006; Fay & Yepes, 2003). A lack of maintenance combined with little to no investment in upgrading infrastructure perpetuates the problem (Collier & Gunning, 1997; Eifert & Ramachandran, 2004; Yumkella & Vinanchiarachi, 2003). The dire state of public utilities in the BOP according to Eifert, Gelb and Ramachandran (2006) requires that enterprises operating there often need to invest in their own water, energy, telecommunications, fuel, and waste management facilities.

Rapid urbanisation exhibited in many developing countries has led to the formation and growth of urban shantytowns which home vast numbers of the BOP population (Mahajan & Banga, 2007; IMF, 2014). These shantytowns are growing due to the increased number of arrivals from rural areas and other less developed countries. As a result of the rapid growth, the population density of these towns is very high and there is often insufficient infrastructure to support the number of residents or allow enterprises to distribute products effectively via normal channels (Chikweche, 2009), which results in multiple incidences of crime, and unavailability of essentials such as food and hygiene products.

3.6.2 FINANCIAL IMPEDIMENTS

Financially, BOP targeting enterprises have to deal with difficulties in obtaining finances from financial institutions (Fosu, Mhlambo & Oshikoya, 2001). It is generally harder to prove the likelihood of success when dealing with understudied markets such as the BOP who offer little return on investment, and require high market penetration to sell great enough volumes for a venture to be seen as feasible for venture capitalists to support an enterprise (Chikweche, 2009; Eifert *et al.*, 2006; IMF, 2014).

In response to this difficulty, local enterprises without the international backing of MNCs tend to look to their professional networks and form strategic alliances to source loans outside of established institutions which have interest rates that are generally much too high (Fafchamps, 2001).

3.6.3 POLITICAL IMPEDIMENTS

According to Chikweche (2009), political instability is often stated as the most significant political factor in operating an enterprise at the BOP, and Fosu *et al.* (2001) also claim that it is the main criterion by which many enterprises assess the viability of investing in the BOP (see also Gyimah-Brempong and Traynor (1999)). Due to the close relationship between political and economic impediments, political instability (similar to the problem of pricing as an economic impediment) impacts the capacity of an enterprise to calculate and plan costs (Kauffman, Kraay & Mastruzzi, 2007), and also its capacity to manufacture and distribute products without interruption (Loazya *et al.*, 2007).

3.6.4 GOVERNANCE IMPEDIMENTS

The influence of government stretches beyond politics to the governing of the competitive environment in which an enterprise acts, which has a strong influence on the viability of a market (Dixon, 2002; Söderbom & Teal, 2004). As mentioned earlier, policy changes can play a large role in the successful implementation of BOP endeavours, however Ball and Ramachandran (2006) put forward that the negative effects due to these can be mitigated by forming personal relationships with key government officials, making it more likely for funds to be channelled towards the BOP market, and also helping the enterprise to avoid corruption often solicited in the form of bribes.

3.6.5 CULTURAL IMPEDIMENTS

The impact of cultural differences in BOP markets has been studied broadly by international marketing scholars, including Dunning (1997), Fletcher and Crawford (2013), Hofstede, Hofstede and Minkov (1997), and Bradley (2006). One key cultural difference between conventional westernised markets and BOP markets, according to Hofstede *et al.* (1997), is the proclivity of BOP markets to accept authoritarian, hierarchical, and paternalistic relationships within their social groups, making the acceptability of certain products and services largely dependent on the response of the most respected member of the group. Key culture related issues which impede the functioning of BOP operating enterprises, according to the aforementioned scholars include:

- Multiple languages and dialects found at the BOP, for which South Africa is well known, result in communication difficulties when operating in multiple segments of the BOP market
- Relating to the BOP requires knowledge of local cultures and sensitivity to the nuances therein to avoid causing offense or forming sub-optimal relationships, e.g. in negotiations, or educating in how to use a product, or conducting a service
- Religious differences and restrictions open up and close off a number of options for the enterprise, without knowledge of which can lead to the enterprise wasting lots of resources developing the wrong product or service, e.g. funeral insurance should take into account the ancestral paradigm of many of the BOP
- Different cultures will view enterprise action at the BOP from different vantage points, for instance some less privileged members of society in actual fact feel entitled to aid, negating the saleability of certain products
- Varying understandings of the importance of time in the BOP market can lead to difficulties in planning tasks or setting schedules, as many of the BOP market are not confined to the routines of the more well off in society

All of the abovementioned impediments to enterprise action at the BOP must be understood before a successful strategy to alleviating poverty can be designed.

3.7 Conclusion

Each of the research sub-questions which were presented at the beginning of this chapter were answered via a literature study of the local and international BOP populations. The following paragraphs summarise the findings in the order that the research sub-questions were posed.

The BOP is a massive group of impoverished people who live in both urban and rural settings and have limited spending power. The economic breakdown of the South African BOP indicates that as a population group the BOP is 3.2 million households strong, which on average have a daily spending power per household of twenty South African Rands. Due to the size of the market and the fact that they do have spending power (and it is growing, as evidenced by Figure 3-3), including that they are largely an untapped market with few competitors, the South African BOP is a viable market for enterprises that are able to operate in the BOP appropriately. The BOP is commonly segmented in South Africa according to the LSM, of which groups one to five constitute the BOP. Other common segmentation tools include AMPS.

Unemployment was found to exacerbate poverty in that it reduces the spending power of the BOP. Furthermore, many people in the BOP could be considered as being vulnerably employed which means that they are not guaranteed a steady income and have little financial certainty. This means that SMMEs targeting the BOP in South Africa must reduce costs significantly if they wish to sell to the BOP profitably.

Consumption patterns in the BOP reveal that by and large, most of the expenditure at the BOP can be allotted to perishables such as food, drink, and fuels (for a full breakdown, see Figure 3-7). Understanding the stunted cash flow in the BOP segments is crucial when creating value for them. Generally, the BOP personnel either buy on credit and then pay off their debts when they receive their wages (often intermittently), which moneylenders in the BOP take advantage of, or the BOP personnel save up then buy only when they have saved enough. This however has been shown to be risky as the BOP is fraught with thieves, pressing needs, and many other factors which may make saving up impossible. SMMEs need to understand the intermittent nature of cash flows in the BOP, and learn how best to do transactions with people who have very little savings at the best of times.

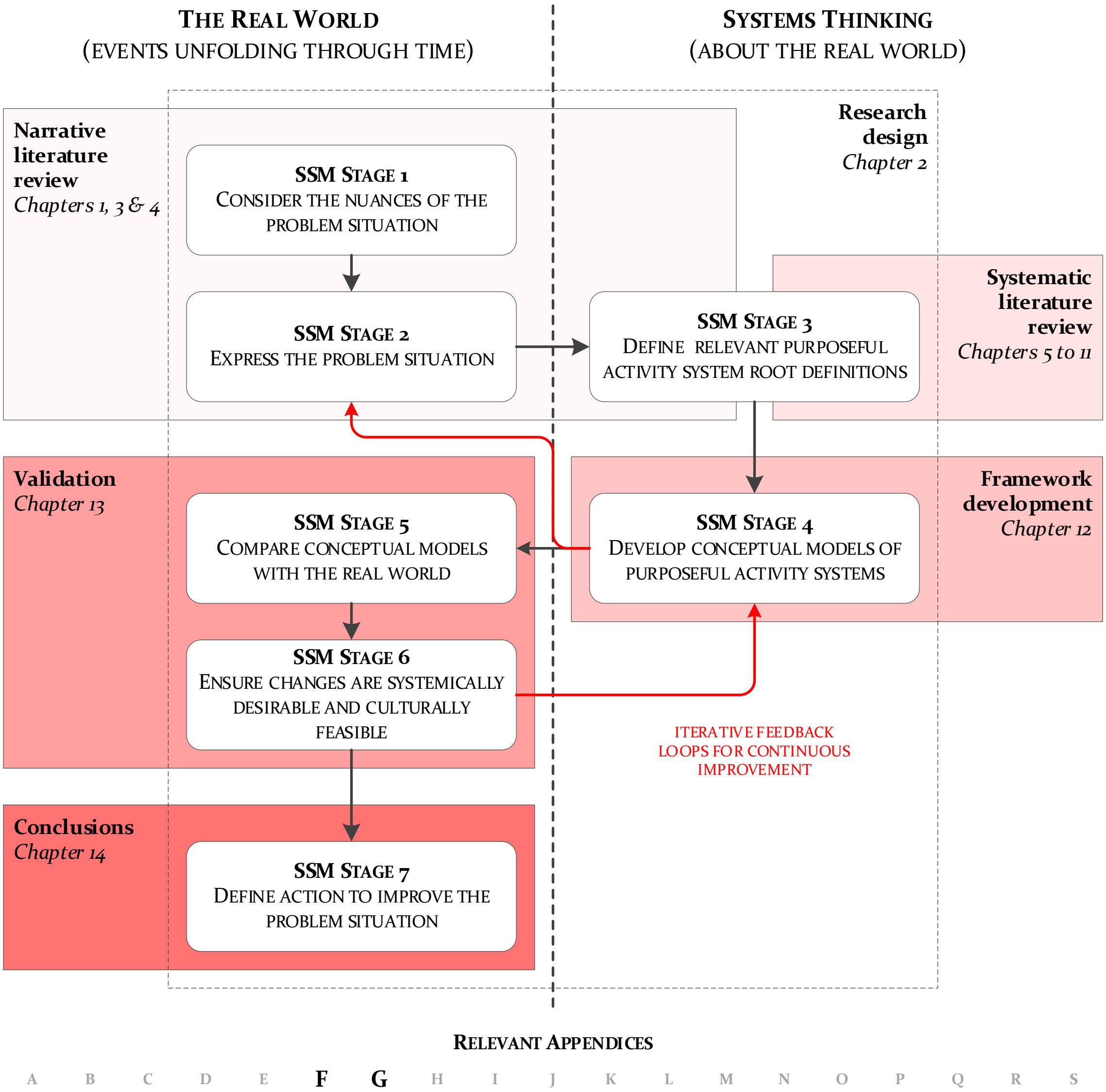
There are a number of misconceptions associated with the BOP, which must be eradicated before an entrepreneur will really understand the BOP. For instance: there is money at the BOP, contrary to popular belief; the BOP can be accessed as many urban settlements are very near big cities; the BOP are conscious of brands and therefore do care about image; they are connected as modern technology is growing at such a rate that second hand cellphones are affordable to them, and lastly; they more readily accept advanced technology due to what is termed the leapfrogging effect.

Impediments to enterprise action which impede progress by SMMEs include economic, financial, political, governance, and cultural impediments. Each of these must be addressed to minimise risks associated with targeting the BOP market.

In essence, organisations need to come to a point of understanding that the multitudes of poor across the planet are taking part in a huge economic surge and there await endless opportunities for organisations if only they will cast aside their misconceptions regarding the BOP (Hart & Prahalad, 2002). It is clear that the BOP has very specific, unique, and different needs as a target market. In the next chapter, the vehicle by which poverty alleviation is approached with regards to this study will be discussed, namely the SMME. The ideal driver of that vehicle will also be discussed, namely the social entrepreneur.

CHAPTER 4

SMALL, MEDIUM AND MICRO-SIZED ENTERPRISES AND SOCIAL ENTREPRENEURSHIP



"The great achievements of civilization have not come from government bureaus... In the only cases in which the masses have escaped from the kind of grinding poverty you're talking about, the only cases in recorded history, are where they have had capitalism and largely free trade. If you want to know where the masses are worse off, worst off, it's exactly in the kinds of societies that depart from that. So that the record of history is absolutely crystal clear, that there is no alternative way so far discovered of improving the lot of the ordinary people that can hold a candle to the productive activities that are unleashed by the free-enterprise system."

Friedman (1979)

Chapter 4 Small, Medium and Micro-sized Enterprises and Social Entrepreneurship

4.1 Introduction

This chapter provides a clear description of SMMEs as pertaining to this study. Hereafter, the suitability of SMMEs to this study is briefly discussed. Then, by breaking down the SMME sector into its different forms, the best route to attaining high growth through enterprise is ascertained. Synonymous with BOP dealings is the notion of social entrepreneurship, which is addressed through first gaining an understanding of traditional commercial entrepreneurship in order to fully grasp the social modification thereof. After focusing on these two types of entrepreneurship and their importance for the BOP oriented SMME, the root definition of the SMME is developed.

As portrayed in Figure 2-1 of Chapter 2.2, this chapter contributes to stage three of the SSM approach used throughout this study (Checkland & Scholes, 1990:211).

The research sub-questions which are answered in this chapter include:

- How are SMMEs important for the South African economy?
- Is entrepreneurship important for SMME growth?
  - What is the definition of entrepreneurship?
- Is social entrepreneurship necessary when targeting the BOP market?
  - What are the differences between commercial and social entrepreneurship?
  - Is a for-profit or a not-for-profit approach better suited to poverty alleviation via SMME action?

4.2 The SMME sector

In recent years, the importance of a thriving SMME sector has come to the fore with regard to its role in achieving sustainable economic growth. The importance of their dynamic contribution towards economic growth, job creation, and innovation has been shown for both developed and developing countries alike (Birch *et al.*, 1995; Abor & Quartey, 2010; Mahembe, 2011:7).

Despite government promoting SMMEs, the sector in South Africa is characterised by high failure rates and globally low rates of SMME start-ups (Fatoki & Odeyemi, 2010:128). Over 95% of SMMEs in South Africa have been in existence for over five years with the proportion of SMMEs over the age of ten years being 87%, with only 1% having been in existence between one and two years (Goldstuck, 2014:16). Only 4% of SMMEs are three to four years of age with a low 37% likelihood of survival whilst the 8% of enterprises around ten years old there is only a 9% chance of survival (Goldstuck, 2014:16; Republic of South Africa, 2014a). Thus, it is evident that there is an extremely high failure rate and very low entry rate of SMMEs into the economy.

In light of the troubles of unemployment, poverty, economic stagnation, and inequality, SMMEs are now looked towards to better the lives of South Africans as government and large organisations have been unable to do so. On this note, the Minister of Small Business Development, Ms Lindiwe Zulu had the following to say (Republic of South Africa, 2014a):

> *We see small businesses and co-operatives as critical to creating an economy that benefits all. It is through this intervention that we will be able to defeat the triple challenges of poverty, unemployment and inequality. It is this partnership that holds the key to unlock our country's economic potential, thus affording us a golden opportunity to launch a sustained onslaught on poverty, unemployment, inequality and underdevelopment. Indeed, all of us must accept that we carry joint responsibility to redistribute the wealth of our nation.*

This being said, it is still up to individual entrepreneurs to take action and develop a healthy SMME sector. As established earlier, the state of the economy has an impact on entrepreneurial intentions and actions, and Ms Zulu's sentiments bode well for budding entrepreneurs.

As already touched on in the introductory chapter, South Africa is classified as an efficiency-driven economy. The characteristics of efficiency-driven economies are as shown in Table 4-1.

Table 4-1 The stages of economic development (Porter, 2015)

Stage	**Source of competitiveness and other characteristics**
Factor-driven	Competitive advantage is based exclusively on endowments of labour and natural resources
	Only relatively low wages can be supported
Efficiency-driven	Competitive advantage is derived mainly from efficiency in producing standard products and services
	Though they achieve higher wages, these economies are susceptible to the shocks of financial crises and external, sector-specific demand
Innovation-driven	Competitive advantage is achieved through an ability to produce innovative products and services at the global technology frontier using the most advanced methods
	Business clusters act as motors for generating productivity and encouraging innovation at the world frontier, bolstered by well-developed institutions which support innovation
	Enterprises generally compete through unique (often global) strategies, and invest greatly in advanced skills, the latest technologies, and innovative capacity

An SMME sector capitalising on the various advantageous characteristics of SMMEs which are discussed in the following sections may just provide the inertia the country needs to becoming innovation-driven. Previous studies by the Global Entrepreneurship Monitor have shown that factor-driven economies usually exhibit higher than average intentions and perceptions (of opportunity and capability) regarding entrepreneurial opportunities, with these perceptions diminishing as the respective economy moves up the stages (Herrington *et al.*, 2015:21).

In order for South Africa to move towards an innovation-driven economy, the first step largely lies with the innovative capacity of the SMME sector. However, according to Herrington *et al.* (2015:21), the perception of both opportunities and capabilities of the entrepreneurial class in South Africa is well below that of other efficiency driven economies, averaging out at about 37% for both perceived opportunities and capabilities. Furthermore, entrepreneurial intention has dropped from 15.4% in 2013 to 11.8% in 2014, which is half of the average for other efficiency driven economies and about a fifth of the Sub-Saharan Africa region's average. Similarly, the Total Early-stage Entrepreneurial Activity (TEA) rate (a measure of the fraction of persons aged 18 to 64 years old that are either starting or have recently started an enterprise, i.e. nascent entrepreneurs and new enterprise owners respectively) for South Africa dropped from 10.6% in 2013 to 7.0% in 2014. This rate is half of that of the 14% average for efficiency-driven economies in the study.

Therefore, it is imperative not only for individual South African SMME owners to understand how to improve their potential for attaining high growth, but also to pursue this entrepreneurial growth with some measure of drive.

4.3 SMME formal definition

In South Africa, the Department of Trade and Industry defines SMMEs according to the National Small Business Act 102 of 1996 (Republic of South Africa, 1996), as amended in the National Small Business Amendment Act 29 of 2004 (Republic of South Africa, 2004:3), wherein the term *small enterprise* means:

> *A separate and distinct business entity, together with its branches or subsidiaries, if any, including co-operative enterprises [and non-governmental organisations], managed by one owner or more [which, including its branches or subsidiaries, if any, is] predominantly carried on in any sector or subsector of the economy... classified as a micro-, a very small, a small or a medium enterprise.*

This is stipulated by the criteria (including number of employees, turnover, and value of assets) which vary depending on the industry sector the enterprise primarily acts in, as shown in Table 4-2.

Table 4-2 SMME size class breakdown (Republic of South Africa, 1996:15)

Sector or sub-sectors in accordance with the Standard Industrial Classification	**Size or class**	**Total full-time equivalent of paid employees** **Less than:**	**Total annual turnover in Rands** **Less than:**	**Total gross asset value in Rands (fixed property excluded)** **Less than:**
Agriculture	Medium	100	4,000,000	4,000,000
	Small	50	2,000,000	2,000,000
	Very small	10	400,000	400,000
	Micro	5	150,000	100,000
Mining and Quarrying	Medium	200	30,000,000	18,000,000
	Small	50	7,500,000	4,500,000
	Very small	20	3,000,000	1,800,000
	Micro	5	150,000	100,000
Manufacturing	Medium	200	40,000,000	15,000,000
	Small	50	10,000,000	3,750,000
	Very small	20	4,000,000	1,500,000
	Micro	5	150,000	100,000
Electricity, Gas and Water	Medium	200	40,000,000	15,000,000
	Small	50	10,000,000	3,750,000

Sector or sub-sectors in accordance with the Standard Industrial Classification	**Size or class**	**Total full-time equivalent of paid employees** **Less than:**	**Total annual turnover in Rands** **Less than:**	**Total gross asset value in Rands (fixed property excluded)** **Less than:**
	Very small	20	4,000,000	1,500,000
	Micro	5	150,000	100,000
Construction	Medium	200	20,000,000	4,000,000
	Small	50	5,000,000	1,000,000
	Very small	20	2,000,000	400,000
	Micro	5	150,000	100,000
Retail and Motor Trade and Repair Services	Medium	100	30,000,000	5,000,000
	Small	50	15,000,000	2,500,000
	Very small	10	3,000,000	500,000
	Micro	5	150,000	100,000
Wholesale Trade, Commercial Agents and Allied Services	Medium	100	50,000,000	8,000,000
	Small	50	25,000,000	4,000,000
	Very small	10	5,000,000	500,000
	Micro	5	150,000	100,000
Catering, Accommodation and other Trade	Medium	100	10,000,000	2,000,000
	Small	50	5,000,000	1,000,000
	Very small	10	1,000,000	200,000
	Micro	5	150,000	100,000
Transport, Storage and Communications	Medium	100	20,000,000	5,000,000
	Small	50	10,000,000	2,500,000
	Very small	10	2,000,000	500,000
	Micro	5	150,000	100,000
Finance and Business Services	Medium	100	20,000,000	4,000,000
	Small	50	10,000,000	2,000,000
	Very small	10	2,000,000	400,000
	Micro	5	150,000	100,000
Community, Social and Personal Services	Medium	100	10,000,000	5,000,000
	Small	50	5,000,000	2,500,000
	Very small	10	1,000,000	500,000
	Micro	5	150,000	100,000

The definitions are sector dependent. All sectors (excluding Agricultural) have a medium-sized enterprise upper size limit of 200 employees (and 100 for Agricultural). Small enterprises have an upper limit of 50 employees after which and up until 200 employees then becomes classified as a medium-sized enterprise. The lower limit for a small enterprise is the upper cut-off for very small enterprises, either ten or 20 employees. Micro-sized enterprises all have less than five employees in total.

4.4 Suitability of SMMEs for poverty alleviation

Before proceeding with the advantages of SMMEs for aiding in poverty alleviation, it is worthwhile quickly addressing the liabilities associated with SMMEs from population ecology theory so as not to misrepresent the advantages of SMMEs over their larger and generally older counterparts:

- **Liability of smallness:** that smaller organisations have a lesser chance of survival than larger ones (Kale & Arditi, 1998), because:
  - Scarcity of financial resources and a lack of support from creditors put small organisations at a disadvantage, especially during market contractions
  - Lacking managerial skills results in critical weaknesses
  - Attracting qualified and competent people is difficult in comparison to with larger organisations, as small ones do not offer the same perceived benefits, e.g. career advancement
- **Liability of newness:** that "*a higher proportion of new organisations fail than old*" (Bruderl & Schussler, 1990), because:
  - Learning new roles and tasks comes at a cost for new organisations
  - Conflict with constraints on capital or creativity arise when new roles have to be invented
  - Common normative bases or informal information structure may be lacking in new organisations' social interactions
  - Stable links to clients, customers, or supporters are not yet established when an organisation starts operations

Of course, addressing these liabilities and catering for them is crucial, however SMMEs exhibit a host of advantages which make them an ideal point of departure for aiding in poverty alleviation. These attributes or qualities are not limited only to entrepreneurial enterprises; however, they are enhanced therein.

4.4.1 Pervasiveness

As already mentioned, SMMEs are present across the whole of South Africa. It is estimated that the number of registered SMMEs in South Africa is around 600,000 to 675,000 (The South African SME toolkit, 2007; Goldstuck, 2014:12). Many enterprises (especially micro-sized enterprises) are however not registered. The Small Enterprise Development Agency (SEDA, 2016) confirms both these facts, showing that the number of formal SMMEs in South Africa is roughly 667,000, with a further 1,497,000 informal SMMEs operating unofficially, which brings the combined total number of SMMEs to 2,251,000.

4.4.2 Job creation capacity

SMMEs are more labour intensive than the average large enterprise and account for over half of the employment in the private sector, with 61% contribution to employment being the most agreed upon figure (Goldstuck, 2014:12). Furthermore, they are regarded as the driving force behind job creation in South Africa (Cant & Ligthelm, 2002:2).

According to the Department of Trade and Industry (DTI, 2008), the breakdown of the employment of the South African workforce according to enterprise size class is as follows: micro 17% (0-5 employees), small 21% (6-50 employees), medium 18% (51-200 employees), and large accounts for the remainder of the national employment. More recent figures in 2012 according to Elizabeth Thabethe, the former Deputy Minister of Trade and Industry, attribute 61% of the employment to the estimated 2.8 million SMMEs in the country (Thabete, 2012).

4.4.3 CONTRIBUTION TO ECONOMIC DEVELOPMENT

As well as being regarded as the engine driving job creation in South Africa, so too are SMMEs seen as drivers of economic development (Cant & Ligthelm, 2002:2; Santarelli & Vivarelli, 2007). Their contribution to economic development is mainly through developing new markets (local and foreign), rekindling growth in stagnant industries, creating economic diversity and competition, and forming a vibrant commercial culture. SMMEs also create wealth through stimulating demand for capital goods, trading, and encouraging investment.

SMMEs by themselves comprise a large proportion of enterprises and account for a significantly high value of GDP in many countries (Van Praag & Versloot, 2007:351). In South Africa, according to academic and research papers SMMEs contribute between 52% and 57% towards the GDP (Thabete, 2012; Abor & Quartey, 2010; Kongolo, 2010).

By acting as a nursery and proving ground for product differentiation, market innovations, technological change, and entrepreneurship, SMMEs promote economic growth (Rwigema & Karungu, 1999; Wong, Ho & Autio, 2005). Products produced by local SMMEs tend to rely on local resources (technologies, raw materials, knowledge bases) and generally have a higher likelihood of meeting specific needs in the community when compared to those developed by foreign or large enterprises (Rwigema & Karungu, 1999:111).

4.4.4 ECONOMIC FLEXIBILITY

It has long been acknowledged that SMMEs are more flexible than their larger counterparts, and are thus better at adapting to environmental changes and disturbances (Lee, Park, Yoon & Park, 2010; Gélinas & Bigras, 2004; Lussier & Pfeifer, 2001).

Logistically, the flexibility of SMMEs due to their smaller size in comparison to large enterprises gives them a clear advantage. Smaller batch production, lower costs, greater versatility, and shorter setup times afford SMMEs the flexibility necessary to gain a competitive edge in operational terms (Gélinas & Bigras, 2004:270).

4.4.5 Resilience

In times of crisis and shock, such as recessions, conflict, political unrest, and natural disasters, SMMEs have been shown on an international scale to be much more resilient than larger enterprises, exhibiting a higher propensity to survive (Bhamra, Dani & Burnard, 2011:5376). Possible reasons for the comparatively high failure rates in South Africa may include that the official failure rate of SMMEs is overestimated because the vast majority of micro-sized enterprises that are more resilient are not formally registered, and furthermore the flailing national education system leaves entrepreneurs without the basic education necessary to favourably respond to adverse conditions.

4.4.6 Skill development

SMMEs provide their workforce with an environment that is inherently more conducive to skills and knowledge development (Hughes, Keddie, Webb & Corney, 2002:3). This occurs both formally through workshops or courses, and informally through actively partaking in day-to-day activities of the SMME. Due to the generally less hierarchical nature of SMMEs in comparison to larger enterprises, SMMEs provide more opportunities for the expansion of knowledge and skills. However, specifically with respect to SMEs, they have enough structure so as to ensure that employees are answerable to more knowledgeable and experienced superiors, which is not generally the case for micro-sized enterprises. Thus, SMEs allow individuals from employees to managers to better raise their levels of human capital and realise their potential (Department of Labour, 2007).

4.4.7 Socio-economic transformation capacity

Politically, SMMEs have been promoted as a means for bringing about social change through enforcing an equitable distribution of employment, empowering marginalised population segments, raising the basic standard of living through products and services targeting the poor, and creating an economically, socially, and environmentally sustainable future for South Africans (Republic of South Africa, 2014a).

4.5 The importance of entrepreneurship

Not all forms of SMMEs are equally ideal, nor do they all as a rule exhibit the abovementioned positive traits. What is required is an entrepreneurial stance. Entrepreneurship is an important and necessary tool for pursuing high growth as will be argued in the remainder of this section. Addressing the different forms of SMME activity along with the entrepreneurial climate in South Africa will hopefully provide the reader with a broader understanding of what enterprise orientation is required.

4.5.1 The different forms of SMMEs

Self-employment and small enterprise ownership does not imply entrepreneurial goals or activities (Drucker, 2014). Scase (1997) emphasises an analytical distinction must be made between proprietorship and entrepreneurship. In South Africa, a further addition can be made regarding survivalist small traders who count for an arguably large portion of SMMEs, most often represented in the very small and micro-sized enterprise categories (Abor & Quartey, 2010:221).

The different forms that SMMEs can take are shown in Figure 4-1. Each form has a different propensity for attaining high growth rates (in terms of profitability), the characteristics of which are listed under each form in Figure 4-1. In reality, the borders between the various forms are permeable and diffuse in nature.

low ← *Propensity for attaining high growth* → *high*

Survivalist	**Proprietorial**	**Entrepreneurial**
Low income Trading only Relatively negligible cumulative growth	Maintenance orientation Niche entrepreneurship Transient nature Surplus generated mostly used for personal consumption purposes	Systemic entrepreneurship Economic entrepreneurship Long term goals Capital accumulation and reinvestment Personal austerity to build business

Figure 4-1 SMME activity forms and propensity for attaining high growth (McIntyre, 2001:17)

The insufficiency of acting as a survivalist is evident if high growth is sought; however, regarding proprietorial and entrepreneurial enterprises the differences are less clear. Entrepreneurship and proprietorship, though similar in certain areas, exhibit key differentiating factors.

Entrepreneurship in essence refers to the owner's commitment to capital accumulation and strategic management thereof for the promotion of enterprise growth. Classically, entrepreneurs invest their raised capital into productive activities which act so as to realise a higher value than that which was invested (Marx, 1976). The pursuit of growth via opportunities seen in the market entails a measure of risk-taking (Schumpeter, 1942).

Proprietorship in comparison refers to the ownership of assets which can be used for trading purposes to realise profits, but without the long-term pursuit of growth, meaning that the accumulated wealth is rather consumed than reinvested. In essence, proprietorship is probably the main reason for why very few SMMEs grow to any significant extent (Scase & Goffee, 1982).

Both entrepreneurs and proprietors carve out niches in the market in order to sustain a level of trading sufficient for their existence to continue, however the extent to which each strives to grow is the defining difference between the two (Goss, 2015). The motives of a rational entrepreneur are therefore different, focusing on long-term wealth accumulation via constant expansion of productive assets through reinvesting profits in the enterprise.

As entrepreneurship is vital to the growth capacity of an SMME, it is also vital to economic growth, job creation, and poverty alleviation. Through the creation and expansion of enterprises including SMMEs, a long-term solution to South Africa's unemployment and economic growth difficulties can be found. Sustainable economic growth, job creation, and poverty alleviation requires vigorous exercise of entrepreneurship through action of SMMEs (Mahadea, 2012:13). In Appendix F, a detailed discussion of the entrepreneurial climate South African SMMEs must operate within is available for further reading. It is not included in this chapter as it is outside the direct scope of this study.

4.5.2 ENTREPRENEURSHIP DEFINED

Entrepreneurs have long been seen as those individuals who start a project which stimulates economic progress by finding and developing new and better ways of doing things. According to Dees (1998:2) and Drucker (2014:25), the person generally accredited with first defining the entrepreneur along these lines is the 19th century French economist Jean Baptiste Say who stated that "*the entrepreneur shifts economic resources out of an area of lower and into an area of higher productivity and greater yield.*"

Schumpeter (1976:132) in his pioneering work describes entrepreneurs as the innovators who drive the creative-destructive process of capitalism:

> *...the function of entrepreneurs is to reform or revolutionize the pattern of production by exploiting an invention or, more generally, an untried technological possibility for producing a new commodity or producing an old one in a new way, by opening up a new source of supply of materials or a new outlet for products, by reorganizing an industry and so on... This kind of activity is primarily responsible for the recurrent 'prosperities' that revolutionize the economic organism and the recurrent 'recessions' that are due to the disequilibrating impact of new products or methods.*

In essence, entrepreneurs are the change agents of the economy. Many leading thinkers in modern times remain true to the Say-Schumpeter tradition but include variations of their own. A more recent example is that of Drucker (1987) who magnifies the importance of opportunity, saying that "*the entrepreneur always searches for change, responds to it, and exploits it as an opportunity,*" which is further supported in his more recent publication (Drucker, 2014).

An opportunity is basically the potential to create value (Dees, 1998). Value for the enterprise is created when customers are willing to pay more for a product or service than it costs for the enterprise to produce the offering. Profitable business opportunities are themselves necessary, however insufficient, for ensuring enterprise growth. To successfully utilise these opportunities, entrepreneurs must also possess appropriate capabilities, i.e. skills, technology, and resources (Nichter & Goldmark, 2009:1459).

Inherent in the literature regarding entrepreneurship is a focus on opportunities as opposed to problems in the business environment. To this end, Stevenson (1990:23) of Harvard Business School argues that a fundamental difference between entrepreneurial managers and more administrative managers is the degree to which they pursue opportunities without regard to the resources they currently control. In essence, resource endowments must be taken into consideration but they should not dominate a true entrepreneur's mind-set.

4.6 The role of social entrepreneurship

Social entrepreneurship is more in tune with poverty alleviation than purely commercial entrepreneurship. It is a form of entrepreneurship which is gaining increased attention as social inequality remains a pressing problem in many developing countries. It is however an ambiguous concept with an array of associations linked to it (Dees, 1998:1).

As already addressed in Chapter 1.2.7, many people associate social entrepreneurship exclusively with NFPOs launching earned-income or for-profit ventures. Others see the NFPOs themselves as the social entrepreneurs, whilst still others use the term in reference to enterprise owners who integrate some measure of social responsibility into their organisations. The following sections aim to provide further order and perspective into the meaning of social entrepreneurship for profitable BOP dealings.

4.6.1 SOCIAL ENTREPRENEURSHIP DEFINED

Fundamentally, social entrepreneurship encompasses any entrepreneurial activity that has an embedded social purpose. As with entrepreneurship, social entrepreneurship definitions range from broad to narrow.

In a broad sense, social entrepreneurship denotes innovative activity with a social objective in the not-for-profit sector, the for-profit sector (e.g. social-purpose commercial ventures (Dees & Anderson, 2003; Emerson & Twersky, 1996) and corporate social entrepreneurship (Austin, Leonard, Reficco & Wei-Skillern, 2004)), and even across sectors (e.g. hybrid structural forms (Dees, 1998)).

More narrowly however, social entrepreneurship refers to the act of applying both business expertise, and market based skills in the not-for-profit sector (e.g. NPOs developing innovative approaches in order to generate an income (Reis & Clohesy, 2001; Thompson, 2002)).

A more suitable definition for the purposes of this study concerns the value creation capabilities of the enterprise. In terms of value creation, social entrepreneurship has an underlying drive for the creation of social value as opposed to purely economic value for the enterprise, i.e. through personal or shareholder wealth (Zadek & Thake, 1997). This is generally arrived at through the innovative creation of something new to address unique needs rather than only modifying or replicating existing techniques, goods, and services.

Austin, Stevenson and Wei-Skillern (2006) argue that social entrepreneurship is not confined to either the for-profit, not-for-profit, or hybrid forms of business and therefore the choice of organisational form should rather be based on what form would most aptly and effectively mobilise the necessary resources in addressing the respective social problem. Thus, social entrepreneurship can broadly be defined as an innovative social value creating activity which may be pursued from any of the not-for-profit, for-profit, or hybrid organisational forms (Austin *et al.*, 2006).

4.6.2 SOCIAL VERSUS COMMERCIAL ENTREPRENEURS

For a more meaningful differentiation between the two types of entrepreneurship, beyond just their definitions, one can focus on the key distinctions between social and commercial (or business) entrepreneurship. It is clear from the preceding discussion that the difference between the two is not as simplistic as just a motivational idea saying commercial entrepreneurs are driven by money and social entrepreneurs by altruism. The following four aspects portray the exact differences., which when viewed in their totality, give one a good understanding of the differences between the two.

4.6.2.1 MISSION

Fundamentally, social entrepreneurship aims to create value for the public good, in what can be termed its mission-related impact (Dees, 1998). The focus is primarily on the social change or impact brought about. This says nothing about being against for-profit or only being a not-for-profit, as many social entrepreneurs generate great wealth but rather relates the idea that "*what distinguishes social entrepreneurship is the primacy of social benefit*" (Martin & Osberg, 2007:35). Therefore, in the context of this study, social entrepreneurship being viewed as the act of pursuing profitable growth to maximise sustainable socially empowering impact at the BOP is consistent with official definitions.

On the other hand, commercial entrepreneurship aims to create profitable operations in pursuit of private gain. The externalities of this type of entrepreneurship often benefits society in the form of goods, services, and jobs, thus exhibiting some measure of socially transformative impact, however the fundamental aim still remains a privatised individualistic form of gain. Profits generated are then distributed between the entrepreneur and investors.

4.6.2.2 OPPORTUNITY

Martin and Osberg (2007:34) make the argument that commercial entrepreneurs are rarely motivated by the prospect of financial gain, as the odds of making lots of money are typically not in their favour. They argue that what motivates both commercial and social entrepreneurs is the opportunity they identify, the relentless pursuit of that vision, and attaining a sense of fulfilment in realising their ideas.

Thus, for a social entrepreneur, creating social value is the pursuit governing their decisions, and economic gains are seen as an enabler to that pursuit. In essence, the money is a means to an end, not the end in itself. Commercial entrepreneurs on the other hand primarily seek profit, and the creation of value is but a means to an end.

4.6.2.3 VALUE PROPOSITION AND WEALTH CREATION

A critical distinction can be made between the two types of entrepreneurship regarding their value propositions. The value proposition of commercial entrepreneurs aims to and organises itself to serve markets that can comfortably afford the value offering and therefore can be said to be designed to create financial profit.

In stark contrast to this approach, the value proposition of the social entrepreneur, generally speaking, neither anticipates nor organises to create substantial financial gain. It rather generates value via benefits to society in part or as a whole which are large-scale and transformational. Furthermore, it does not assume the market will comfortably afford the offering but rather accounts for the generally underserved, highly disadvantaged, and neglected nature of the population in question.

For the social entrepreneur, wealth generated in the enterprise is but a means to an end. The outcomes of missions in areas of social concern are the central criterion against which performance is measured. Therefore, what constitutes an opportunity, along with how it is perceived and assessed is affected. In essence, the value created is directly proportional to the degree of improvement in areas of social concern. Measuring this improvement is typically difficult due to the oft non-quantifiable, temporal dimensions, multiple causes, and perceptive differences of the social impact.

For the commercial entrepreneur on the other hand, wealth creation is often the primary means by which value creation is measured (Dees, 1998). Due to their subjectivity to market disciplines the commercial entrepreneur needs to assign resources to economically productive uses or he runs the risk of being driven out of business. The commercial entrepreneur has a number of relatively tangible and quantifiable means by which performance can be evaluated, such as financial indicators, customer satisfaction, quality, and market share.

The aim of this study is to provide social entrepreneurs with a framework to promote this commercial productivity in their social endeavours and thus maximise impact, effectively bridging the two divides.

4.6.2.4 RESOURCE DEPLOYMENT

Due to the embedded social purpose of for-profit or hybrid forms of social enterprise which reduces the likelihood of achieving success in a commensurate level to commercial enterprises, social entrepreneurs are limited from tapping into the capital markets navigated by commercial entrepreneurs (Austin *et al.*, 2006). The non-distributive restriction on surplus finances of NFPOs means that the typical for-profit social enterprise exists in a truly tough financial environment. Furthermore, social enterprises may face difficulties in relation to pecuniary compensation of employees and rather opt for other means of payment. These difficulties further point to the need for a growth promoting framework to better position SMMEs operating at the BOP for profitable growth.

4.6.3 BOUNDARIES OF SOCIAL ENTREPRENEURSHIP

It is clear that the distinction between social and commercial entrepreneurship is not dichotomous, but that a host of possibilities exist, ranging from purely social to purely commercial. Both extremes still exhibit many similarities as both are entrepreneurial. Beyond this, they are inextricably linked in that any social activity necessitates a reflection on economic realities just as much as any economic activity must generate social value.

Martin and Osberg (2007:30) claim that "*social entrepreneurship has become so inclusive that it now has an immense tent into which all manner of socially beneficial activities fit.*" The aim of this section is to show to what extent each form of social activity is or is not *in the tent*. Although some activities in the social realm may be highly meritorious, they do not fit the definition of the social entrepreneur which is described in this study.

Two forms of socially valuable activity which can be of use in distinguishing certain organisations from social entrepreneurship entities pertain to social service provision and social activism. The heterogeneity between these alternate forms of socially beneficial activities is shown in Figure 4-2. It must be noted that these pure forms may be mixed in any number of ways to arrive at the hybrid forms seen in the business sector.

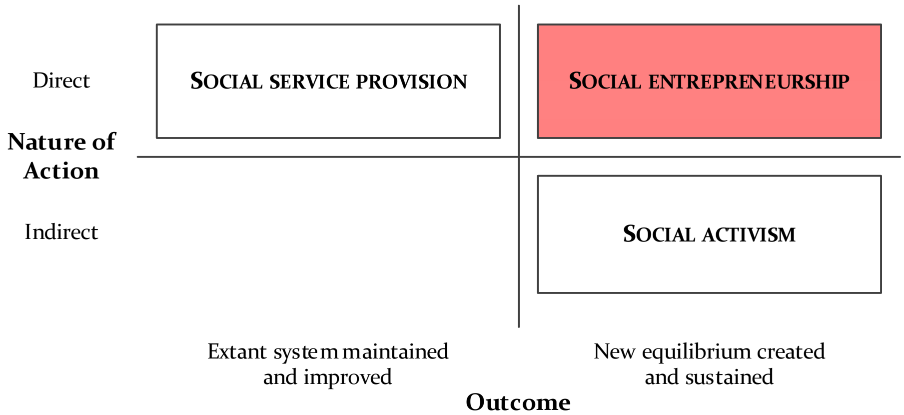


Figure 4-2 The different forms of social engagement in context (Martin & Osberg, 2007:38)

Firstly, in the instance of social service provision, committed individuals identify an unfortunate and stable equilibrium (a social problem which is embedded in society and not changing) and thereafter set up some or other program to address it, e.g. an orphanage for AIDS victims, a primary school for the poor. A key characteristic which negates them from being considered social entrepreneurs is the constrained impact they would have. Thus, it is the outcome of the venture as opposed to the characteristics of the founder that would cause it to be classified as social service provision, as opposed to social entrepreneurship.

The second form of valuable social activity regards social activism. Social activists are also motivated by an unfortunate and stable equilibrium, requiring personal characteristics such as inspiration, fortitude, creativity, etc. The difference lies in the nature of the activist's mode of action. The social activist tries to create change through indirect action, e.g. through influencing governments, NGOs, workers, etc., to take action. Unlike social service provision, social activism is more likely to bring about bigger changes that may even result in a new equilibrium. The strategic nature of social activists to influence rather than directly impact provides a clear distinction from social entrepreneurs.

Social entrepreneurship is distinguishable from these two forms of social activity by the way in which it is a direct means of creating social value, and furthermore creates and sustains a new equilibrium. This description is regarded as the ideal form of social entrepreneurship in the remainder of this study.

4.6.4 For-profit versus not-for-profit

The final question is then one of whether pursuit of profits is more or less advantageous for the social entrepreneur. Personal reasons such as doing well whilst doing good may partially explain the draw of many social entrepreneurs to for-profit enterprise structures. The for-profit enterprise has the added advantage of potential financial gain which is substantially higher than that common to the social sector.

Beyond personal motivational reasons there are however a number of virtues which for-profit structures exhibit, that cannot easily be copied in their not-for-profit counterparts. Dees and Anderson (2003:5) give the following four reasons for the pursuit of for-profit social entrepreneurship.

4.6.4.1 Promotion of efficiency and innovation

For-profit enterprises have a tendency to lean more towards efficiency and innovation. This is due to their drive to maximise every penny invested whilst minimising expenses in their efforts to create and deliver value to their customers. Innovation is a vehicle by which more cost-effective ways of achieving objectives can be discovered and is therefore promoted in for-profits.

4.6.4.2 Leveraging of scarce public and philanthropic resources

For-profit enterprises are also beneficial to greater society in that they allow philanthropic and government funding to be directed towards leveraging scarce social resources in terms of niches, programs, and market segments that need subsidies. For-profits that are profitable enough can access investment funds through private capital markets and draw on their own revenues to fund further development.

4.6.4.3 Responding quickly to demand

Fluctuations in market demand are rapid and dynamic, and how speedily an enterprise responds to these fluctuations largely impacts the relevance of and value created in the social sector. Empirical evidence has shown that FPOs are much more responsive than their NFPO counterparts (Hansmann, 1996).

Basically, when demand of human services increases rapidly, not-for-profits slowly enter into the market whilst only gradually increasing their capacity, whereas for-profit enterprises respond quickly and expand rapidly. This is likely due to the greater competitive drive of for-profits. At the opposite end of the response spectrum, not-for-profits are slower at reducing their output and withdrawing from contracting market demands. For-profit social enterprises would therefore be more adept at both rapidly responding to new opportunities and ending unproductive and frivolous pursuits before resources are wasted.

4.6.4.4 Improving access to skilled personnel

The ability to attract more highly skilled people to the social venture is another advantage of for-profit pursuits. Not-for-profit organisations struggle to compete with commercial entrepreneurs for managerial and technical talent, and beyond this are unlikely to keep skilled personnel in financially low periods. The average not-for-profit enterprise has lower salaries and an inability to augment these with equity ownership as for-profits can.

In ending, the different notions of entrepreneurial action can be seen to transcend economic transactions and delve into the ability to identify opportunities, apply innovative measures to bring value propositions to market, and contribute some form of value to the target market. For the purpose of this study, social entrepreneurship has been shown to be suitable for targeting the BOP profitably as the generating of profits is not restricted only to commercial entrepreneurship. The profits are essential to the economic sustainability of the enterprise and provide the means to its ultimate end, namely large-scale market adoption to maximise positive impact, and the eventual arrival at a new sustainable equilibrium (Martin & Osberg, 2007:34).

4.7 Root definition of the SMME

In developing a full understanding of the BOP targeting SMME which is the focus system of this study, it is necessary to fully incorporate the aspects shown in Table 4-3 in that definition for a full understanding, in accordance with the SSM approach of Chapter 2.2.2. Although certain stakeholders included in the definition have not yet been discussed (i.e. strategic alliance partners, and consultants), they will be addressed in due course and must be captured in this definition for providing a holistic picture of the SMME.

Table 4-3 Root definition components of the SMME

CATWOE Element	**Disambiguation**
Clients	The beneficiaries of this system include consultants, possible strategic alliance partners, the BOP as a whole, and the owner (entrepreneur) and/or managers of the SMME
Actors	Those responsible for conducting the activities which make this system work include the owner (entrepreneur) and/or managers, and the staff or employees of the SMME
Transformation	The inputs to this system pertain to the resources (tangible/intangible assets of an organisation which can be drawn upon when required to achieve its objectives), core competencies (the organisations' capacity to deploy its resources using processes to affect a desired end), and key capabilities (the use and deployment of organisational competencies to accomplish its goals) at the disposal of the SMME. These inputs are transformed into the output which is sustainable impact at the BOP accompanied by an improved growth orientation of the enterprise. The purposeful activity which transforms the input to the output is the adherence of the SMME to the specifications of the to-be high growth framework for SMMEs targeting the BOP, ideally conducted under the guidance of a consultant for maximum effectiveness
Worldview	The relevant perception which justifies the existence of this system can be seen in the superior technical know-how typical of SMMEs and therefore their greater potential for solving BOP specific needs through development of products and services, in a manner that is profitable. By following a framework for attaining high growth specifically tailored to the BOP setting, the likelihood of poverty alleviation via SMME action will increase. Beyond poverty alleviation and economic growth, a high growth SMME also creates more jobs than its less productive counterpart
Owners	The person who has the authority to change the measures of performance of this system or abolish it altogether is the owner of the SMME
Environment	External constraints this system takes as a given include limited time, limited access to financial capital, limited customer knowledge, and core competency and key capability limits

The root definition of the SMME in the context of this study is therefore: a system owned by the entrepreneur to promote poverty alleviation whilst bringing about growth through creating value for the BOP as a market and providing them with value offerings specifically tailored to their unique needs in a profitable manner through making use of a high growth promoting framework, ideally designed for consultants to guide the actions of the owner (entrepreneur) and/or managers, and staff or employees of the SMME whilst being subject to: limited knowledge of the target market; limited access to financial capital, and; core competency and key capability limits.

The list of requirements pertaining to the preliminary chapters covered so far which must be incorporated in the framework design process of Chapter 12 are listed in Table G-1 of Appendix G. They will ensure that contextual factors are incorporated into the design of the framework.

4.8 Conclusion

The research sub-questions answered in this chapter revolved around the SMME and entrepreneurship. The following paragraphs summarise the answers to the research sub-questions posed at the beginning of the chapter.

Firstly, SMMEs have been shown to be a crucial value creation machine, which policymakers, government, and South African society look to for a better future. SMMEs are important to the South

African economy for a number of reasons, including their geographical pervasiveness, large scale combined job creation capacity, ever increasing contribution to economic development, greater economic flexibility, resilience in turbulent climates (political and business), skill development, and ability to bring about socio-economic transformation. SMMEs are formally defined according to both their total number of employees and gross asset value. The number of employees is however the more common measure. Table 4-2 provides a detailed summary of the various size classes which are sector dependent.

Secondly, entrepreneurial stance has long been a strong determinant of an enterprise's growth potential. Entrepreneurial enterprises have a greater ability to grow than their survivalist or proprietorial counterparts. Entrepreneurs are distinguished by their proclivity to reinvest profits in the enterprise as opposed to exacting it for personal gain. Entrepreneurship can be seen as the utilisation of an entrepreneur's particular skills set to identify opportunities for value creation, which results in profits that are continually reinvested in the enterprise to achieve lasting growth and thus maximise poverty alleviation by creating even more value for the BOP.

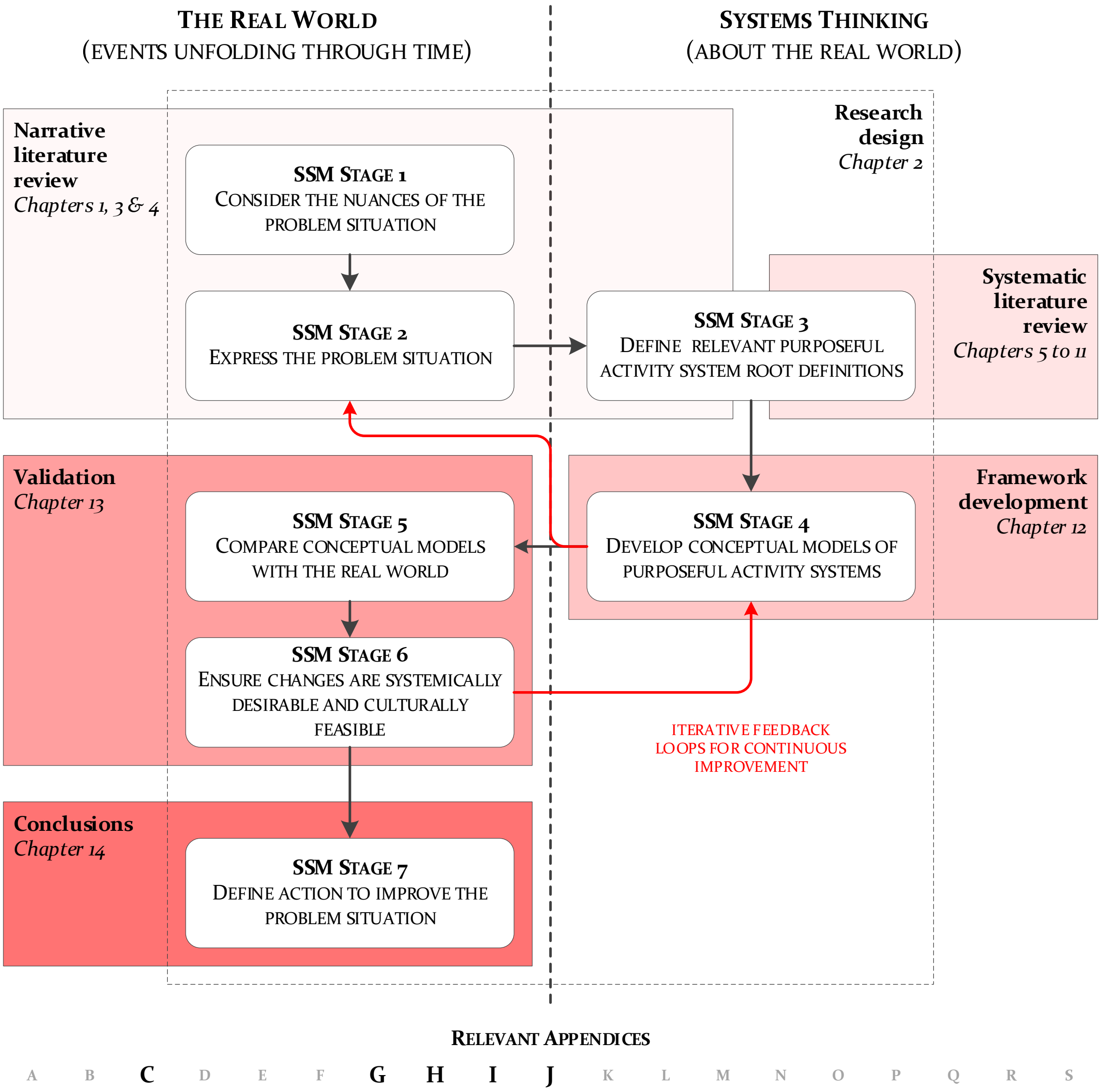
Thirdly, social entrepreneurship was found to be necessary when targeting the BOP market. This is due to the fact that pursuit of profits along solely economic terms tends to exploit the BOP market. What is necessary is a social dimension wherein success is measured along social impact as well as economic growth. Social entrepreneurship is not restricted to either FPOs or NFPOs, the defining factor between social and what is termed commercial entrepreneurship is the primary pursuit of social value. Whether or not economic value is pursued is not the defining difference between social and commercial entrepreneurship, only the primacy of it. There exist a number of differences between commercial and social entrepreneurs, such as their mission, their view of what constitutes an opportunity, their value propositions in terms of price, their drive behind creating wealth, and lastly their resource deployment practices. With regards to for-profit or not-for-profit, it is a matter of choice at the end of the day as both can help in alleviating poverty, however FPOs exhibit a number of advantages over NFPOs in the realm of poverty alleviation. First off, FPOs promote greater efficiency and tend to be more innovative due to their need to turn over a profit to grow, or even stay afloat. Secondly, by addressing the needs of the BOP with some spending power, FPOs enable scarce public and philanthropic resource to be used where they are needed most, i.e. in the poorest segments of the BOP where there is basically no spending power. Thirdly, FPOs are quicker at responding to changes in the market, and simultaneously try to scale their operations to make the biggest impact possible, possibly due to their increased competitive nature. Lastly, FPOs have often got personnel with higher skill sets working for them than NFPOs, as FPOs can consistently pay a much better salary whilst still achieving social impact. This edge may make all the difference in tackling poverty innovatively.

After having defined an SMME in the context of this study through the root definition, it is evident that in order to attain the dual goals of high growth and poverty alleviation, the enterprise must strive to engage in social entrepreneurship. For rational entrepreneurs, it is imperative to become more committed to profit, re-investment, and capital accumulation, as retained earnings have been shown by McMillan and Woodruff (2003:114) to be "*the biggest single source of investible funds for start-up firms in transition econom1ies.*"

This reinvestment in the enterprise is imperative but insufficient to attain high growth. An understanding of what characteristics existing commercial high growth enterprises exhibit will provide SMME owners (particularly social entrepreneurs) with a strong point of departure in their pursuit of growth at the BOP, which is the aim of the next chapter. In the chapters thereafter, specific concerns from these high growth factors will be looked at in light of the BOP context.

CHAPTER 5

ENTERPRISE GROWTH



"Growth is never by mere chance; it is the result of forces working together."

Penney (2013)

Chapter 5 Enterprise Growth

5.1 Introduction

Research in the field of entrepreneurship has long viewed growth as the primary indicator of business success (Teece, 2014; Delmar, McKelvie & Wennberg, 2013; Davidsson, Steffens & Fitzsimmons, 2009). This chapter aims to show how high growth SMMEs (often referred to as gazelles) might play a role in poverty alleviation, by determining a number of factors which high growth enterprises demonstrate, via a grounded theory (qualitative analysis) approach. Information and knowledge regarding the promotion of high growth factors is limited and fragmented in general (Gupta, Guha & Krishnaswami, 2013; Delmar, 2006; Delmar & Davidsson, 1998; Wiklund, 1998). Therefore, the goal is to arrive at a number of key factors which can be augmented via application to the BOP context, so as to aid BOP targeting SMMEs in attaining heightened growth. To achieve this, first off high growth enterprises are defined, and thereafter the method used to determine the key factors for attaining high growth is explained. After an analysis of each of the factors identified, they are filtered through and key considerations for the BOP context are arrived at for expansion in the following chapters.

As portrayed in Figure 2-1 of Chapter 2.2, this chapter contributes to stage three of the SSM approach used throughout this study (Checkland & Scholes, 1990:211).

The research sub-questions which are answered in this chapter, and expanded on in the next six chapters, include:

- How is enterprise growth measured?
- Do high growth enterprises exhibit many of the same or similar characteristics or factors?
- What systematic approach to compiling a comprehensive list of high growth factors can be used?
- What factors promote high growth?
    - Which of these factors are within the scope of this research?
    - What other considerations are crucial for the BOP context?

5.2 High growth enterprises

The first step towards identifying the manner in which an entity achieves its outcomes requires that it be defined as well as possible. Due to the varied means by which different scholars and practitioners define high growth, there also exist a number of ways to measure high growth. Once the definition and measurement of high growth is understood, it is possible for implications to be deduced regarding the potential for arriving at a comprehensive understanding of the field.

5.2.1 HIGH GROWTH ENTERPRISES INTRODUCED

In a basic sense, a high growth enterprise is an extremely fast-growing enterprise that maintains consistent expansion in terms of employment and turnover, over a prolonged period of time. These enterprises are scarce in most economies the world over; however, they are of major political and economic interest due to their relationship with job and wealth creation.

According to Zook and Allen (1999) who studied a set of over 2,000 American enterprises over a period of ten years, only one in seven enterprises equalled or surpassed a real annual revenue and growth rate of 5.5% per annum, and in so doing generated sustained, profitable growth, creating long-term shareholder value. They argue that what predominantly determines an enterprise's success in terms of growth is not external factors, but rather the management decisions made in the enterprise.

This growth is however very fragile as only a very small percentage of enterprises maintain their high growth pattern for an extended period of time (Parker, Storey & Van Witteloostuijn, 2010). It is also important to note that high growth is not the norm, and that most enterprises start, live, and die small (Davidsson, Achtenhagen & Naldi, 2010), and as such never embark on any significant growth trajectory (Aldrich, 1999).

High growth is not a random or chance event, but is associated with specific enterprise attributes, behaviours, strategies, and decisions (Barringer *et al.*, 2005:665). The literature on high growth enterprises has by and large focused on the systematic differences between high growth enterprises and their low growth counterparts.

The heterogeneous nature of entrepreneurial growth in terms of the modes (organic versus acquisitive), patterns (high, low, or erratic growth), and measures (sales, employment, value creation, etc.) of growth is becoming much more widely accepted than ever before (Davidsson, Achtenhagen & Naldi, 2005). Furthermore, high growth is generally not a fixed state of the enterprise but rather can vary significantly over time (Acs, Parsons & Tracy, 2008), as high growth is influenced by economic phenomena and technological phenomena (Hölzl, 2009).

The majority of start-up enterprises are imitative in nature, and enter into mature industries (restricted to local markets) which do not afford them much growth potential (Samuelsson, 2004).

5.2.2 MEASURING HIGH GROWTH

The term *high growth* is however subject to multiple quantitative definitions. There is little consensus in the literature on what growth rate in particular constitutes high growth. Furthermore, identifying high growth enterprises according to any single measure throughout the literature is restraining, as varying measurements are used in various studies, and looking at only one measurement of high growth would limit the potential for learning.

Not only do the magnitudes of defining measures of high growth vary, but also the types of measures themselves. Some of the types of measurements scholars use include relative sales growth, employment growth, net income growth, customer base growth, cash flow growth, with others even measuring market share percentage (Gilbert, McDougall & Audretsch, 2006). This is further complicated by the fact that certain measures, such as sales growth in SMMEs may typically have higher growth rates than in larger enterprises but have nowhere near the same impact, due to the absolute quantum of growth being so much smaller.

According to Delmar, Davidsson and Gartner (2003:37), "*the high growth firm is a heterogeneous phenomenon,*" and although many managers and scholars gauge their growth in terms of sales growth, which is advantageous in that it generally indicates the extent to which customers are increasingly accepting new products and services, this has its own drawbacks as it is for instance sensitive to inflation and exchange rates, whilst employment as a measure of growth is not. Then again, employment increase as a measure of growth is itself imprecise in that an enterprise may in essence grow before any sales occur, or no growth may be observed even when the enterprise is highly profitable (sectoral differences pertaining to labour intensity), and it is affected by labour productivity increases, process innovations, automation, and other make-or-buy decisions.

As there is great disparity amongst scholars as to what constitutes a high growth enterprise, no single definition for high growth enterprises will be used in this qualitative content analysis. Rather than limit the characteristics/factors to be found in the next section to a specific measure of high growth, multiple measures of enterprise growth will be incorporated, which is advantageous in that it is more likely to achieve a more complete picture of any empirical relationships, and may also provide a way to test the robustness of theoretical models due to potential misspecifications in the dependent variable (Delmar *et al.*, 2003). For an idea of how varied different scholars' definitions are, a number of definitions of high growth enterprises are listed in Table H-1 of Appendix H.

5.2.3 TOWARD THE FACTORS AFFECTING HIGH GROWTH

In undertaking this research study, concepts were drawn from multiple theories of enterprise growth (mostly regarding small to medium-sized enterprises, but including the occasional micro and large one too) and therefore the findings are not linked to any existing framework per se. A number of reasons contribute to why it is unlikely that any single theory of enterprise growth will ever be developed (Smallbone, Leig & North, 1995). For instance, the heterogeneous nature of SMME types, and also the range of factors that affect growth, are themselves not necessarily present in any and every situation. This is further complicated by the manner in which certain factors are interdependent, making it practically impossible to cover all combinations and arrive at a comprehensive model with predictive capabilities.

Be that as it may, high growth enterprises generally exhibit similar key characteristics, the understanding of which will arguably present SMMEs with a better chance of attaining high growth if they act accordingly. Although each and every population of enterprises is distinctive, research on enterprise growth has shown that there exist common growth processes across different enterprise populations which allow for researchers to generalise about the dynamics of growth to some extent (Coad, 2009; Henrekson & Johansson, 2010).

It is therefore the aim of the remainder of this chapter to develop a scientific method for determining the factors which contribute to an enterprise's capacity to attain high growth.

5.3 Method of determining high growth factors

Finding a number of factors attributable to heightened growth rates is easy enough, one only needs to search for journal articles with some title aligned in that particular direction; however, to ensure that an arguably comprehensive list of high growth factors is arrived at, it is prudent to follow a methodological approach which is systematic, and therefore repeatable. Furthermore, if a sound method of acquiring these factors is followed, then future research in this field can more readily be taken up by other researchers, providing them with a strong point of departure.

The procedure for deducing the key factors promoting high growth is shown in Figure 5-1, along with the chapter references for each step.

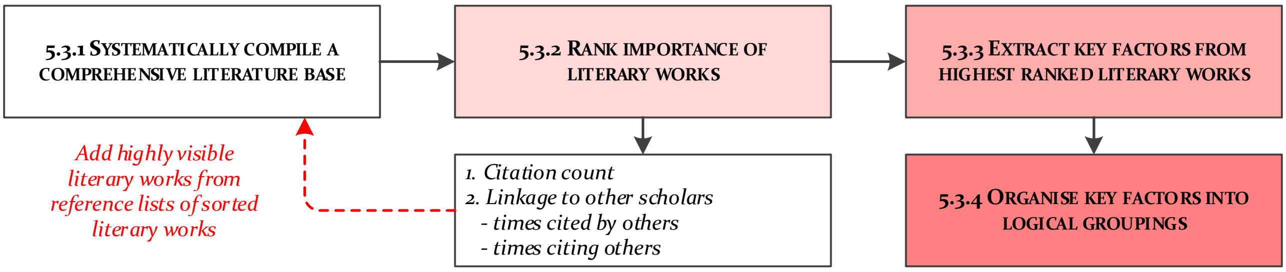


Figure 5-1 Method of determining factors promoting high growth

This method is an adaptation of the structural literature review process developed by Loots and Schutte (2016). It has been shown to be appropriate for ensuring a comprehensive list of literary works is arrived at, regardless of the research field, above and beyond that which an ordinary heuristic literature review would reveal.

5.3.1 SYSTEMATICALLY COMPILE A COMPREHENSIVE LITERATURE BASE

This first step forms the foundation of the study, and therefore needs to be thoroughly covered through an in-depth search of the available literature. As the literature base for this topic is expansive, it was also necessary to categorically sort the findings according to their applicability. The following two subsections aim to capture this.

5.3.1.1 CHOOSE APPROPRIATE ACADEMIC DATABASES

The search engines and/or databases chosen included Google Scholar, Thomson Reuters' Web of Science, Elsevier's Scopus, Ebscohost, and ProQuest, which together cover all domains of science and social science for decades (Aghaei Chadegani, Salehi, Yunus, Farhadi, Fooladi, Farhadi & Ale Ebrahim, 2013:18). These were chosen as they each have large collections of business- and science-related articles and books (which will be referred to from now on as literary works), and also provide a measure of the credibility of the literary works via their citation counts, as will be discussed later.

5.3.1.2 SEARCH FOR KEY WORD COMBINATIONS IN ACADEMIC DATABASES

In order to perform a thorough primary search and avoid leaving out important alternative wordings of the titles of literary works, the search phrase was broken down into three components. These include the degree modifying, adjectival, and objective components. For instance, the phrase *high growth enterprise* can be broken down into the degree modifying component: high, the adjectival component: growth, and the objective component: enterprise. Table 5-1 lists the different components from which combinations were made and thereafter searched for.

Table 5-1 Search phrase components

Degree modifier	Adjective	Objective
Accelerated	Develop (-ing)	Business
Advanced	Effect (-ive)	Company
Endogenous	Expand (-ing)	Enterprise
Fast	Grow (-ing, -th)	Firm
High	Impact (-ing)	Gazelle
Quick	Perform (-ing, -ance)	Organisation
Rapid	Product (-ive)	SMME (and SME)
Strong	Success (-ful)	Venture

The search results were then filtered through, via a reading of the abstract, and a quick scanning of the document as a whole to find any additional literary works which were relevant and applicable to the topic. These literary works were then sorted into two groups.

The first group incorporated all literary works which specifically related to enterprise growth, with the degree modifier not being considered. Literary sources in this group were therefore labelled as *Influential Works* (IWs). The second group pertains to literary works that are supportive in nature in that they help to build the theory which backs the claims of IWs, therefore labelled as *Supporting*

Works (SWs). The two complete lists (122 IWs, and 45 SWs) can be found in Appendix I, which clearly indicates the specific factors each literary work addresses.

5.3.2 RANK IMPORTANCE OF LITERARY WORKS

After having arrived at a set of preliminary IWs, it was then necessary to evaluate the relative importance of each, so as to ascertain which characteristics covered in the IWs hold the most weight. For this, two routes were taken for each and every IW, namely a measure of the citations each IW received, and its degree of linkage (cross referencing) to other IWs.

5.3.2.1 LIST THE CITATION COUNT OF IWS

According to Dr Eugene Garfield (Thomson Reuters, 2014) "*the total number of expressions [citations] is about the most objective measure there is of the material's importance to current research*." As Google Scholar and Web of Science both readily provide the number of citations each IW has accumulated over the years, it is an easy way to check the popularity of literary works and provides one with a good basis from which to analyse a scholar's performance (Ale Ebrahim, Salehi, Embi, Danaee, Mohammadjafari, Zavvari, Shakiba & Shahbazi-Moghadam, 2014:63). The importance of citations can be seen more clearly in a study by Beel and Gipp (2009:439) which determined empirically that "*citation count is the highest weighed factor in Google Scholar's ranking algorithm*."

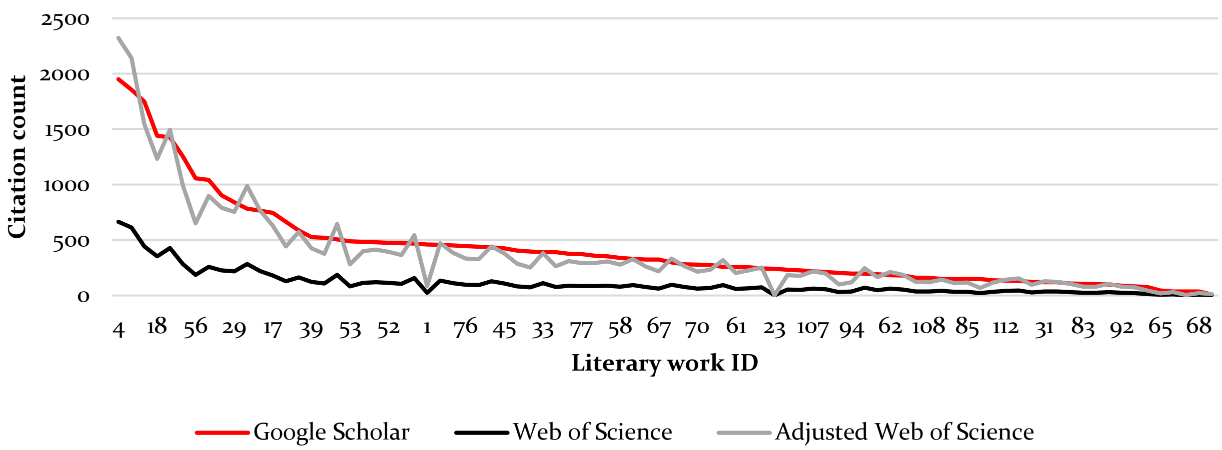


Figure 5-2 Comparison of citation counts for Google Scholar and Web of Science

The similarity in relative importance of the IWs, as signified by citation count, can be seen with respect to how the Google Scholar and adjusted Web of Science lines of Figure 5-2 mirror one another. Note that the extremely highly cited literary works were excluded to give a clearer comparison of the less highly cited works, and that not all of the literary work IDs fit into the x-axis label, as Figure 5-2 is just for illustrative purposes. Each of the literary works was assigned an ID number for ease of use, and can be found in Appendix I.1.

5.3.2.2 Adjust for the Matthew Effect among literary sources' citation counts

Not only have older literary works had a longer period of time in the public domain to accumulate citations, but the Matthew Effect (Merton, 1968:57) may also play a role in older articles or books receiving greater numbers of citations. This is due to the fact that scientists tend to reward the contributions of notable researchers more so than less well-known researchers that contribute in an equally comparable capacity.

The IWs are therefore disproportionately represented, with more citations being exhibited by popular and older works than that of emerging contributors, thus a modification factor needs to be used to minimise this discrepancy. To this end, the last decade of literary sources were adjusted according to Thomson Reuters Essential Science Indicators (2014) as listed and explained in Appendix J.

5.3.2.3 Determine the degree of linkage to other IWs

The degree of linkage to other IWs is basically a measure of the connectedness between the IWs. It is dependent on both the number of times a particular IW itself references another IW older than itself, and also the number of times it is referenced by more recent IWs.

Performing this linkage count is beneficial in that the researcher is also presented with page upon page of references covering titles of similar works, some of which have not been revealed by the key word search of step one. This provides a feedback loop as shown in Figure 5-1 which acts so as to strengthen and grow the literature base, allowing new literary sources to collect, both for IWs and SWs.

5.3.2.4 Arrive at a weighted ranking of IWs

The percentage breakdown of how each article is evaluated is shown in Table 5-2. As the degree of linkage is a stronger contributor to literary source credibility than citation count, it is given a greater weighting of 60 percentage points whilst citation count is attributed 40 points.

Table 5-2 Influential Work rank determining point breakdown

Degree of linkage		Citation count	
60		40	
40	20	20	20
Cited by others	*Citing others*	Google Scholar	Web of Science

As the citation count for Google Scholar and Web of Science are mutually independent, and each are highly regarded, the split for the weighting of each is half of the attributed percentage points for citation count, i.e. 20 for each.

The degree of linkage is broken down into the number of times an IW is cited by others and the number of times it cites other IWs, with the former being more important due to the fact that those are the IWs that build the initial rationale for any further research which may cite it. Therefore, being cited by others is given 40 of the overall allotted 60 percentage points and citing others receives the remaining 20 points.

After arranging the subdivisions (i.e. cited by others, citing others, Google Scholar citation count, and Web of Science citation count) in order of increasing magnitude, the ninetieth percentile values for each were chosen as the upper boundary for attaining full weighted points. This acts so as to further reduce the impact of statistical outliers on literary sources which have not been in the public domain for as long.

Table 5-3 serves to illustrate how the literary works were evaluated. For a full list of paper IDs and overall weighted totals, see Table I-2 of Appendix I respectively whereby the factors addressed in each are shown in Table I-3.

Table 5-3 Example of the systematic literature review evaluation process

ID	Year of publication	Google Scholar	Weighted (20)	Web of Science	Weighted (20)	Modification Factor	Weighted Citation Subtotal	Cited by Others	Weighted (40)	Citing Others	Weighted (20)	Weighted Linkage Subtotal	OVERALL WEIGHTED TOTAL
1	2013	459	8.81	24	1.88	27.18	290.42	1	5.00	1	2.00	7.00	100.00
2	2003	904	17.35	226	17.66	1	35.01	13	40.00	8	16.00	56.00	91.01
3	1990	1,950	20.00	663	20.00	1	40.00	13	40.00	4	8.00	48.00	88.00
4	1994	1,748	20.00	441	20.00	1	40.00	16	40.00	2	4.00	44.00	84.00
5	2001	1,042	20.00	256	20.00	1	40.00	10	40.00	2	4.00	44.00	84.00
6	2014	10	0.19	3	0.23	149.5	63.73	0	0.00	14	20.00	20.00	83.73
7	1996	5,402	20.00	1302	20.00	1	40.00	13	40.00	1	2.00	42.00	82.00
8	2005	1,254	20.00	284	20.00	1.1	44.00	6	30.00	3	6.00	36.00	80.00

5.3.3 Extract Key Factors from Highest Ranked Literary Works

From the ranked list of IWs, it is possible to determine which can be classified as *Key Influential Works* (KIWs), i.e. the most important of the IWs. This provides an objectively determined foundation of literary works upon which a solid argument can be formed for the importance of each factor. Figure 5-3 shows the weighted total score that each of the 122 IWs received along with the ID numbers assigned to each article in order of weighting.

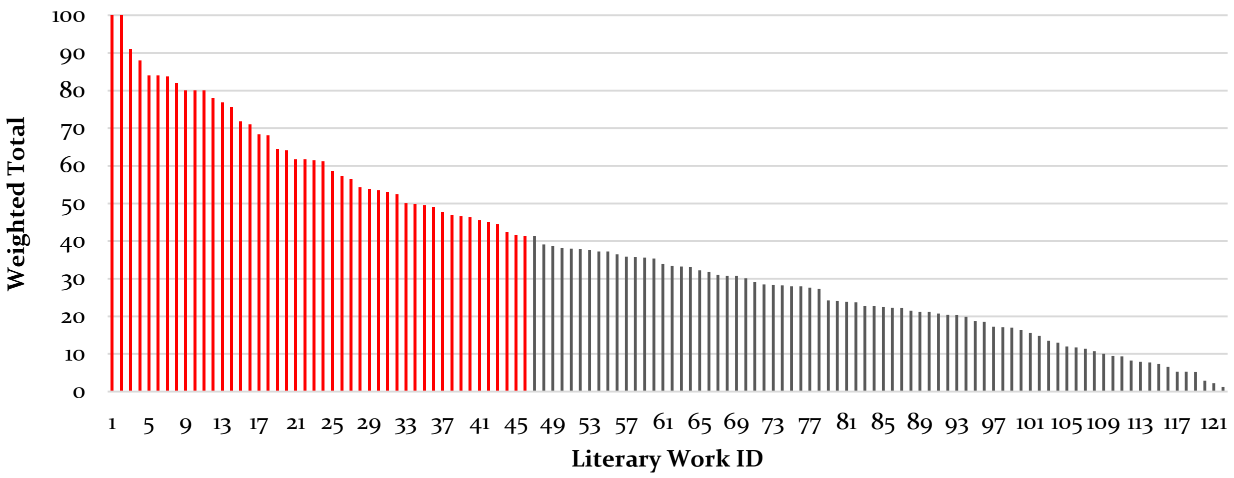


Figure 5-3 IWs ranked according to their weighted totals

Although there is no clear manner in which to decide upon what constitutes a KIW, for the purposes of this study it is sufficient to say that they are the highest ranked IWs which cover each high growth factor twice. By working downwards starting with the highest ranked IWs, the minimum number of IWs necessary so that each factor was addressed twice was found to be up to and including the IW with ID number 46. These 46 IWs were thus established as KIWs.

The reason for determining the KIWs is so that the frequency with which the characteristics are addressed in the top rated IWs (i.e. the KIWs) can be compared to the overall frequency with which each characteristic is focused on in total. If the two are proportional to one another then it can be assumed that the characteristics are well distributed throughout the range of IWs. This is addressed again in Chapter 5.5.2.

5.3.4 Organise key factors into logical groupings

After performing the aforementioned procedure, a set of high growth factors were arrived at. These factors were divided into four groupings, namely those factors: pertaining to the founder; dependent on the enterprise's attributes; relating to the enterprise's business practices, and; pertaining to the field of human resource management.

Human resource factors

- *Greater human capital (GHC)*
- *Incorporating performance based incentives (IPBI)*

Founder attributes

- *Level of education (LOE)*
- *Relevant industry experience (RIE)*
- *Apt entrepreneurial experience (AEE)*
- *Synergistic team size (STS)*
- *Broad professional and social network (BPSN)*
- *Apt entrepreneurial orientation (AEO)*
- *Apt leadership qualities (ALQ)*

Enterprise attributes

- *Ideal vision, mission, and communication (IVMC)*
- *Commitment to and motivation for growth (CMG)*
- *Evolving organisational structure (EOS)*
- *Industry life cycle stage and market environment (ILCS)*
- *Limited liability legal form (LLLF)*
- *Geographic location and expansion (GLE)*
- *Accessing financial capital (AFC)*
- *Reduced size and age (RSA)*

Business practice factors

- *Unique value creation for customers (UVC)*
- *Leveraging strategic alliances (LSA)*
- *Innovation for continuous improvement (ICI)*
- *Holistic marketing capabilities (HMC)*
- *High acquisition propensity (HAP)*
- *Fostering international sales (FIS)*
- *Detailed business planning (DBP)*
- *Apt founding strategy (AFS)*

Figure 5-4 Logical groupings of high growth promoting factors

The grouped high growth factors along with their reference codes are shown in Figure 5-4. The reference codes will be used to refer to the individual factors for sake of brevity. Each of these factors are discussed in the next section, in light of their impact on enterprise growth.

5.4 Factors promoting high growth

Due to the fact that different forms of growth have common underlying causes (Delmar *et al.*, 2003), the approach followed in the rest of this chapter is one of forming a multidimensional construct of growth. The dimensions identified in the systematic literature review will be covered in the following order in the next few section: founder attributes, enterprise attributes, business practice factors, and lastly human resource factors.

5.4.1 FOUNDER ATTRIBUTES

As the founder is the starting point of any venture, it is apt to first focus on the factors exhibited by high growth enterprises in relation to their founders.

On a study of almost 3,000 small enterprise owners in the United States, Cooper, Woo and Dunkelberg (1988) found that the young-enterprise owners exhibit a remarkable degree of optimism with regards to their own chances of entrepreneurial success, much more so than could be historically justified by enterprise success (or rather failure) statistics. One reason for this may be due to what psychologists term *post-decisional bolstering* which is derived from the theory of cognitive dissonance, whereby the subject (in this case the enterprise owner) exaggerates the attractiveness of an option/decision once it has been taken/made (Abelson & Levi, 1985:276). In order to provide entrepreneurs with a reference system for what constitutes acceptable behaviour, instead of exaggerated optimism, it is profitable to look at what activities or routes are taken by the most successful venture founders, instead of following this hazardous albeit optimistic approach.

A review of the research on the most generally accepted high growth enterprise founder characteristics is conducted in the following seven subsections.

5.4.1.1 APT LEADERSHIP QUALITIES (ALQ)

Leadership qualities have been shown to be more strongly related to enterprise performance in start-ups than in established enterprises (Peterson, Walumbwa, Byron & Myrowitz, 2008:1). It is widely thought that the founders of an enterprise leave behind them a lasting stamp or impression on their enterprise which in turn influences both the culture and behaviour of the enterprise (Mullins, 1996:90). Examples of this include how Disney executives would, for years after Walt Disney's death, ask one another out loud "*what would Walt do?*" (Collins & Porras, 2005), and more tacitly by how Hewlett-Packard's *Rules of the Garage* exist so as to ensure the values of its founders are incorporated into the enterprise which they formed in their garage (Dowling, 2006:65).

Thus, it can be said that the founder of the enterprise to a great extent provides the necessary impetus to start a new venture and is naturally in a position of leadership, demonstrating great influence in the enterprise. High growth will require a workforce that is motivated and understands the direction in which the founder is guiding the enterprise. For this reason, there are a number of personal qualities many leading founders of successful enterprises exhibit more often than not, each of which has been linked to heightened growth:

- Greater communication skills with partners, customers, suppliers, and employees (Duchesneau & Gartner, 1990:298; Baum, Locke & Kirkpatrick, 1998:16)
- A high degree of personal investment in the enterprise, evidenced by long working hours so as to ensure smooth running of day to day operations (Duchesneau & Gartner, 1990:298)
- A need for achievement which drives their motivation and commitment to growth (Lee & Tsang, 2001:598)
- A tendency to display transformational leadership traits (Peterson *et al.*, 2008:4), including:
    - Idealised influence, which is the extent to which a leader's followers seek to identify with the leader and emulate him or her
    - Inspirational motivation, which reflects a leader's ability to motivate and inspire his or her followers by articulating a strong vision for the future
    - Intellectual stimulation, which accentuates the leader's ability to expand the followers' use of their potential

- Individualised consideration, which is a measure of how attentive a leader is to his or her followers' needs for achievement, growth, and support

- A passion for the work being implemented has been shown to be a core characteristic of great wealth creators (Baum & Locke, 2004:588). Through tackling problems and pursuing opportunities with fervour and ardour, entrepreneurs achieve significantly higher growth rates
- Fostering strategic leadership capabilities (Ireland & Hitt, 1999:43), which basically encapsulates the ability of the founder to "*anticipate, envision, maintain flexibility, think strategically, and work with others to initiate changes that will create a viable future for the organization*"
- A tenacious and persevering attitude towards achieving the desired outcome or goal is often associated with successful leaders, especially important in the start-up phase due to the formidable barriers common to that phase of the business life cycle (Baum & Locke, 2004:589)

The leadership qualities of the founder(s) are therefore pivotal to attaining and maintaining high growth, especially in the start-up phase.

5.4.1.2 SYNERGISTIC TEAM SIZE (STS)

Regarding founding team size, it has been determined through statistical analyses that high growth and low growth enterprises differ systematically in terms of the size of the founding team (Feeser & Willard, 1990:94; Carmeli, Schaubroeck & Tishler, 2011:23). It is only common sense to arrive at the conclusion that if the skills, abilities, and experiences of an entrepreneur are of great value, and a strong predictor of enterprise growth and success, then it is likely that supplementing these skills, abilities, and experiences with those of other entrepreneurs is indeed beneficial when undertaking a new venture.

There is strong evidence that high growth high-tech enterprises in particular are often launched by teams and that the larger the team, the more talent, resources, professional contacts, and psychological support there is amongst the cofounders of an enterprise, which each promote growth (Cooper & Bruno, 1977; Barkham, 1994:124; Feeser & Willard, 1990).

Large founding teams initially have more skills at hand for building strategic alliances, raising money, and meeting with potential customers (Eisenhardt & Schoonhoven, 1990:526). With this added advantage, these enterprises with founding teams who became more successful attracted new customers, investors, and allies, thus reinforcing their success and in turn growing more rapidly.

This being said, there must exist a synergy between founders of a new enterprise for the multiple benefits of founding teams to be realised, e.g. enhanced ability in resolving conflict, enriched communication, sharing of information, and coordinating team effort (Ensley, Pearson & Amason, 2002). However, without this synergy and a sense of shared enthusiasm, Watson, Stewart and BarNir (2003:160) claim that in their study "*differences in partner observations of interpersonal processes negatively corresponded with firm growth.*"

On the one hand, a team of founders trumps an individual founder, however it brings with itself a host of other areas which need to be addressed to ensure synergy and therefore promote growth. A few more areas of concern in promoting a pro-growth synergistic environment which Knight, Durham and Locke (2001) determined, include goal difficulty, team efficacy, strategic risk, and tactical implementation.

The remaining factors in this section are all applicable to both a sole founder and a team of founders, although all are enhanced by a larger founding synergistic team.

5.4.1.3 RELEVANT INDUSTRY EXPERIENCE (RIE)

An entrepreneur's ability to launch an enterprise successfully and attain high growth has been shown to be largely dependent on his/her relevant industry experience, regardless of whether the enterprise in question is young and small, larger and more mature, or any mix of size and age (Siegel, Siegel & Macmillan, 1993).

The importance of industry experience is agreed upon by government, policymakers, external resource providers, and enterprise owners themselves (Fischer & Reuber, 2003). Furthermore, for this industry experience to be of value, entrepreneurs must have worked in the same industry prior to the new venture for high growth to be more probable. This is due to a number of reasons such as acquired knowledge of the loop holes in industry, how to navigate around red tape, and having a pre-existing, mature network of industry contacts already in place.

When proposing a new enterprise, investors often assess the potential thereof by evaluating the attributes of its founders. For instance, venture capitalists largely base their decision on whether or not to fund the venture on their perception of the founding entrepreneur's ability to bring about success, and there is a general consensus amongst venture experts that one should *bet on the jockey and not the horse* (Siegel *et al.*, 1993). Vesper (1990) and Cooper and Bruno (1977) also argue that one of the key elements a founder needs to recruit in building a successful new venture, is technical know-how in his/her particular line of work.

Singer (1995) likens the mature and growing enterprise to a highly cognitive organism, which itself can only learn through experience much of what maturity entails, and as organisms must pay the costs of learning, so must every business entity as well.

Furthermore, most learning comes in the early stages of growth when the enterprise is most vulnerable and distracted by challenges, at the exact time when prior industry experience can minimise the costs of learning the most. It is here that relevant industry experience plays its most vital role.

5.4.1.4 LEVEL OF EDUCATION (LOE)

Education level has long served as a proxy for entrepreneurial skills and abilities, and the impact of schooling and experience has been positively linked to entrepreneurial performance through a study conducted across more than 20 African countries by Van der Sluis, Van Praag and Vijverberg (2005). However, in a similar vein to relevant industry experience, some would argue that knowledge intensive education is only truly advantageous if the recipients thereof start a new venture which is related, or aligned to, their particular area of expertise (Barringer *et al.*, 2005).

In terms of employee education levels however, Watson *et al.* (2003:159) performed a study on 350 high growth enterprise partners (with an average of ten employees per enterprise), and obtained decisive evidence that the partners perceived that human capital (education and experience combined) was one of the strongest contributing factors to their growth. This will be addressed again in Chapter 5.4.4.1.

The long-term effects of higher education were also determined as being a strong contributor to later enterprise growth due to the increased discovery and implementation of innovative ideas as time proceeds (Acs, Armington & Zhang, 2007:388).

However, Dencker, Gruber and Shah (2009) determined that founders with higher levels of education and a greater breadth of knowledge created fewer jobs on average, mostly due to their proclivity to pursue more technical routes, thus eliminating the need for increased manpower.

Although the pre-existing level of education of human resources in the enterprise is key to new venture success, learning also comes about within the enterprise itself. As will be seen later with regards to what can be termed *entrepreneurial orientation*, Wang (2008:1) shows that enterprises which are more readily able to learn from experience, as shown by what he calls their learning orientation, has a huge effect on the ability of an entrepreneurial enterprise to grow rapidly.

5.4.1.5 APT ENTREPRENEURIAL EXPERIENCE (AEE)

As discussed earlier, entrepreneurship is beneficial to both the entrepreneur and society in that entrepreneurship acts as a driver for economic growth, competitiveness, and job creation (Audretsch, 2004; Thurik & Wennekers, 2004). However entrepreneurial activities often require prior knowledge to make their operations smoother and more efficient.

Prior entrepreneurial experience has long been an astute predictor of future entrepreneurial performance (Singer, 1995). The nature of launching a new venture is complex and knowledge intensive, with many opportunities to make costly mistakes and thus entrepreneurs who already know the ropes have a clear advantage.

Lead entrepreneurs of successful enterprises have been shown by Duchesneau and Gartner (1990:298) to more often than not be from families wherein the parents were entrepreneurial, and in general exhibit a broader business sense due to prior business and start-up experience which helps them navigate the difficulties of new venture creation.

Stuart and Abetti (1987) also claim that entrepreneurs and their associated teams which pursue new ventures matching their technical and market experiences, are notably more successful in their endeavours.

Another strong advantage of prior entrepreneurial experience was found by Forbes (2005) to be the quicker rate at which these entrepreneurs are able to make decisions, which is imperative in a new enterprise when being quicker to market is often tantamount to success.

The nature of the prior entrepreneurial experience does not necessarily have to be one of success to be beneficial. Cope (2011) has linked both past failure, due to external factors, and past successes in entrepreneurial activities to an increased likelihood of entrepreneurs in subsequent ventures to recover from destructive external changes more quickly. Ucbasaran, Westhead, Wright and Flores (2010) go further to say that such entrepreneurs are also quicker to pursue subsequent growth-oriented entrepreneurial activities.

5.4.1.6 APT ENTREPRENEURIAL ORIENTATION (AEO)

Davidsson *et al.* (2005, 2010) and Wang (2008), among many others, have related what is known as entrepreneurial orientation (EO) to enterprise growth. EO refers to the processes, practices, and decision-making activities that lead to new entry and can be divided into five dimensions which include autonomy, innovativeness, risk-taking propensity, pro-activeness, and competitive aggressiveness (Lumpkin & Dess, 1996:136). However, these dimensions have been shown to have differential impacts on enterprise performance depending on environment and industry life cycle stage (Lumpkin & Dess, 2001). Furthermore, the effect of EO on enterprise growth has been shown by Wiklund and Shepherd (2005:71) to be dependent on both environmental dynamism and financial capital availability. So, in effect EO also makes an impact on the strategy that the enterprise must take, as the effects of EO on enterprise performance are not consistent across all environments, industry stages, or financial situations.

Wang (2008:12) argues that pro-activeness and aggressiveness enhance growth through their external effects on the market and competition, whereas autonomy and innovativeness are more internally directed means of aiding growth, through impacting business processes. With respect to risk-taking, Wang (2008) reveals that it has a positive effect on the ability of an enterprise to explore new options if calculated risks are taken, however they are only really beneficial if exploited thereafter, otherwise risk-taking is likely to have a negative impact on enterprise performance.

In particular, pro-activeness and competitiveness represent two clearly different avenues to success (Lumpkin & Dess, 2001:430). Pro-activeness, which is a response to opportunities, is helpful in dynamic environments or industries still in the growth stage, whereby conditions rapidly change and there exist many opportunities. Competitive aggressiveness on the other hand is more apt for hostile environments and mature industries where there exists a lot of competition for resources.

A clear understanding of EO is therefore imperative for gaining the initial impetus necessary for attaining high growth in both new and mature enterprises.

5.4.1.7 Broad Professional and Social Networks (BPSN)

Start-ups often battle with problems associated with their newness and small size in the way of reduced and weak professional and social networks. Access to critical resources can be adversely affected due to underdeveloped networks, thus inhibiting growth.

According to Brush, Greene and Hart (2001:64), when high growth strategies are initiated by entrepreneurial enterprises, they then face the challenge of accumulating supporting resources from the markets in which they have yet to establish legitimacy, and therefore fostering these professional and social networks early on is hugely beneficial for growth. To this end, Lechner and Dowling (2003) and Ostgaard and Birley (1996:37) argue that the development of enterprise networks through external relationships is key to achieving growth and competitiveness for entrepreneurial enterprises. Furthermore, communication frequency has been shown to have a strong and positive effect on venture growth, especially in small enterprises (Lee & Tsang, 2001:596) which indicates the need for these networks to be actively and continuously developed.

Fostering vertical relationships (with suppliers and buyers) is necessary to gain access to complementary resources, whilst horizontal relationships (with other complementary enterprises, cooperatives, and associations, etc.) stimulate faster growth (Baum, Calabrese & Silverman, 2000; Lechner & Dowling, 2003; Sirmon, Hitt, Arregle & Campbell, 2010).

Vertical linkages act so as to expand an enterprise's set of viable business opportunities and improve the enterprise's capabilities. Oftentimes, entering into agreements with buyers reduces the risks and costs that are part of new market entry (Aw, 2002). Agreements might, for instance, include a guarantee of prompt flow of orders, or relating of critical information regarding market requirements.

Horizontal linkages especially help small enterprises overcome many of their small-size associated disadvantages by providing a way to consolidate production, access market services or information, improve their negotiating position with buyers or suppliers, and aid in lobbying for political or regulatory changes (Goldmark & Barber, 2005; Steen, Magnani & Goldmark, 2005; Sirmon, Hitt, Ireland & Gilbert, 2011).

Starr and MacMillan (1990) found that securing funding and early success in new ventures is greatly promoted by social contracting, making use of social assets (such as obligations), trust, gratitude, liking, and friendships. In effect, each of these allows the founder to secure lower costs than rational economic exchange would permit in terms of needed resources and services, whilst simultaneously building an asset base and leveraging them via extensive network growth. Florin, Lubatkin and Schulze (2003:381) when speaking of the problems both new ventures and established enterprises face when seeking support for high growth endeavours, state that "*scepticism can be mitigated if stakeholders perceive a firm as having high levels of human resources (an experienced and capable management team) and social resources (positive relationships with individuals and institutions that lend legitimacy).*" This re-establishes the importance of level of education, relevant industry experience and entrepreneurial experience as each promotes relationship formation with external sources.

It is often the case however that the problem is not so much an inability to foster professional relationships, but rather how to deal with factors which impede the formation of these linkages. Common constraints which act on entrepreneurs that reduce their ability to make full use of the advantages of intra-organisational and inter-organisational network resources, as determined by Starr and MacMillan (1990:88), include that:

- **Established organisations do not have an asset parsimonious mind-set:** generally, too much time is taken in planning and overstaffing rather than making multiple smaller decisions and commitments. This organisational overkill can be dangerous to fragile new ventures where timing, action, and social interaction are critical. More experienced new venture founders may be conditioned by their corporate experience and its associated culture to the extent that they will not amplify their network, as they might look down on what they see as begging, borrowing, or scavenging
- **Management procedures and techniques for established businesses are inappropriately enforced on new ventures:** existing enterprises revere detailed and proven plans, however it is practically impossible to perfectly plan the building up of social assets or

the projected increasing usage of underutilised resources associated with a new venture. For this reason, venturing for entrepreneurs with prior industry experience, in particular, poses greater difficulties when trying to break out from the organisational mind-set that resources available to existing enterprises are best suited to the needs of new ventures

- **Implementation of inter-organisational relationships is critical but often unplannable:** the reality is that managing an inter-organisational collaboration synonymous with new ventures relies much more on trust, empathy, and personal feelings than rational strategic planning techniques would allow for through the contracts and formal agreements they are more akin to

A vast network alone is however insufficient for achieving high growth. Hansen (1995:15) found that addition of new members to a network was not enough to affect growth positively, but that the new additions had to become part of the structures and processes of the new venture for there to be a positive effect on growth. Duchesneau and Gartner (1990) further support this evidence by showing that, by and large, entrepreneurs of successful enterprises spend vastly greater amounts of time communicating and interacting with partners, employees, suppliers, and customers than those of unsuccessful enterprises, in effect building up the enterprise's social and professional networks, and thus using social resources to leverage the productivity of the venture's resource base (Florin *et al.*, 2003:380).

5.4.2 Enterprise attributes

The attributes of an enterprise are intricately related to the rate at which that enterprise can reasonably be expected to grow. This is due to the unique and generally slow-to-change nature of the enterprise. The enterprise consists of financial, human, and physical resources which must all work together harmoniously if high growth is to be realised. Understanding the nature of high growth enterprise attributes is therefore of considerable importance.

A review of the research on the most generally accepted high growth enterprise attributes is conducted in the following eight subsections.

5.4.2.1 Reduced size and age (RSA)

The general consensus is that younger and smaller enterprises generally exhibit higher growth rates than their larger counterparts (Bigsten & Söderbom, 2006:252). There exists a large body of empirical studies which have found a significantly negative relationship between enterprise growth (and the variability thereof) and size (Goddard, Wilson & Blandon, 2002; Yasuda, 2005; Calvo, 2006; Coad, 2009). Moreno and Casillas (2007:82) go as far as to say that "*size is the most discriminating variable* *between high-growth and non-high-growth firms,"* with smaller enterprises accounting for the majority of high growth enterprises in their studies.

High and more erratic growth rates common to smaller enterprises are said to be due to the enterprises' drive to reach the minimum efficient scale (this is the lowest point where the enterprise can make enough produce such that its long-term average costs are sufficiently minimised), however growth hereafter is possibly random and has been shown to be independent of size once exceeding a certain threshold (Caves, 1998). Although commonly attributed to larger enterprises, though not at all restricted thereto, is the benefit of economies of scale, as higher rates of growth are usually experienced by enterprises in industries where large scale economies are inherent (Audretsch, 1995).

On the flipside, one might say that generally speaking, older enterprises are more settled and less motivated to grow, so it is not surprising to find that a negative relationship is observable between growth (and the variability thereof) and enterprise age (Dunne & Hughes, 1994; Yasuda, 2005; Calvo, 2006; Zhou & De Wit, 2009; Haltiwanger, Jarmin & Miranda, 2013). Although small enterprises tend to grow faster, their growth is also more volatile and hazardous, though it is generally more profitable (Markman & Gartner, 2002).

Regarding employment growth however, Acs and Mueller (2008:96) claim that in general "*[high growth firms] unfold their major employment effects after they have been in business for at least five years.*" Tracy (2011) also argues that high growth is most commonly achieved only years after start-up.

In way of African enterprises, this negative relationship between size, age, and growth rate is also empirically evidenced as being true (McPherson, 1996; Bigsten & Gebreeyesus, 2007; Goedhuys & Sleuwaegen, 2010). As mentioned earlier, in a policy research working paper of the World Bank covering 99 developing countries, and focusing on SMMEs in particular, it was found that in comparison to large enterprises, "*small firms have the largest shares of job creation*" (Ayyagari *et al.*, 2011:15). De Kok, Vroonhof, Verhoeven, Timmermans, Kwaak, Snijders and Westhof (2011) also argue that SMMEs generate many more jobs than large enterprises across the European Union, which is even more pronounced when the population effect is taken into account (the population effect is shown when an enterprise crosses over from one size class to another and makes it appear as if the larger size class is responsible for its new increase in employment size, whilst the smaller size class appears to have made a negative contribution to employment which is not so).

Therefore, it can be said that younger, smaller enterprises are the ideal vehicle for pursuing high growth in terms of profits, however for high growth in terms of sustainable job creation it is the slightly older enterprises which have the advantage.

5.4.2.2 LIMITED LIABILITY LEGAL FORM (LLLF)

The choice of legal form for the enterprise has a surprisingly large effect on its tendency to achieve high growth, thought to be due to the level of associated risk in pursuing riskier but potentially worthwhile directions in the pursuit of high growth (Stiglitz & Weiss, 1981:396).

To this end, Harhoff, Stahl and Woywode (1998) and Almus and Nerlinger (1999) determined that limited liability enterprises achieve significantly higher growth rates than enterprises whose founders are liable with their own personal savings and assets. Furthermore, due to the increased legal status and legitimacy of limited liability enterprises, these enterprises are generally less likely to be subject to financial restrictions or constraints (Hannan & Carroll, 1992; Storey, 1994a:129).

It is therefore ideal to ensure limited liability in pursuing high growth.

5.4.2.3 GEOGRAPHIC LOCATION AND EXPANSION (GLE)

Due to the interdependent nature of location and expansion, they have been jointly considered as one single factor. Each facet is however discussed separately.

i. Apt geographic location (AGL)

Acs and Mueller (2008:96), Lechner and Dowling (2003), and Humphrey (2003) claim that the regional characteristics of a start-up play a large role in the enterprise's growth potential, and that location is critical to whether an enterprise becomes high growth or not, both in terms of sales and employment. The general trend of high growth enterprises from their study shows that the average employment effects of a high growth enterprise located in a non-ideal geographic region is similar to that of small enterprises. This poses the question of what constitutes an ideal location.

For small enterprises that wish to remain so, and branches of extremely large enterprises which do not need to be integrated into the local economy, location is less important than for medium-sized enterprises that wish to grow rapidly. Fertile ground for a rapid growth enterprise to not only boost sales, but also employment, is primarily shown to be present in larger cities that have a highly competitive environment which promotes the drive for greater efficiency, and increased creative capital (Florida, 2002; Acs & Mueller 2008). Henderson (2002) states that the small and remote nature of rural areas makes it nearly impossible to develop economies of scale and reach a critical mass. This will be addressed again later, in Chapter 10, whereby it is shown that the equivalent for conventional businesses choosing to locate themselves in the city as opposed to the suburbs is the equivalent of BOP oriented enterprises locating themselves in urban BOP communities as opposed to rural ones.

Geographic location also influences enterprise growth as it has an effect on its ability to attract alliance and private equity partners (Folta, Cooper & Baik, 2006; Lechner & Dowling, 2003). Another influencing factor on enterprise growth is the impact enterprise location has in terms of the ability of the enterprise to acquire the necessary resources and distribution services to benefit from economies of agglomeration (the combined effects of economies of scale and network effects).

Business clusters which are by definition a geographic concentration of interconnected enterprises, suppliers, and associated institutions from the same industry, are becoming increasingly useful in aiding growth (Humphrey, 2003). These agglomeration effects allow an enterprise to increase its productivity and competitiveness. Porter (1998) puts forward that this environment merges insights and skills, making new enterprises form, but that if one wants to take advantage of competitively advantageous assets, there must exist personal relationships and *insider status* within the cluster. This once again strengthens the argument for focusing on network development at the new location.

Geographically clustered enterprises which are fast-growing are commonly known as hot spots, the development of which is aided by innovatively arriving at economies of agglomeration, dealing with institutional forces, and guiding managers' mental processes (Pouder & John, 1996).

Too densely packed regions of competition whereby resources needed to sustain operations cannot be easily attained has, however, a large negative influence on the ability of an enterprise to operate in a new location, or expand into it (Romanelli & Schoonhoven, 2001; Folta *et al.*, 2006). Another reason for the attractiveness of cluster areas is the human capital it exhibits, which is widely acknowledged for its superiority and abundance, which allows a new venture to attract workers with sufficient levels of expertise to pursue growth objectives (Hanson, 2000).

ii. Apt geographic expansion (AGE)

Geographic expansion is inevitable when an enterprise is unable to continue expanding at its present location, however it is also a strategy used by enterprises pursuing high growth. Rationale for such expansion might also include the perceived existence of product and service appeal to consumers in markets existing in a separate location.

Deciding on the geographic location of any expansion requires strategic decision making, so as to ensure the enterprise's access to skilled technical personnel and vital knowledge streams remains intact (Deeds, DeCarolis & Coombs, 2000). Geographic expansion is nonetheless subject to a sum of potentially unique situational challenges, and discerning potential pitfalls is difficult at best. After comparing a number of successful and unsuccessful expansion cases, Barringer and Greening (1998) determined the following factors were exhibited by enterprises that had successfully expanded and subsequently grown their enterprises:

- **Planning for expansion:** geographic expansion requires strict planning as a result of increased enterprise growth complexities. Complexities arise due to differences between communities in different geographic locations, such as differences in demographic makeup, customer preferences, and the yet to be established legitimacy of the enterprise in that region. Pre-expansion planning is therefore essential for coping with these dissimilarities. Porter (1998) however argues that "*enduring competitive advantages in a global economy lie increasingly in local things – knowledge, relationships, and motivation that distant rivals cannot match.*" This makes gaining knowledge of the new communities near the enterprise imperative
- **Managing expansion:** recruiting skilled and qualified personnel to staff expansion sites, establishing new social and professional networks, and relinquishing control on the part of the manager/founder of the original enterprise is critical to the organisation attaining legitimacy in the new geographic location. As an organisation is no more than the sum of its people, so too is a subset of a larger enterprise no more than the people working at that new location. Knowledge, skills, and personnel practices which make the original enterprise successful are unlikely to be fostered in a new location by new personnel unless they are trained, and this transferring of knowledge is a difficult task. According to Barringer and Greening (1998), successfully expanded enterprises trained their employees for the new location at the original enterprise's location, so that they could more easily control and monitor the proceedings, ensuring key qualities were fostered and that employees were correctly socialised into the organisation. With respect to establishing new networks, it has been shown that managers who struggle to let go of the reigns and move from a mind-set of being a manager of things to one of being a manager of others, greatly hampers growth at the new location. Delegation of responsibility along with growing a new network of resources is key to successful geographic expansion, both of which are greatly hastened if personnel are proficient in the necessary skills (Smallbone *et al.*, 1995)
- **Expansion site characteristics:** desirable locations were found by making use of planning as well as the development of heuristics for expansion site selection. If the community around a new site was not adequately aware of the business concept, successful enterprise expanders would utilise networking to kindle interest and establish legitimacy. Deeds *et al.* (2000) found that a prime location for expansion exhibits a significant concentration of similar enterprises, in a region where natural resources have however not been depleted or become scarce enough that competition offsets the lucrativeness of the location
- **Moderator variables:** as would be expected it was found that the ability to learn and be flexible (in the sense of effectively juggling various demands made by the competitive environment) were found to be characteristics common to high performance managers of

geographic expansion endeavours, and that environmental turbulence (changes in the external environment out of the enterprise's control, such as regulations) had generally a negative impact on ease of expansion

- **Reasons for expansion:** rationale for growth by geographic expansion included economic (choosing geographic sites exhibiting a high degree of growth potential) and personal (choosing an expansion site based on the owner's likes and preferences) reasons. Besides the dominant and generally beneficial reason of seeking economic gains for aiding growth, personal reasons are more idiosyncratic and their impact on growth may be either positive or negative

McKelvie and Wiklund (2010) put forward that another option for enterprises looking to expand is through franchising, which offers a much safer mode of growth than investing in one's own outlets and focusing on internal growth. However, SMME start-ups generally lack the reputation, finances, and know-how necessary to pursue growth via this route, and as such it will not be discussed further.

5.4.2.4 INDUSTRY LIFE CYCLE STAGE AND MARKET ENVIRONMENT (ILCS)

Before discussing the industry life cycle stage and market environment that an enterprise operates in, and its associated impact on growth, it is necessary to dispel any ideas that high growth is restricted to any particular industry or market per se (e.g. hi-tech industries). To this end, Tracy (2011) shows that high growth enterprises are relatively evenly distributed across all sectors of the economy. In a more recent empirical analysis, and Coad and Hölzl (2012) state that "*there is no evidence to support the view that [high growth enterprises] are overrepresented in high-tech industries. [High growth enterprises] exist in all industries*." They may however be overrepresented in more knowledge-intensive service industries, as shown by Almus (2002) and Henrekson and Johansson (2010).

Both the industry life cycle stage and market environment will now be discussed in terms of their impact on enterprise growth.

i. Industry life cycle stage

Entrepreneurs show a propensity for starting enterprises in industries they are familiar with (accustomed to), as opposed to ones arguably more attractive in terms of opportunities (Eisenhardt & Schoonhoven, 1990:524). According to Zook and Allen (1999:4), the choice of industry is not the growth limiting factor, but rather the relative competitive position of the enterprise in the chosen industry has shown to be the defining difference between high and low growth enterprises.

The life cycle stage of the industry determines to a large extent the viability of new ventures and their subsequent growth (Park, Chen & Gallagher, 2002; Robinson & McDougall 2001; Brush & Chaganti, 1999). In growing and emerging markets, the environment is generally more abundant in necessary resources and thus easier to achieve rapid growth in (Castrogiovanni, 1991).

Gilbert *et al.* (2006) claim that high growth is most naturally attained in growing industries (markets), as opposed to the other stages of the industry life cycle: emerging, mature, or declining. However, entering into a growing industry will not guarantee high growth on its own; the growth that is realisable is largely dependent on the implemented strategies (Park *et al.*, 2002). An advantage of pursuing growth in a growing industry is that more opportunities exist to provide new product or service offerings, making it easier to fill new niches in the market (Gilbert *et al.*, 2006; Wiklund, Patzelt & Shepherd, 2009).

Thus, in effect the industry life cycle stage is more of a gate to high growth potential for the enterprise than a determinant or promoter thereof, as it is still a competitive environment the enterprise is entering.

ii. Market environment

According to a longitudinal study of high-tech high growth enterprises, Eisenhardt and Schoonhoven (1990:524) determined that the founding market environments were a key influencing factor in an enterprise's ability to attain initial high growth. Enterprises founded in and providing starting line-up products to growth stage markets, as opposed to emergent or mature markets, were more likely to grow fast. Although mature markets generally have a higher absolute growth, and emerging markets show greater percentage growths, growth stage markets are advantageous in that they simultaneously provide a substantially sized market, rapid increases in demand, and upheaval in the market which allows for superior opportunities for new enterprises.

Zahra and Bogner (2000:135) identify a number of strategies suitable to different market environments which enhance new enterprise performance. The identified strategies include:

- **New product radicality:** indicating a higher rate at which new products are introduced in comparison to competitors
- **Frequent product upgrades:** which indicates a greater intensity of product upgrades through refinements and extensions of existing product offerings
- **Research and development (R&D) investment:** which indicates higher levels of R&D spending and consequently greater investment in internal capabilities and knowledge (i.e. an increased innovative capacity)
- **External technology sources:** which relates to an increased use of external technology sources through strategic alliances and licenses

- **Intellectual property protection:** which is linked to prompt protection of intellectual property through copyrights and patents

Concurrently, Zahra and Bogner (2000:136) identified a number of external environmental forces which might significantly impact a new venture, affecting to a large extent the effectiveness of the enterprise's business strategy in terms of the return on equity and growth in market share:

- **Dynamism:** which reflects the rate and continuity of change within an industry
- **Price hostility:** which indicates the intensity of rivalry in an industry based on costs and reduced prices
- **Non-price hostility:** which indicates an emphasis on product quality and service as the keys to capturing large segments of an industry
- **Heterogeneity:** which indicates the diversity of the market segments in the new venture's industry, typically having multiple segments with diverse needs and expectations

By looking at how each strategy had been utilised to increase the return on equity (ROE) and growth in market share (GMS) of the sample enterprises, Zahra and Bogner (2000) were able to determine when the strategies work, have no effect, and also when they hurt the enterprise. The results of the study are shown in Table 5-4. A plus sign indicates a positive effect on ROE or GMS, a minus sign denotes a negative effect, and a blank space indicates a negligible relationship between strategy and environment.

As can be seen it is important that ventures match their strategy to the external environment if they wish to achieve higher growth. Notably, use of intellectual protection in a dynamic environment actually increases the rate at which knowledge is diffused to rivals, thus ironically impacting the enterprise's growth potential negatively.

Table 5-4 Strategy and environmental moderator relationships (Zahra & Bogner, 2000:136)

	Environmental moderator							
	Dynamism		Price hostility		Non-price hostility		Heterogeneity	
Strategy	ROE	GMS	ROE	GMS	ROE	GMS	ROE	GMS
New product radicality	+	+			–	–		
Frequent product upgrades	+	+	+	+	+	+	+	+
R&D investment				+		+	+	+
External technology sources	+	+	+	+	+		+	+
Intellectual property protection	–	–						

Another crucial component of a suitable business environment relates to the buyer concentration. Being restricted to a narrow market sector with fewer, smaller, and more difficult to serve buyers negatively impacts the ability of an enterprise to attain high growth, as shown by Duchesneau and Gartner (1990). Another study by Roure and Maidique (1986) argues that successful ventures were ones that "*targeted product-market segments with high buyer concentration in which, through technological advantage, their products could attain and sustain a competitive edge.*"

Thus, it is important to utilise a dynamic strategy in the pursuit of high growth, as the market environment is dynamic in nature, requiring deliberate attention at all times.

5.4.2.5 ACCESSING FINANCIAL CAPITAL (AFC)

The financial capital held by the enterprise has been shown to be hugely influential in determining sales and employment growth, especially for start-ups (Lee, Lee & Pennings, 2001). Furthermore, so as to utilise these funds optimally, the entrepreneurs' financial management capabilities are important for achieving high-growth (Barbero, Casillas & Feldman, 2011).

Higher levels of financial capital enable entrepreneurs to more easily execute strategic decisions, it allows for more ambitious goals, it gives more flexibility to the entrepreneur, and it aids in sustaining growth (Cooper, Gimeno-Gascon & Woo, 1994; Zahra & Bogner, 2000). Most importantly, financial capital "*creates a buffer against random shocks and allows for the pursuit of more capital-intensive strategies which are better protected from imitation*" (Cooper *et al.*, 1994).

Lee *et al.* (2001) established that connections to external sources of funding (including banks and venture capitalists) are good predictors of new venture sales growth. This may be easier to understand when one looks at which ventures by and large receive the funding. Bollingtoft, Ulhoi, Madsen and Neergaard (2003) argue that ventures pursuing development of innovative technologies have a higher likelihood of attaining external financial capital than less innovative ones. The role of innovation however will be discussed later in Chapter 5.4.3.8.

Though not often the case, some managers have the problem of too much money for their own good. Owners and managers that have too much capital tend to act brashly, knowing they have enough collateral in the event that something goes wrong. Katila and Shane (2005) argue that ventures which are over-provided with excess capital early on lose focus, and hence do not grow as much, due to what can be seen as a killing of the entrepreneurial spirit.

As many founding entrepreneurs require financial assistance to launch their new venture it is worthwhile looking at what factors make new venture financiers more likely to back the entrepreneur and his/her idea. Linking back to the need for financial management capabilities, Smith and Smith (2000) contend that new venture financiers encourage budding entrepreneurs to create a long-term vision for their enterprise, develop and present their business strategies, and lastly offer short-term goals and benchmarks which might act as proof of their preparation and commitment to resource acquisition and systematisation. This acts so as to increase their likelihood of attaining external funding.

5.4.2.6 EVOLVING ORGANISATIONAL STRUCTURE (EOS)

For sustained growth to occur it is imperative that the enterprise's internal organisational structure adapts to its ever-changing circumstances so as to best accommodate growth (Gilbert *et al.*, 2006).

Due to the typically small nature of start-up enterprises they are generally characterised by centralisation, informality, and a greater degree of specialisation, all of which can aid the enterprise in attaining high growth (Olson, Slater & Hult, 2005:62). Centralisation refers to the way in which the authority to make decisions is left only to management, with clear lines of communication open to subordinates. Informality means less formal rules and procedures govern decisions and working procedures, making it easier for lower ranked employees to contribute with new ideas. Specialisation relates to the degree to which tasks and activities are divided between members of the enterprise, and in essence how much responsibility and control is given to the respective employees for carrying them out. Highly centralised, informal, and specialised enterprises allow for rapid response to changes in the environment, making it much easier to maintain high growth.

Baum *et al.* (1998:16) also found that enterprises that made use of communication of a vision to achieve high growth were by and large ones in which the leader of the enterprise, i.e. entrepreneur, had a high degree of direct control, which is favoured by highly centralised organisations. The high growth enterprises' management in this sample ascertained that the following factors related to organisational structure were responsible for their high growth rates:

- Fewer layers of authority to deal with
- One-on-one contact between the entrepreneur and employees, customers, and suppliers
- The greater relative ease with which the entrepreneur is able to directly execute strategies, control and monitor events and their outcomes on a daily basis

Kazanjian and Drazin (1990:137) argue that as an enterprise progresses in size it is important to become more decentralised, with functional specialisation supporting this change. Functional specialisation is beneficial in a number of ways. Firstly, it enables greater environmental scanning for new opportunities by specialists in specific areas with specific know-how so as to promote growth (Box, White & Barr, 1993). Secondly, it allows the enterprise to generate more innovative offerings through more formal internal planning, also leading to higher growth (Olson & Bokor, 1995). Thirdly, it allows the entrepreneur to have a higher degree of control as the enterprise grows by providing him or her with a strong decision-making structure.

Larwood, Falbe, Kriger and Miesing (1995) also report that when the leader of the enterprise has a high degree of control, the vision of the enterprise is generally much better understood.

In essence, small enterprises and large enterprises favour opposing organisational structures in order to achieve growth, and the structure utilised has an impact on the vision of the enterprise.

5.4.2.7 Ideal vision, mission, and communication (IVMC)

The three aspects of vision, mission, and communication in a high growth enterprise are inextricably linked, and therefore grouped together as a single high growth factor.

Of notable importance is the growth oriented nature of a high growth enterprise's vision, mission, and communication, which in effect reflects the growth aspirations of the founder. The impact that a founder's aspirations for growth have on actual growth in the enterprise is magnified by his or her level of education, prior experience, and the dynamism of the business environment in which it operates (Wiklund & Shepherd, 2003), each of which have already been discussed.

There is a common view amongst entrepreneurs that pivotal to success is the development of a brilliant, far reaching idea regarding the product, market potential, or technological stance of the idea, which allows the enterprise to ride the growth curve of an attractive product life cycle. Big names such as HP, Sony, and Wal-Mart to name just a few, have however shown this not to be necessarily true. In fact, according to Collins and Porras (2005:88), relatively few founding entrepreneurs began by developing a typical brilliant idea. They argue that what is common amongst these now famously successful entrepreneurs is a drive to succeed, which though generally met with failure at the beginning, allows these entrepreneurs to focus on building what really matters, the enterprise and its capacities. For this, entrepreneurial vision is key.

The vision basically relates what the desired outcome is and the mission portrays the desired means of getting there. It is important to have the right product/market focus but also to know what the end goal is in terms of the share of market the founder is aiming to acquire. For instance, Duchesneau and Gartner (1990) found that successful enterprise founders showed conscious awareness of their goals to become larger and thus embarked upon sales to broad sectors of the market to achieve this end. In so doing, high market shares generally brought about higher financial returns in a reinforcing cycle of growth.

Of course, at times, particularly high goals may end up with an increased risk-taking propensity on management's part, however this heightened risk may lead to higher performance (Knight *et al.*, 2001). At the same time Reid and Smith (2000:179) show that better performing entrepreneurs do not exaggerate their strengths or underestimate weaknesses, but rather make realistic appraisals of their abilities.

Vision is a wider encompassing concept than just a general goal. Collins and Porras (1996) put forth that vision must include the organisation's core values, its core purpose (its reason for being), and its envisioned future focused around a long-range goal. Locke (2000:20) goes further to define vision as foresight focused around what will work in the future, wherein the manager must see the potential of some technology, market, product, or service. In essence, a good vision must show cognisance of the strategic vision. The positive findings of Baum and Locke (2004) show that vision which is successful in fuelling growth must be understood as support for the realisation of long-term goals. In the early years of a venture, the vision is the foundation for growth, until circumstances change significantly, and not only should it be strong and coherent, but must also incorporate goals for (geographical) expansion (Von Krogh & Cusumano, 2001).

In a longitudinal study of 183 entrepreneur (CEO) and employee pairs, Baum *et al.* (1998) found that though there exists a direct positive relationship between having a vision and venture growth (and a negative relationship for those without a vision), what proved to be more important was the indirect effects of vision communication. This is further supported by Larwood *et al.* (1995:762) who argue that although a vision affects employees positively it is much more effective in raising their performance if it is well communicated, as well as clear and understood.

The focus of the vision should be on a concrete product, technology and customer segment. When entrepreneurial enterprises are compared to other organisations, they may have an edge in terms of their ability to communicate the enterprise vision to employees (Baum & Locke, 2004:596), in that due to their generally smaller size they have a less hierarchical nature, more frequent communication amongst colleagues, and that management has greater influence due to these factors.

Baum and Locke (2004) show through a longitudinal analysis that a well-communicated vision is independently and quantitatively related to enterprise performance. Thus, a vision is indeed key to achieving high growth but this is only partly true as it still needs to be communicated to those within the enterprise and without. By and large, big dreamers have a natural tendency to be big communicators and they are good at communicating their vision to employees and resource constituents as they recognise a need for support in achieving high growth (Baum & Locke, 2004:590). The importance of communication is even clearer when one considers that the most brilliant introverted inventor will have to communicate in order to successfully commercialise an invention.

5.4.2.8 COMMITMENT TO AND MOTIVATION FOR GROWTH (CMG)

Having a vision and mission is necessary, as is the communication of it to employees, however the degree of commitment to and motivation for pursuing growth is equally significant. One of the most important factors which is close to being deterministic, regarding high growth, has been shown to be the commitment to growth within the enterprise, especially concerning the leaders of the enterprise (Smallbone *et al.*, 1995). The importance of motivation for growth has been shown in particular for South African entrepreneurs too (Neneh & Vanzyl, 2014:180).

A superior growth plan captures the vision for expanding the enterprise, and the enterprise's commitment to growth in a way that is brief, clear, and understood by all employees (Von Krogh & Cusumano, 2001).

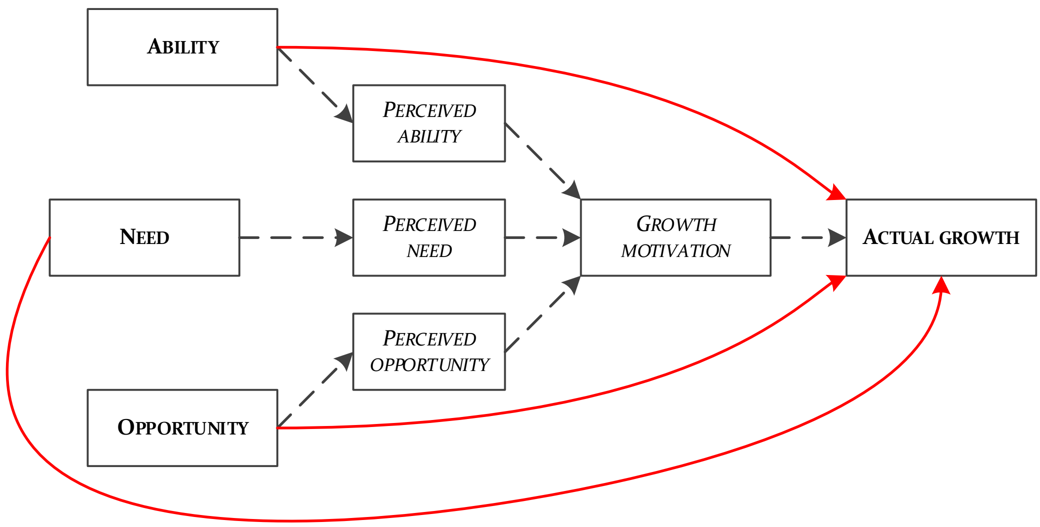


Figure 5-5 Model of determinants of small enterprise growth (Davidsson, 1991:407)

Davidsson (1991:407) advocates that an important determinant of actual growth is in essence the growth motivation of the manager (or management team). This is further supported by Wright and Stigliani (2013). The model, as shown in Figure 5-5, operates on the basic assumption that the motivation of management affects their behaviour, and ultimately the actions they take, which result in certain growth outcomes. The growth motivation is dependent on what management perceive as the growth-relevant ability, need, and opportunity of the enterprise, which is dynamic in nature. It should be noted that in this model the growth motivation is a direct result of the perceived reality, not necessarily actual reality. However, the actual growth can be seen to be objectively and directly independent of what is perceived due to the fact that circumstances not considered by management and therefore not affecting their decision making, do however still exist, and do therefore influence the outcomes.

According to Davidsson (1991), managers are more motivated to pursue growth when there exist external conditions conducive to gainful exploitation, along with a personal goal which growth would satisfy, and finally when the managers feel that they have the ability necessary to make a success of the new pursuit. Entrepreneurs are also more likely to launch their own start-up when perceived opportunities and perceived capabilities are adequate for the task (Herrington *et al.*, 2015:20).

The results of a study conducted by Davidsson (1991:412) on over 530 growing enterprises confirmed that the following perceptions were impacted via the following means:

- **Growth-relevant ability:** relevant industry (and management) experience, entrepreneurial experience, and higher education (general and business) all enhance the perceived growth-relevant ability
- **Need for growth:** profitability, higher enterprise age, age of the manager, and larger enterprise size reduce the perceived need for growth
- **Opportunity for growth:** Industries which are less naturally fragmented (an industry in which no single enterprise has large enough share of the market to be able to exert enough influence to move the industry in a particular direction), have generally higher market growth rates, higher rates of innovation, and are more favourably geographically located (in a large local market, growth area) all increase the perceived opportunity for growth

It should be noted that the most important factor correlating to actual growth was the perceived need for growth, and it therefore had the highest contribution to a manager's level of motivation, followed closely by opportunity factors which had a substantial effect on the actual growth. Lastly, perceived ability seems to have the smallest positive influence on actual growth, however a positive one nonetheless.

Baum and Locke (2004:595) suggest that three motivation factors impact enterprise performance: vision, self-efficacy, and goals, further supported by Bandura (1997), House and Shamir (1993), and Locke and Latham (1990). Vision can be seen as a distant and general goal, a projected mental image conveying what a leader desires to achieve (Bass & Stogdill, 1990) and therefore is clearly motivational. Self-efficacy is the core tenet of social cognitive theory (the view that people learn by watching others) and can be defined as task specific self-confidence (Bandura, 1997). It is also more than just a reflection of past experience and attainment in that it more importantly determines the conclusion a person draws regarding their capacity to attain future performance. The last factor concerns goals. Goal theory predicts that goals which are specific and challenging lead to higher performance. Goal theory as a theory of motivation has itself some of the deepest and broadest empirical support at the individual, group, and unit level (Landy & Becker, 1987; Locke & Latham, 1990, 2002). In an entrepreneurial setting the importance of goals in both established enterprise growth (Covin & Slevin, 2000; Baum & Locke, 2004) and new venture survival (Carsrud & Krueger, 1995) has been well established.

Baum and Locke (2004) found convincing empirical evidence via a longitudinal study of 229 entrepreneur CEOs spanning six years that motivation as defined by these three factors has significant direct and indirect effects on venture growth. In the study, the effects of new resource skills were also shown to have a bolstering effect on growth in that they generate more motivation due to their freshly inspired and more challenging visions of new venture growth, higher growth goals, and increased self-efficacy. Thus, the impact of new skilled persons helps motivate the entrepreneur to reach new heights.

5.4.3 Business Practice Factors

Business practices according to Black's Law Dictionary (2014) are defined as "*essential features of processes needed to effect standard operating procedures in a consistent manner.*" Consistency is key to success, and for success at the enterprise level, the actions and directions of the owner and managers are crucial to attaining high growth.

A review of the research on the most generally accepted high growth business practices is conducted in the following eight subsections.

5.4.3.1 Apt Founding Strategy (AFS)

Founding strategy is important in that it generally locks the enterprise into a particular strategic direction, because enterprises develop internal consistencies and investments that tend to perpetuate those strategies, even up to decades after (Eisenhardt & Schoonhoven, 1990:508).

According to MacMillan and Day (1988), the type of strategic entry into a new industrial market has a strong effect on the outcome of the venture. Though it may seem intuitive, they determined from an analysis of Fortune 500 companies that there is a strong positive correlation between the competitive attractiveness of the target industry and the share objective set by the founders of the enterprise venturing into that industry, at the start of the venture. Furthermore, it was evident that key marketing and investment strategy options decided upon by the founders at the start of the new venture had a significant correlation with the share objective later on in the enterprises' lives. Though it is often not a possibility due to financial constraints, it was also determined that the more aggressive and committed the founders' strategies were to establishing a high market share position, and ROI as rapidly as possible, resulted in significantly higher performance. This finding is indeed more appealing to larger and more established enterprises than it is to their younger and generally smaller counterparts which might not be able to recover from the significant front-end investments necessary to be initially more aggressive, but nonetheless is important to bear in mind.

Practical ways in which an aggressive strategy can be brought to reality include:

- **Seeking** industries/markets which are less likely to incite rivalrous reactions
- **Setting** market share targets in line with the aggressive strategy
- **Investing** in initial (plant) capacity that is adequate for the requirements of the end goal
- **Developing** a substantially aggressive sales force, advertising campaign, quality checking procedure for products, and pricing program relative to competitors (programs should be appropriately aggressive meaning that different industries require different strategies, e.g. an aggressive advertising and sales team is suitable for consumables whereas superior service delivery would be more apt for capital goods industries)

However, if it is impossible for the founders to adopt an aggressive strategy due to the financial and risk related restrictions, it is still possible to achieve high growth rates by following a more reserved approach which is very focused on a single product or service opportunity. In a comparison of high growth and low growth enterprises, Siegel *et al.* (1993) and Senderovitz, Klyver, Steffens and Evald (2012:1) clearly show that young high growth enterprises by and large focus their attention on a single product, whereas older and subsequently larger high growth enterprises only later differentiate their products and services in an effort to hedge against overreliance on any single opportunity.

In an effort to determine if there are any systematic differences in founding strategies between high growth and low growth enterprises, Feeser and Willard (1990) performed a study on *Inc.100* companies and determined that the single most important decision an enterprise needs to make in its start-up phase, so as to attain high growth, is one of which product or market to enter. They determined that high growth enterprises have a more stable product/market focus than low growth enterprises. The importance of determining the direction in which to go early on is seen by how it dictates, limits, and prescribes the strategy the enterprise will take, and in essence the probability of realising success. Therefore, a *cut and try, learn as you go* route rarely pays off in the early years of a new venture (Feeser & Willard, 1990:95).

For a vast majority of enterprises that are doing well, growth management is approached without any sort of strategy beyond continuing to do what was done when still new (Von Krogh & Cusumano, 2001). New enterprises that begin with a flourish exhibit capabilities and knowledge generally apt for short-term survival, and these capabilities often become inadequate to deal with changes necessary for a long, healthy enterprise life. What is needed is in fact steady growth (Von Krogh & Cusumano 2001:53), and to achieve this over an extended period of time, a strategy must be in place (Smallbone *et al.*, 1995). For instance, it was shown in a survey conducted by Timmons (1998) that of the enterprises which exhibited a steady 10% sales growth per annum, as many as 78% of these were already about six years old and that for enterprises with no or decreasing sales, only 27.5% survived for as long as six years. Sustained growth is therefore imperative and requires a dynamic strategy.

In a similar vein to the founder's commitment to and motivation for growth, entrepreneurs make decisions regarding growth through the formation of metacognitive strategies. These metacognitive strategies are influenced by their situation, which in turn shapes their motivations, which ultimately through reflection allows them to adjust their cognitive processes to deal with the environment they are in (Haynie, Shepherd, Mosakowski & Earley, 2010). The question is then one of how entrepreneurs might best align their metacognitive strategies with reality.

Table 5-5 Growth path categories and strategy portfolios (Mishina *et al.*, 2002)

Growth path category	**Activities included**	**Dominant logic clusters (portfolios)**				
		Expansion of products via continuous improvement	Market and product expansion	Dealing with capacity deficits	Anticipatory growth	Scattered growth
Capital-intensive	Capital expenditure for new plants or facilities; acquisitions and mergers; joint ventures		×	✓	✓	✓/×
Alliances and partnerships	Alliances, partnerships, franchising, and licensing agreements					
Market expansion	Enter new markets (product or geographic); increase share in existing markets; new real estate developments; access new customer base		✓	×	×	×
Product/service development	New products and/or services		✓	×	×	×
Human resource improvements	Increased hiring; management team and employee training, education, or quality of work-life improvements	✓		✓		✓
Technical improvements	Production and administrative process improvements; technological innovations and developments	✓				✓

Mishina, Pollock and Porac (2002) conducted a content analysis of high growth enterprises and identified six growth path categories of high growth strategies commonly implemented in their sample, all of which are expanded upon in Table 5-5. The advantage of a content analysis is that the growth strategies identified are inductively derived as opposed to being imposed in an *a priori* way by the researcher (Weber, 1990).

These categories reflect the most agreed upon managerial cognitive structures which shape entrepreneurial strategies for growth, all of which are centred on the resource based view of the enterprise (Mahoney & Pandian, 1992; Peteraf, 1993). The cluster of growth strategies adopted by an entrepreneur varies and is dependent on the unique conditions of the enterprise in question, and therefore a few of the dominant logics are shown as clusters of mental approaches which form what could be called a strategy portfolio (Mishina *et al.*, 2002). Positively reinforcing relationships amongst growth path categories are indicated with a tick, whilst a cross indicates those that are negatively reinforcing. It should be noted that the strategies are not all necessarily independent of one another, and they need not all be focused on to the same degree, as growth is a multimodal phenomenon. Henrekson and Johansson (2010), McKelvie and Wiklund (2010), and Stangler (2010) have also emphasised the importance of the multimodal nature of growth by looking at organic, acquisitive, and strategic alliance modes of growth.

A less conventional albeit arguably successful strategic approach described by Kim and Mauborgne (1997a:103) which has worked for growing numbers of high growth enterprises is blue ocean strategy (BOS). This strategy encourages the strategist to pay little attention to matching or beating rivals but rather make competition irrelevant through a strategic logic called value innovation. This approach is in stark contrast to the competitive stance of numerous other strategies.

Enterprise strategy is a broad concept with numerous approaches available to the would-be entrepreneur. It has also been seen to require amendment throughout the different phases of the business life cycle. Closely linked to the internal strategy of an enterprise is the idea of forming strategic alliances, one of the growth path categories identified in Table 5-5 which deserves its own discussion to better orient the enterprise towards achieving high growth.

5.4.3.2 Leveraging strategic alliances (LSA)

The formation of strategic alliances within an industry is especially important for entrepreneurial enterprises in that it: speeds up the rate at which new products are developed; provides access to early cash flows; bolsters external visibility, experience, legitimacy and market share, and; generally leads to higher growth (Lorenzoni & Ornati, 1989; Deeds & Hill, 1996; Mohr, Santos & Eisenhardt, 2009; Garnsey & Theyel, 2013).

In emerging markets of developing countries, the need for strategic alliances is even more pressing due to the intrinsic resource scarcity and inadequacy of resources and capabilities developed for use in competitive markets (London & Hart, 2004; Seelos & Mair, 2007).

In particular, higher rates of new product development increase the likelihood of gaining first-mover advantages which is especially beneficial in industries strongly influenced by patent protection. Focus should therefore be put on forming strategic alliances with enterprises owning or having access to complementary assets. Deeds and Hill (1996) show that an enterprise's rate of new product development turns out to be a positive function of the number of strategic alliances it has formed, up to a point. That is, the relationship is nonlinear, increasing up to a certain point and decreasing thereafter, even into the negative. The economic law of diminishing returns combined with the fact that not all alliance enterprises' assets may be complementary (introducing risk), and opportunistic exploitation by alliance members all contribute to the decreasing returns associated with too many alliances. The optimal number of alliances is however industry specific and circumstantial.

The advantages of strategic alliance formation through networking has important implications for new, young, old, and mature enterprises in terms of enhanced access to necessary resources. Acquiring resources for profitable growth in a resource weak new venture is therefore imperative. Zhao and Aram (1995) propose that the range and intensity of networks determine the resourcefulness of strategic alliances. Range refers to the number of external relationships that exist whilst intensity indicates the frequency of contact that exists in these relationships. The range and intensity of networking amongst high growth entrepreneurial enterprises is greater than that of low growth enterprises, regardless of the enterprises' stage of development (Zhao & Aram, 1995). Thus, it is important that new enterprise founders find a healthy balance between their aspirations for independence and autonomy with a deliberate but controlled dependence on external sources for crucial resources.

Baum *et al.* (2000:288) show that in establishing beneficial strategic alliances, founders must look at both the configuration and number of partners. Ideal partners should not have too similar goals so as to gain access to a greater diversity of information and also minimise risk of conflicting interests, thus it is key to look for differentiated partners.

Strategic alliances are therefore crucial for start-up enterprises, giving them the added capabilities, resources, and capacity they may lack on their own, each of which contributes to the enterprise's ability to attain and sustain high growth.

5.4.3.3 Detailed business planning (DBP)

In a study of which management practices differentiate successful new ventures from unsuccessful ones across a wide range of sectors, conducted by Reid and Smith (2000:179), the findings highlight that two factors in particular boost enterprise performance: long range planning, and pursuit of pecuniary goals (such as pursuing the highest rate of ROI) as opposed to lifestyle goals. Duchesneau and Gartner (1990) support this, saying that entrepreneurs who set ambitious goals with associated plans which portrayed a clear and broad business idea were a hallmark of successful new ventures. It is important to note that the planning needs to be updated regularly for it to be useful in aiding growth, and therefore must allow for adjustment to adverse situations (such as financial difficulties).

A good question is how much planning is enough, as added depth and complexity require much more time, which is itself a valuable commodity. Broad planning of the start-up across all aspects associated with the industry and enterprise has shown to have a substantial impact on the success rate of new ventures, with Duchesneau and Gartner (1990) showing that enterprises whose planning time was sufficiently high (in excess of 237 hours) were vastly more successful than enterprises that averaged only a quarter of that planning time (85 hours).

However, for new enterprises, too much planning may also result in diminishing returns, both in terms of sales and employment growth, therefore a more pragmatic approach to planning is ideal (Chrisman, McMullan & Hall, 2005). One such pragmatic means of maximising the benefits of planning is through seeking external professional advice and information from other industry participants, such as customers and suppliers.

Planning likewise has a large role in the success rate of larger, more mature enterprises. Bracker and Pearson (1986) found through an empirical analysis of established enterprises that a considerable number of opportunistic entrepreneurs not only plan and manage for growth but they display a propensity to be proactive and orientate themselves around long-term goals. According to the analysis, this is true for all types of entrepreneurs, industries, enterprise sizes, geographical locations, and ownership characteristics.

In an analysis of the key differentiating factors between low growth and high growth enterprises across a range of industry sectors, Fischer, Reuber, Hababou, Johnson and Lee (1997) determined that plans should be carried out with a keen perception of time for them to be of great impact on growth, being able to express the desired future as well as the means by which it can be realised. Two factors of importance are simultaneity and selectivity. Regarding simultaneity: informants from the high growth enterprises at all times sustained a simultaneous focus on current events and the desired future outcomes, bending their strategies to deal with current situations but meanwhile keeping the goals and timeframes relatively fixed. Secondly, regarding selectivity: instead of accepting timeframes imposed by key customers, employees, or suppliers, high growth enterprises actively sought the aforesaid persons such that they too shared a congruent pace and movability to that of the high growth enterprise.

5.4.3.4 HOLISTIC MARKETING CAPABILITIES (HMC)

Olson *et al.* (2005:62) and Pelham (2000:48) argue that marketing is a crucial component of implementing a successful growth-oriented business strategy. Of course, the marketing approach taken is largely dependent on the strategy of the enterprise. However, there are three main marketing capabilities which studies show will need to be taken into account in order to keep demand growth increasing; the market sensing capability, customer relationship management (CRM) capability, and brand management capability (Morgan, Slotegraaf & Vorhies, 2009:284,290).

i. Market sensing capability

Market sensing capability relates to the enterprise's ability to expand its knowledge of customers, competitors, alliance members, and the market itself, and thereafter learn from them (Day, 1994).

Multiple reasons for the importance of market-sensing capabilities with respect to an enterprise's revenue growth rate are available in literature. Firstly, it enables the enterprise to identify underserved segments as well as areas in which rivals' offerings are unable to satisfy customer requirements (Slater & Narver, 1998), thus allowing for expansion via attracting these customers. Secondly, through customer intelligence of existing offerings in the enterprise, managers will more readily determine opportunities for exploiting its existing customer base by expanding on requirements it already satisfies in part (Morgan, Anderson & Mittal, 2005). Thirdly, regarding margin growth rate, more adept market sensing capabilities will allow the enterprise to gather market insights. These insights enable enterprises to lower their average costs through increased resource productivity via improved matching of resource acquisitions and deployments with current and prospective customers or opportunities (Morgan, Vorhies & Mason, 2009). Fourthly, superior market sensing capabilities allow for identifying the least price-sensitive customer and opportunity base, whilst also allowing the enterprise to determine how to increase the non-price adding value of the product or service offering to customers and strategic alliance members (Slater & Narver, 1998). Lastly, greater market sensing capabilities allow the enterprise to more rapidly learn from and react in an according manner to past revenue and growth enhancing efforts, so as to increase the rate at which growth outcomes are achieved (Dickson, 1992).

ii. CRM capability

Two areas of concern are related to CRM capability. Firstly, an understanding that an enterprise's customer relationships are more than a series of discrete transactions but rather a relationship transpires, which if adequately fostered, is more likely to increase the profitable outcomes for suppliers and increased satisfaction of customer needs (Dwyer, Schurr & Oh, 1987; Verhoef, 2003). Secondly, the enterprise managers must understand that not all current or prospective customers are equally attractive in terms of how the enterprise can satisfy their needs or requirements profitably, for an extended period of time (Mulhern, 1999; Niraj, Gupta & Narasimhan, 2001).

The focus of CRM is therefore a fostering and leveraging of customer relationships so as to attain strong relationships with lasting and growing profits (Boulding, Staelin, Ehret & Johnston, 2005). For this reason, it is important for the enterprise to not only look at gaining new customers but also to keep existing customers through the already established product or service offerings.

Focusing on only high potential prospects can result in a lower net number of new customers (Ryals, 2005), which has a negative effect on the growth rate of the enterprise and must therefore be avoided. This however does not stop successful enterprises from weeding out unattractive customers by primarily focusing on satisfying the needs of the more attractive customers (Reinartz, Thomas & Kumar, 2005).

iii. Brand management capability

Brand management is also a key component of the enterprise's marketing ability (Keller, 2003). Good brand management reflects the ability to create and maintain high levels of brand equity which align strongly with the market environment. High levels of brand awareness for a strong brand in the market positively affect customer attitudes and purchase behaviour, which bolsters growth (Keller, 1993; Netemeyer, Krishnan, Pullig, Wang, Yagci, Dean, Ricks & Wirth, 2004). The value delivered by strong brands is hugely advantageous (Aaker & Jacobson, 1994). A strong brand acts so as to establish, maintain, and raise awareness amongst customers by differentiating the enterprise's offering from that of competitors, and in the end, reduces the customers' perceived risk levels of investing in the enterprise offerings (Hulland, Wade & Antia, 2007).

Marketing capabilities are tantamount to success, as it is the element of the enterprise which interacts most with the customers and potential customers, effectively determining how the enterprise and its offerings are received by the public.

5.4.3.5 Fostering international sales (FIS)

Internationalisation is an important promoter of high enterprise growth (Buckley & Casson, 2007; Mohr, Garnsey & Theyel, 2013). In general, high-growth enterprises show a proclivity to eventually derive a substantial percentage of their revenues from non-domestic sales, according to Feeser and Willard (1990:95). Within a group of high growth enterprises studied by Feeser and Willard (1990:95), around seven times as many generated significant revenues from foreign trade as did not. In the low growth enterprise category only about half of the sample generated revenues from non-domestic sales.

Autio, Sapienza and Almeida (2000) studied enterprises making foreign sales and found that "*the earlier in their development that firms ventured into international competition and the greater their knowledge intensity, the more rapidly they grew internationally.*" They surmised that as enterprises become older, they foster and develop learning impediments which reduce their capacity to grow in new and foreign environments, whereas the greater flexibility of new enterprises provides them with the ability to quickly foster a proactive culture, a willingness to grow internationally, and the core competencies necessary for pursuit of foreign markets (Penrose, 1995; Autio *et al.*, 2000:919). The nature of international sales for younger enterprises generally results in a self-reinforcing feedback effect between high growth and international operations (Amburgey, Kelly & Barnett, 1990; Fier, Licht & Murray, 2001; Coeurderoy & Murray, 2005).

Cavusgil, Knight and Riesenberger (2008) argue that internationalisation promotes enterprises to increase their sales volume, better exploit economies of scale, grow their customer base, and reduce their dependency on local markets (which also aids in minimising sales fluctuations due to economic cycles and seasonality of demand). Pearce and Michael (2006) have shown that expansion into international markets also results in a greater ability to stay afloat in dire business climates/environments, such as during a recession.

International sales are therefore best pursued early on in the business life cycle for enterprises operating in developed markets, and not only aid the enterprise in growing more rapidly but also act as a buffer against economic turbulence. The focus of this study pertains to SMMEs primarily operating in South Africa, thus this is outside the scope of this study. Furthermore, it is arguably true that due to the financial impediments to enterprise action at the BOP, there is little chance that internationalisation is possible in the start-up phase.

5.4.3.6 HIGH ACQUISITION PROPENSITY (HAP)

High growth enterprises show a higher propensity for making acquisitions than low growth enterprises do (Feeser and Willard, 1990:96). Acquisition has especially been a popular means of achieving growth in the high technology industries as it offers more rapid access to much larger markets than internal development can generally foster. A prime example of this is Mark Zuckerberg's Facebook acquisition of WhatsApp in 2014 for US$19 billion.

However, growth by acquisition is rarely suitable for young start-up enterprises, due to financial impediments. Delmar *et al.* (2003) performed a study on 1,500 high growth enterprises in Sweden by means of a ten-year longitudinal study and determined that organic (internal) growth is more often associated with young and small enterprises, whilst the vast majority of enterprises that grew via acquisition were larger and older enterprises (generally in stagnant or low-tech industries).

Acquisition not only increases an enterprise's market size but it is also beneficial in that it increases production capacity for usually less than it would cost to build and develop new facilities, mainly due to the fact that acquisitions are usually made of less successful competitors' assets and facilities. Furthermore, backward integration via acquisition secures a reliable source of resources when expanding into an industry where competition is rife, which can greatly mitigate risk. An example of this is how IBM purchased a large equity position in Intel just before beginning to develop personal computers.

Thus, it is possible that acquisition is a route to increased growth within a high growth enterprise, although very rarely a tool available to the start-up entrepreneur with limited funds.

5.4.3.7 UNIQUE VALUE CREATION FOR CUSTOMERS (UVC)

The pursuit of novelty for novelty's sake is in itself a waste of resources, as many enterprises have been driven by both internal and external pressures to leverage unique competencies to develop a new fad or the latest technology, when what was is in actual fact required was the development and cultivation of value for the customer. Kim and Mauborgne (1997a:109) claim that rapid growth can be achieved only through offering unprecedented value, both in terms of higher quality and lower costs.

In a study of high growth enterprises across a broad range of sectors, Bamiatzi and Kirchmaier (2014) determined that a negligible amount of small to medium-sized high growth enterprises were cost leaders (also supported by Baum, Locke and Smith (2001)) mainly due to their inability to exploit economies of scale, however they maintained their competitive edge by building a reputation for providing better quality. This did not stop these enterprises from pursuing a low-cost strategy, even if it was not the core strategy as shown by Olson *et al.* (2005). This minimises the risk of ending up in a price war with competitors.

Unique value is what smaller enterprises thrive on. Unique value is tricky to attain, yet it is a key component in younger and smaller enterprises lacking financial means to compete in terms of scale. The pursuit of product and service customisation strategies is a commonly successful approach taken by these enterprises (Bamiatzi & Kirchmaier, 2014). By fostering close relationships with customers, their needs are better understood and products and services can then be changed accordingly to meet their needs (Nooteboom, 1994; Pelham, 2000). Through innovation and customised, unique solutions, smaller enterprises remain competitive and "*successfully compete with well-established incumbents … avoid price competition … create new demand and, thus, facilitate firm growth*" (Rosenbusch, Brinckmann & Bausch, 2011).

Closely linked with the uniqueness of a product or service is the imitability thereof. Autio *et al.* (2000) argue that enterprises with highly imitable products or knowledge bases are more motivated to rapidly increase sales, before losing their competitive advantage, relying more upon the development of their own R&D learning capacities to assimilate and exploit knowledge.

Roure and Keeley (1990) argue that in high technology industries, technical superiority of the product is a consistent indicator of high performance. Roper (1997) concluded from a study of multiple enterprises across Germany, the United Kingdom, and Ireland that one of the most important objectives in product innovation for fuelling growth was the raising of product quality. Thus, innovation is closely linked to greater quality and ultimately unique value and higher growth.

5.4.3.8 INNOVATION FOR CONTINUOUS IMPROVEMENT (ICI)

The extent of innovation within an enterprise is typically measured as an input through R&D expenditure, or as an output through patent generation (Wong *et al.*, 2005:336). There exists comprehensive theoretical reasoning that investments in innovation nurture and lift core competencies, and open doors to growth opportunities in line with the resource based view of the enterprise (Penrose, 1995; Geroski, 1999; Coad, 2009). High growth enterprises are intrinsically more R&D intensive than the average enterprise, and thus more innovative (Schreyer, 2000). Before discussing the impact of innovation on enterprise growth any further, it is essential to discriminate between product innovation and process innovation. Furthermore, its impacts are likely different for the effect of employment growth and sales growth due to the manual-labour reducing nature of process innovations.

With respect to the effect of innovation on sales growth, empirical evidence is mixed, mainly as a result of the inherent time lag between translating new knowledge into new products and processes as well as the time it takes to measure this transition (Goedhuys & Sleuwaegen, 2010). However, in developed economies innovation has a strong positive relationship to enterprise growth, irrespective of innovation type (Geroski & Toker, 1996; Roper, 1997; Freel, 2000), although the magnitude of its effectiveness is relatively small for the average enterprise, and only in the case of some small high growth enterprises is it very large (Coad & Rao, 2008; Coad, 2009:83).

In terms of employment growth, the effect of innovation is rather abstruse. Product innovation, whether novel or imitative, has a generally positive impact on employment growth (Calvo, 2006; Benavente & Lauterbach, 2008; Harrison, Jaumandreu, Mairesse & Peters, 2008), whereas process innovation in which new technologies are adopted and used generally has a negative effect on employment growth (especially for unskilled workers) within an enterprise due to its labour reducing tendency, regardless of the theoretical approach used (Pianta, 2005:590; Harrison *et al.*, 2008; Coad, 2009:83). Some studies also show that there may exist a positive relationship (Calvo, 2006), or that no relationship exists (Benavente & Lauterbach, 2008). However, in developing countries it is often the case that the majority of enterprises operate significantly below the technological frontier, with innovation efforts being more focused on absorbing, adapting, and improving overseas technologies.

Innovative enterprises, due to their entrepreneurial and innovative activities, are not only more likely to achieve high growth in a stable market, they have been shown to also perform much better in highly uncertain conditions than their non-innovative counterparts (DeSarbo, Anthony Di Benedetto, Song & Sinha, 2005). Bringing about an innovative strategy for high growth is largely dependent on the capabilities of the manager in each of the functional areas of the enterprise (Barbero *et al.*, 2011). This being said, it must be mentioned that innovation also has different levels of effectiveness depending on the industry environment the enterprise enters into. If an industry is inherently innovative, enterprise survival is less likely than in industries where innovative activity does not play an inherently important role (Audretsch, 1995:441).

Innovation also plays a part in determining the success of entering a particular industry, regardless of the industry itself in that high growth enterprises are found in every industry and region (Schreyer, 2000:28; Henrekson & Johansson, 2008:9). New technology-based enterprises were found by Almus and Nerlinger (1999) to achieve on average significantly higher growth rates than their non-innovative counterparts. Moreover, the study revealed that the net employment effect of the new technology-based enterprises was positive, while non-innovative young enterprises in the sample showed the reverse in that more jobs were destroyed due to closures and enterprise shrinkage than were created by the growing and expanding, well established non-innovative enterprises.

If one takes an even broader view of the situation, Hölzl (2009:73) has found via a cross-country analysis of high growth enterprises that the technological position of the country has a substantial influence on the success and choice of innovation and R&D strategies employed by the high growth enterprises. Innovation was shown to be much more important for countries near the technological frontier, typically innovation driven economies. Thus, fostering innovative capabilities in South Africa is ideal in moving from an efficiency based economy to an innovation driven one.

In essence, to promote high growth through innovative capabilities, the enterprise's absorptive capacity must be increased, whereby absorptive capacity is a measure of the enterprise's ability to "*recognise the value of new, external information, assimilate it, and apply it to commercial ends*" (Cohen & Levinthal 1990:128). Expenditure on R&D is not in itself enough to foster high growth; innovative efforts must be brought to commercial fruition.

5.4.4 HUMAN RESOURCE FACTORS

In order to successfully execute strategic decisions, an entrepreneur must allocate resources to tasks (Arthurs & Busenitz, 2006), in an environment whereby, due to the perceivably risky new venture liabilities, such as lack of reputation and historical track records, potential resource providers are generally deterred from sharing resources (Brush *et al.*, 2001). This stresses the importance of all enterprise resources, of which human resource management is pivotal.

A review of the research on the most generally accepted high growth human resource management practices is conducted in the following two subsections.

5.4.4.1 GREATER HUMAN CAPITAL (GHC)

Although human capital is a huge restriction on SMME development in South Africa (Neneh & Smit, 2013:3047), Buller and Napier (1993) rate employee selection as the most important human resource management need in a fast growth young enterprise, arguing that in the early stages of enterprise development technical know-how and talent is imperative to successfully commercialising the ideas of the founder. The capabilities of employees contribute positively to venture growth by helping execute the entrepreneur's objectives (Chandler & Hanks, 1994).

As the enterprise ages and progresses from start-up to maturity, human resource needs change and this must be taken into account when choosing employees (Thakur, 1999). At start-up, an enterprise generally requires more specific expertise and higher skilled workers than at maturity, whereby less skilled workers are generally needed (mainly due to the increased need to meet production demands). Beyond this, staffing for the expansion from start-up to maturity requires that employees are found before they are necessarily needed, so as to not impede growth (Cardon, 2003).

According to Barringer, Jones and Lewis (1998), managers of rapid growth enterprises across all sectors hire so as to mitigate adverse employee selection and moral hazard, ensuring that the organisation has personnel who are capable of handling increasing levels of sales. Closely aligned with the notion of human capital is the notion of social capital, which focuses more on the complex and often intangible values associated with human social relationships. Regarding social capital, Florin *et al.* (2003:374) studied a number of high growth enterprises from a social capital vantage point, and determined that "*social capital leverages the productivity of a venture's resource base and provides the venture with a durable source of competitive advantage*." Thus, having both intellectually and emotionally competent employees is indeed key to attaining growth.

5.4.4.2 INCORPORATING PERFORMANCE BASED INCENTIVES (IPBI)

Once an enterprise has a strong human resource base for enabling smooth transition from low to high growth, it is then necessary to keep their loyalty to the enterprise. One means of doing this, whilst promoting excellence, is through performance based incentives.

In what could be seen as groundwork for a working organisational structure, some studies show performance based incentives as part and parcel of the systems set in place to promote rapid growth. For instance, Barringer *et al.* (2005) discovered that many ventures experiencing high growth provided financial incentives, stock options, and employee development options as a means of compensating and encouraging employees to continue in supporting enterprise growth.

The managerial capacity of the management team is finite, and therefore rapid growth enterprises form strong relationships with their employees and offer motivational advantages such as cash forms of incentive compensation, employee empowerment, and find ways of eliciting discretionary efforts from employees so as to reduce the need for supervisors (Barringer *et al.*, 1998:120).

The efficacy of reward schemes that pay for performance have been theoretically and empirically backed in numerous disciplines, according to Zenger (1992). Firstly, by means of experimental methods, social psychologists have found that performance based monetary rewards enhance effort and upgrade workforce quality. Secondly, economic theorists argue that performance-dependent rewards motivate effort and attract talent when effort and talent are difficult to discern. Thirdly, organisational scholars cite similar benefits of distributing rewards based on performance.

Oliver and Anderson (1995) put forward that it is however necessary to find the right balance between behaviour control and outcome control when using performance measures as motivation, stating that "*it appears that the interrelated decisions about salesperson supervision, evaluation and compensation can be arrayed on a continuum ranging from behaviour to outcome control.*" The differences between the two are shown in Table 5-6.

Table 5-6 Behaviour versus outcome control (Oliver & Anderson, 1995)

Behaviour control	Outcome control
Structured	Low to little structure
Fixed compensation *(salary)*	Variable compensation *(commission, bonus)*
Management monitors behaviour	Management monitors results more than results more than behaviour
Much supervision and many managers *(low span of control)*	Little supervision and few managers *(high span of control)*
Much contact with management	Little contact with management
Much reporting	Little reporting
Performance evaluated subjectively	Performance evaluated on a few on many criteria observable results
Enterprise bears risk	Employee bears risk

Although rewarding high performance makes for a competitive and productive work environment, Zenger (1992) has found that enterprises which only reward extremely high performers and do not give sufficient reward to moderate-to-high performers, run the risk of losing the latter, although in addition it does generally have the effect of chasing away consistently low performers from the enterprise.

Davidsson and Henrekson (2002) make the argument that for high growth, a true entrepreneurial culture must exist within the enterprise, but it must start from the inside, i.e. intrapreneurship, however for this to happen they further argue that it "*demands a great deal of flexibility in the choice* *of remunerative schemes, including high-powered incentives such as stock-option plans and wage components that are not fixed.*"

Successful enterprises have been found to be more flexible, participative, and adaptive organisations (Duchesneau & Gartner, 1990), whereby employees of the same skill set are allowed to perform the work duties of others, and are given flexibility from management to modify their jobs so as to adapt easily to changing industry and organisational circumstances. However, Stuart and Abetti (1987) argue that in the early stages of a start-up, success is favoured by the entrepreneur who takes a strong review and control approach, rather than one of giving employees independence and leaving things up to their own initiatives.

Employee benefits can be differentiated from performance based incentives in that the former applies to even underperforming employees. Employee benefits include benefits such as dental, health insurance, working environment, etc. Although these may attract more human resources to the enterprise, they do not promote greater productivity levels as do performance based incentives.

5.5 Key considerations for a BOP context

With a ranked list of high growth factors already organised into specific categories, it is possible to argue which of the aforementioned factors are most important given the purpose and scope of this study. Given the BOP context of this study, another factor which although unrelated to high growth per se, was deemed necessary due to its high frequency of mention in BOP literature, is that of sustainable development. This will be addressed in due course.

In filtering through the growth promoting factors, two routes are taken. Firstly, the factors are divided into their respective fields within the scope of this research. Some factors span across a few fields, as would be expected. This eliminated the considerations which fell outside of the scope of this study. Secondly, the interrelationships among the factors within the research scope were structured hierarchically, with considerations given to the frequency of occurrence in IWs and KIWs.

Hereafter the rationale for how each remaining consideration is imperative for the BOP context (or not) and the relationships with one another are discussed briefly. In the next six chapters, these key BOP considerations are expanded upon, ending with the requirements of Appendix G, which must be incorporated in the development of the high growth promoting framework for SMME action at the BOP.

5.5.1 Filtering factors by scope

Referring back to the scope of this study, as outlined in Chapter 1.4.3, the delimitations of this study (as per Chapter 1.4.3.4) were taken into account in defining the boundaries of Figure 5-6, including:

organisational size, influencing factors (internal factors within the direct control of the enterprise rather than external factors which are outside the direct control of the enterprise), business life cycle stage (focusing only on the start-up phase whereby the enterprise is already functional and has navigated through all the regulatory red tape, and is well positioned for moving into the growth-phase), and strategic focus (business strategy as opposed to human resource strategy).

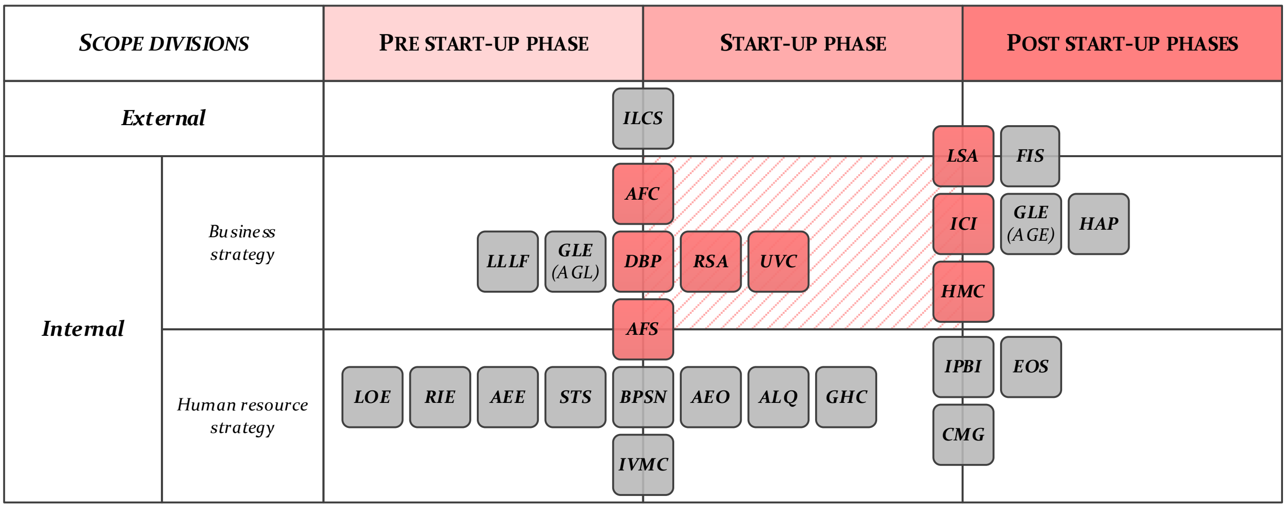


Figure 5-6 Determining growth factors within the scope of the research

The region which satisfies this set of criteria is shaded with red diagonal stripes at the centre of Figure 5-6. Therefore, the factors promoting high growth that must be addressed in accordance with the scope of this study include: accessing financial capital, detailed business planning, apt founding strategy, reduced size and age, unique value creation for customers, leveraging strategic alliances, innovation for continuous improvement, and holistic marketing capabilities.

The reasoning for the position of each factor is now given. First off, the factors listed in Table 5-7 were determined as being internal human resource strategy related factors and therefore outside the scope of this study.

Table 5-7 Human resource strategy growth promoting factors outside the study's scope

Growth promoting factor	**Rationale for placement**
Level of education (LOE)	This is a pre-start-up phase factor which looks at the founding entrepreneur's level of education
Relevant industry experience (RIE)	This is experience which is held by the founder or founding team from prior endeavours in line with the new enterprise and therefore is a pre-start-up phase phenomenon
Apt entrepreneurial experience (AEE)	In a similar fashion to RIE, AEE is a pre-start-up phase dependent factor but looks at the founder or founding teams' prior entrepreneurial experience
Synergistic team size (STS)	This pre-start-up phase factor looks at how many members the founding team is made up of and their synergy level, and is generally determined before the enterprise is launched
Broad professional and social network (BPSN)	This factor is the first to be dependent on pre-start-up phase relationships and crucial for key relationships in the start-up phase of the business life cycle. That is not to say it is not also important in post start-up phases, it's just to say how much more important it is during the early life of an enterprise

Growth promoting factor	Rationale for placement
Ideal vision, mission, and communication (IVMC)	This triple factor is the link between forming an enterprise and bringing the enterprise to fruition, through influencing human capital to achieve its greatest potential and it is therefore similarly positioned to BPSN
Apt entrepreneurial orientation (AEO)	This can be seen as the go-getting entrepreneurial stance which leaders must exhibit especially in the start-up phase of a venture wherein new avenues must be followed. AEO is therefore almost like the start-up phase's continuation of what was hitherto called AEE in the pre-start-up phase
Apt leadership qualities (ALQ)	In the start-up phase the founder, or founders, must exercise their influence above and beyond what they may feel capable of, for which ALQ is imperative. Later on in the business life cycle it is likely that good leaders will fill managerial positions and ALQ will play an important, albeit less pivotal role
Greater human capital (GHC)	In the early days of a start-up, when funding is scarce, it is difficult to get the right people on board. This makes human capital arguably more important in the start-up phase of the business life cycle
Incorporating performance based incentives (IPBI)	Rewarding employees for optimal output is ideal in both the start-up and post start-up phases of the business life cycle, however promoting it early on is useful for attracting the right people before the start-up even launches
Commitment to and motivation for growth (CMG)	This is one of the defining differences between lasting growth and spikes of growth which do not last. The continual reinvesting of profits in the enterprise and growth pursuit is what makes CMG relevant to both the start-up and post start-up phases of the business life cycle
Evolving organisational structure (EOS)	The structure within which the enterprise operates is generally ideally centralised in the start-up phase, giving the entrepreneur lots of direct control which is ideal early on. Later in the post start-up phases, EOS plays a bigger role as the complexity of operations often becomes too great for the founder or founders to manage directly on their own

Secondly, the growth promoting factor of industry life cycle stage and market environment (ILCS) was found to be externally based, and therefore outside the scope of this study as well. It is worth noting that younger industries are generally less rife with competition and offer more opportunities for entrepreneurs, making this factor more important to address in the start-up phase of the business when determining in which industry or industries to operate, and acts more as a guideline than a systematic factor that can be wielded to improve growth.

Lastly, the growth promoting factors of Table 5-8 were recognised as being related more to the internal factors related to business strategy, and it is from these factors that considerations relevant to this study can be found.

Table 5-8 Business strategy growth promoting factors mostly within the study's scope

Growth promoting factor	Rationale for placement
Limited liability legal form (LLLF)	Deciding on being a for-profit limited liability enterprise is an internal decision which must be made prior to launching the enterprise, and is therefore in the pre-start-up phase
Geographic location and expansion (GLE)	When the enterprise needs to choose the initial geographic location, this is taken into account in the pre-start-up phase (and can be seen in the scoping figure as GLE with the subscript AGL for apt geographic location). Furthermore, it is crucial in the post start-up phase to expand (and can be seen in the scoping figure as GLE with the subscript AGE for apt geographic expansion). Thus, GLE is out of the scope of this study

Growth promoting factor	**Rationale for placement**
Accessing financial capital (AFC)	Acquiring financial capital must occur during the pre-start-up and start-up phases to ensure smooth running of the enterprise as it is starting up
Detailed business planning (DBP)	Although important throughout the business life cycle, planning is an iterative process and must take into account multiple areas of concern as well as projections for the future working of the enterprise, making it ever so imperative in the pre-start-up and start-up phases
Apt founding strategy (AFS)	This covers both human resource and business strategy, and is imperative regardless of the age of the enterprise, thus making it relevant to both the start-up and post start-up phases of the business life cycle
Reduced size and age (RSA)	Although not a factor which can be controlled, the literature has revealed the tendency of young enterprises to grow the most, making RSA fit into the start-up phase nicely
Unique value creation for customers (UVC)	To build a customer base it is imperative to be unique and win over customers through increased value, especially in the early start-up phase of the business
Leveraging strategic alliances (LSA)	Alliance formation is crucial in the start-up and post start-up phases of the business, and although impacted by external role players substantively, the success of alliances has equally as much to do with the manner in which it is internally managed to be aligned with and maximise the core competencies of the firm
Innovation for continuous improvement (ICI)	Innovation plays a crucial role at all times. For young enterprises in the start-up phase with inherently less resources at their disposal ICI can give them that much needed edge in the industry, and for older post start-up phase enterprises ICI can maintain the enterprise's dominance
Holistic marketing capabilities (HMC)	Marketing has much to do with reaching customers and interacting with them, which is pivotal in both the start-up and post start-up phases of the business life cycle
High acquisition propensity (HAP)	Acquisition is only really an option when the enterprise has great amounts of excess capital, and a solid foundation, so HAP is more of a post start-up route to growth
Fostering international sales (FIS)	International sales are easier to accomplish when the enterprise has a strong brand developed through trials at home, and is more usual in older enterprises, making FIS more relevant to the post start-up phases, as well as partially external in nature due to its dependence on overseas actors

5.5.2 HIERARCHICAL GROUPING OF AND RATIONALE FOR BOP CONSIDERATIONS

To establish the relative importance of each of the factors contained in the IWs, and more importantly the KIWs, the frequency with which each factor was addressed in either was counted and is shown in Figure 5-7.

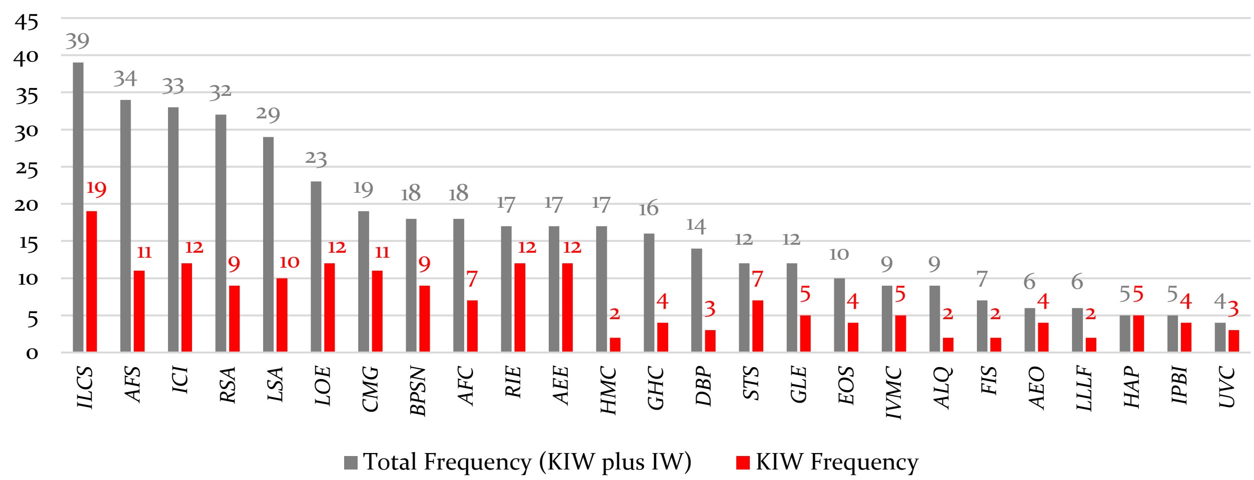


Figure 5-7 Key characteristic occurrence frequencies

The total frequency and KIW frequency show an adequately similar trend which indicates that the relative importance of the different factors of high growth enterprises are generally agreed upon throughout the literature.

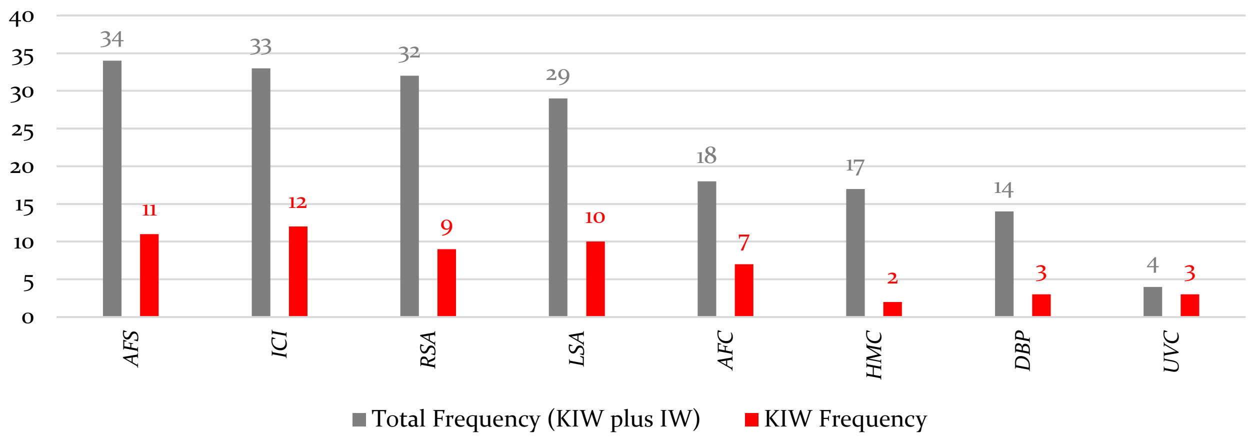


Figure 5-8 Key factors for the BOP occurrence frequencies

As can be seen in Figure 5-8, the factors within the scope of this study are highly ranked in general, further supporting the choice of scope for this study and promoting the need for further inquiry in the following chapters. Each of the factors needing to be addressed will now be introduced, in addition to their importance with regards to the BOP context.

5.5.2.1 BUSINESS PLANNING

Business planning provides a means of combining most of the fundamental necessities the enterprise has into a clear-cut and ordered set of procedures, which makes it not only necessary for high growth enterprises, but for every enterprise. Without adequate planning, it is impossible for entrepreneurs to understand the interwoven nature of the BOP market segment or achieve success in pursuing it. A comprehensive plan is set out in a business model, which covers all the key areas pertaining to doing business. This is imperative at the BOP, as conventional suppliers and customers are no longer a given.

At the centennial Global Business Summit, Harvard Business School (2009) states regarding the role of business models at the BOP that:

> *The innovative, for-profit business models these [BOP entrepreneurs] are pursuing are capitalism at its best – creative low-cost solutions to massive societal problems; generation of profit which makes these undertakings sustainable, provides capital to invest in growth and infrastructure, and attracts investors; and partnership with local communities.*

Thus, the role of business models for operating at the BOP are clearly worthwhile understanding further.

5.5.2.2 Business strategy

In formulating a business strategy for entering into the BOP, it is necessary that from the outset the founders establish that they are in a business and that their aim is turning over a profit, and do not err on thinking like a charity or a philanthropic institution (Fürst, 2011).

Successful strategies for meeting the needs of the BOP take into account an array of factors which differentiate the BOP from mainstream markets. For instance, with unique problems and circumstances at the BOP a new range of products and services must be developed for meeting real needs in a variety of sectors, e.g. in water (point of use systems), food (healthier and more nutritional products), finance (microfinance and low-cost remittance systems), housing, and energy.

Maximal value creation for the poor requires that the BOP is understood in all of its potential forms (customers, co-producers, partners, employees, clients), and this requires substantial investment in capacity building and training. Localising value creation may be necessary via the mechanism of local vendors or suppliers in order to reach the BOP community. Hammond *et al.* (2007:10) give some examples of value creation in a variety of sectors, e.g. in health care (franchise and agent-based direct marketing), water (community-based treatment systems), food (agent-based distribution systems), information and communications technology (local phone resellers and entrepreneurs), and energy (mini-hydropower systems).

Designing products and services that are enabling in nature must be a core concern of the strategy employed, meaning that the offerings are financially viable (single use packaging strategies, lowering purchase barriers, prepaid, or via other financing methods) and physically accessible (utilising novel means of distributing and deploying products).

Clearly, a business strategy for approaching the BOP and serving it as a primary market requires a new approach to increase the likelihood of success.

5.5.2.3 Innovation

As innovation is a consistent factor contributing to successful and growing enterprises (Tidd & Bessant, 2014:7), it is understandably an important component of any business strategy which hopes to target the BOP market. A number of reasons for the importance of innovation when dealing with and selling to the BOP exist, as follows.

Innovation helps in successfully exploiting ideas (Johnson, 2005:73). Ideas concerning successful products or services for the BOP are inherently trickier as there are a number of unique hurdles that an enterprise must clear before the BOP can be pursued as a market. For this reason, innovation plays a crucial role in generating ideal concepts to bring to this market.

Innovation reaches into many areas of business, such as the technical, design, manufacturing, management, and commercial activities inherent in marketing a new or improved product or service (Freeman, 1982). Selling to the BOP requires not only new ideas, but also new ways of reaching the market, which innovation can help provide.

Not only is innovation concerned with commercialising radical new ideas, but also with incremental improvements (Rothwell & Gardiner, 1985:168), whereby that which was previously only aimed at middle to upper tier consumers can now be adapted to the needs of the BOP.

Innovation is a specific tool common to entrepreneurs which allows them to exploit change through seeing it as an opportunity for growth (Drucker, 1987). When entering the BOP, much change will be required as the traditional norms are left behind, with the enterprise venturing into completely new territory.

Innovation provides enterprises with the ability to achieve a competitive edge over rivals (Porter, 1990). In a society where the successful are often mimicked to achieve financial gain, it will require BOP targeting enterprises to innovate so that competitors are greatly disadvantaged if they too decide to target the BOP in a similar manner.

Innovation promotes thinking outside the box (Branson, 1998), impacting not only the competitiveness of the enterprise's offerings but also the manner in which staff and customers relate to one another, so that the wants and needs of the latter are met.

Thus, in effect, innovation is a process that turns opportunities into new ideas and offerings for the target market by maximising the value for the end customer, which is crucial, especially at the BOP.

5.5.2.4 MARKETING CAPABILITIES

Marketing to the upper tiers of the economic pyramid is well documented and generally occurs in an environment rife with competition. At the BOP, this is hardly the case. Although the price, product, promotion, and place are intrinsically important to any marketing plan, the BOP has a number of unique difficulties it poses for marketing. For instance, high-end markets are easily accessible, have a set of customers who will likely be able to afford any price, are easily accessible due to their urban living, and therefore are also easy to access. At the BOP, this is not the case. In actual fact, difficulties in each of these areas play a huge role in the marketability of a product or service, redefining the way in which SMMEs need to reach their customers (Anderson & Billou, 2007).

The BOP is not like the common consumeristic market, therefore just lowering prices on existing high-end market products or services won't be sufficient to sell to the BOP. This being said, it is also not true that the BOP is not insensitive to what products or services they receive. There should therefore also be a dignity to the marketing approach employed. In effect, marketing to the BOP is a crucial component of not only successful value creation for the consumer, but also profit generation for the SMME.

5.5.2.5 STRATEGIC ALLIANCES

With many BOP targeting enterprises being substantially under-resourced and operating in an ecosystem that poses particularly new and unique difficulties in serving effectively, partnerships with numerous role-players are often vital to success. This enables the enterprise to gain access to much needed expertise and resources, among other things. By forming alliances, SMME owners and managers can share their core competencies in an effective manner and bring about improved growth in comparison to going it alone.

Strategic alliances do however bring with them a heightened risk of the enterprise's core competencies being opportunistically appropriated by the partner, which requires that a clear approach to managing the relationship is followed. By managing the relationship appropriately, not only are risks mitigated, but gains are also leveraged. This promotes the need for further research on the nature of strategic alliances at the BOP.

5.5.2.6 SIZE AND AGE

Although the size and age of the enterprise is a defining factor of high growth enterprises, the findings coincidentally support the fact that small and younger enterprises are the most ideal candidates for pursuing high growth. Due to the fact that the focus of this study is on start-up SMMEs and that it is more a period of the enterprise's existence rather than a factor which can be pursued it will not be specifically discussed any further. The influence of smaller size is however incorporated in the following chapters whenever it influences the decisions an entrepreneur must make.

5.5.2.7 FINANCIAL CAPITAL

Although crucial to the successful start-up of an SMME, accessing financial capital is a thoroughly discussed topic which is not unique to BOP targeting enterprises. Furthermore, due to the fact that many of the considerations taken into account by venture capitalists in assessing a business idea are already covered in the preceding and following high growth promoting factor discussions, it is not a consideration which will be elaborated on in much detail in this study. Furthermore, in accordance with the scope of this study, it is assumed that the start-up is already well on its way, and has successfully developed a profitable business. Whether reaching that point required the accessing of external sources of capital is seen to be a primarily pre-start-up phase consideration. However, an extensive discussion on the alternate government funding options within the South African context can be found in Appendix C for further reading.

5.5.2.8 UNIQUE VALUE FOR CUSTOMERS

As the BOP is largely understudied, due to the commonly held belief that there exists no real commercial potential therein, it is necessary for aspiring BOP targeting enterprises to get into the market and understand the ways in which it is different to mainstream and more traditional market segments. Creating value requires real needs to be met, and the BOP must be understood from the inside, right at the front lines. Therefore, this factor will be sufficiently addressed in each of the chapters that follow.

5.5.3 THE IMPORTANCE OF SUSTAINABLE DEVELOPMENT AT THE BOP

Inherent in all social entrepreneurship activities is a need for sustainable operations, and pursuing lasting poverty alleviation through SMME action is no exception to this.

Sustainable development has become increasingly important to SMMEs for a number of reasons, the first of which is that many enterprises today are assessed from a supply chain point of view, not merely at a local scale, but by global players wherein it is not only becoming commercially important for more sustainable development, but also a necessary requirement to enter into international markets.

Sustainable development also provides monetary benefits via increased efficiencies and conservation techniques, e.g. energy, waste, and water. It provides access to new markets and competitive advantage in that an enterprise might differentiate itself through use of these practices. Enterprises practicing sustainable development benefit especially on a global scale through increased brand recognition. Lastly, sustainability measures minimise risk for the enterprise in terms of financial, environmental, social, and even legal impacts, and also open up new opportunities as the visibility of the enterprise will increase and more easily obtain access to financial capital.

Some might argue, however, that making money out of the poor is fundamentally wrong. However, according to the Harvard Business School (2009), "*pursuing profit is not inconsistent with delivering social value.*" Therefore, making a profitable private sector enterprise from money received from the poorest segments of society is not aimed at exploiting the BOP but rather acts so as to make the efforts sustainable, something that charitable or philanthropic organisations cannot easily achieve. This ties in with social entrepreneurship. If one wants to enter the BOP it must primarily be about making a positive social impact to be successful. The profits will follow.

To this end it is important to understand what sustainable developments entail, not only in terms of economic but also environmental and social terms.

5.6 Conclusion

In this chapter each of the research sub-questions pertaining to high growth, as stated at the start of the chapter, were answered. The following paragraphs summarise the findings of the research sub-questions posed at the beginning of the chapter.

Measures of high growth in literature were found to be surprisingly vague, differing in both the mode of measurement and the degree. Some measures of high growth related to increases in employee count, others to percentage increase in turnover per varying lengths of time, whilst still others looked at sales growth. Often there are multiple additional constraints regarding factors such as number of consecutive years with only positive growth, or percentage market share. A sample of this broad array of descriptions can be found in Table H-1 of Appendix G.

Although there are numerous and varying definitions of what constitutes high growth, there are numerous and similar accounts of the factors which promote it. These factors are generally independent of the particular sector the enterprise operates in.

The systematic and arguably comprehensive approach to compiling literary factors from literary sources can be seen in Figure 5-1. It is a rigorous approach which takes into account not only the popularity of the literary work through noting the citation count, but also the degree of linkage (cross referencing) between highly cited works. The approach is further strengthened by ensuring that new studies are not neglected due to what is known as the Matthew Effect. By modifying the citation counts with this factor, and incorporating the degree of linkage it is easy enough, (although time consuming) to arrive at an arguably comprehensive set of factors selected from the identified and ranked literary works.

The arrived at factors that were found to promote high growth are listed in the following four logical groupings:

- **Founder attributes:** leadership qualities; team size and synergy; relevant industry experience; level of education; entrepreneurial experience; entrepreneurial orientation, and; breadth of professional and social network
- **Enterprise attributes:** size and age of the enterprise; legal form; geographic location and expansion; industry life cycle stage and market environment; financial capital; organisational structure; vision, mission, and communication, and; commitment to and motivation for growth
- **Business practice factors:** strategy; strategic alliances; business planning; marketing; international sales; acquisition; creating unique value for customers, and; innovation

- **Human resource factors:** human capital, and performance based incentives

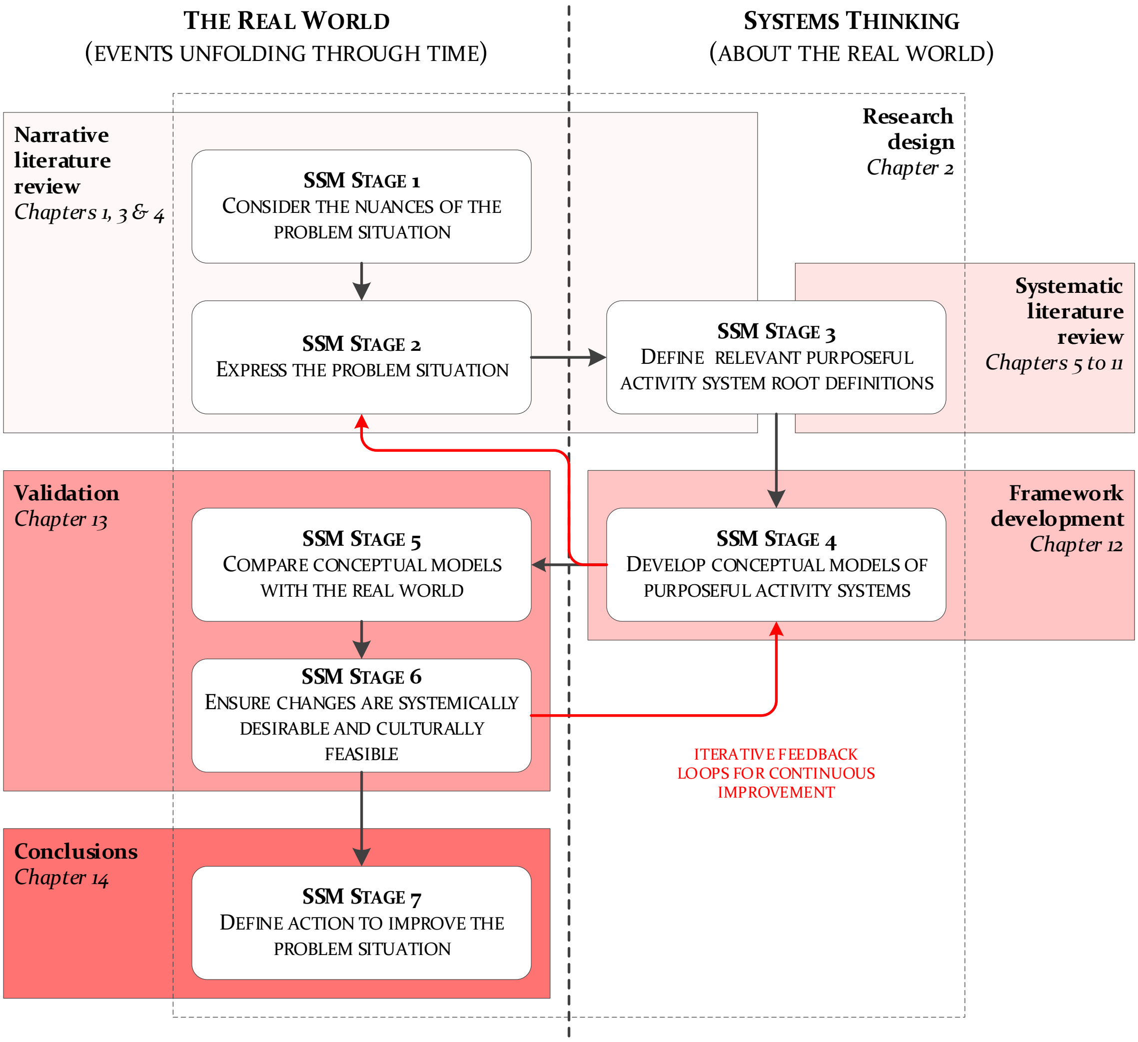
From this list of twenty-five factors which arguably promote high growth, eight were within the scope of this research. From this list of eight the factors were refined to arrive at five factors of importance to this study. These factors include: business planning, business strategy, innovation, marketing, and strategic alliances. Another factor which was deemed necessary due to the importance of fostering a multi modal sustainable view of growth at the BOP (i.e. social, economic, and environmental) was sustainable development. This factor was therefore also included as a unique concern for further deliberation in the following chapters.

From this chapter, a few other points can be deduced. Firstly, it is clear that high growth is not the norm. Secondly it has been shown that no single factor is solely responsible for enterprises that are experiencing high growth to be doing so. There are a host of high growth factors that high growth enterprises abide by, each of which are interwoven and dependent on one another to some extent. The factors affecting an enterprise's ability to achieve and sustain rapid growth can be divided into the following groups: the founder, enterprise attributes, business practices, and human resource management. Thus, enterprise growth is by and large a managerial challenge which must be managed consciously and deliberately with an awareness of the implications for growth when decisions are made.

Each of the considerations deemed relevant to this study in terms of their importance for enterprise owners and managers attaining high growth when targeting the BOP will now be focused on in more detail, from which a list of requirements that the growth framework must adhere to will be generated. Thereafter a framework incorporating these factors will be developed, verified, and validated. Thus, the aim of the next six chapters is to answer the research sub-question: how can each of these factors be applied to the BOP context?

CHAPTER 6

BUSINESS MODELLING



RELEVANT APPENDICES

A B C D E F **G** H I J K L M N O P Q R S

"A business model describes the rationale of how an organization creates, delivers, and captures value."

Osterwalder and Pigneur (2010:14)

6.1 Introduction

In this chapter, the importance of business models is discussed in relation to how it aids SMME owners and managers in business planning, after which it is succinctly defined. Contextual factors play a huge role in the effectiveness of any business plan implemented at the BOP, for which reason it is important that the market environment itself is well understood. To this end, specific considerations for the BOP context are expanded on. Thereafter, the root definition of the business model is determined in accordance with SSM. In ending, a number of requirements are arrived at for use in developing the conceptual framework in Chapter 12.

As portrayed in Figure 2-1 of Chapter 2.2, this chapter contributes to stage three of the SSM approach used throughout this study (Checkland & Scholes, 1990:211).

6.2 Importance of business models

After being met with failed attempts at applying business models developed for the high-end market to the BOP context, organisations are realising the need for new business models specifically tailored to meet the unique needs of the BOP market (Ver Loren van Themaat, 2011).

6.2.1 THE FUNCTIONS OF A BUSINESS MODEL

The reasons for employing the use of a business model are numerous. Chesbrough (2010a) argues that a business model provides "*a way to create value for a business and then to capture at least some of that value for the organization.*" According to Chesbrough and Resenbloom (2002), the functions of a business model include that it:

- **Articulates** the value proposition which is the value that is created for users through the offering (which is often technologically based)
- **Identifies** a market segment which are the users to whom the developed offering is useful for. This further implies certain directions for revenue generation mechanisms in the organisation
- **Defines** the value chain structure that is needed to create and distribute the offering and therefore determines the complementary assets required to support the position of the organisation in the value chain
- **Estimates** the cost structure and profit potential of the offering as determined by the value proposition and the organisation's position in the value chain
- **Orientates** the organisation in the value network by defining links between suppliers and customers as well as identifying possible competitors and partners
- **Formulates** the competitive strategy by which the innovating organisation will gain and hold advantage over its competitors

The business model serves as an essential high level strategic tool for the enterprise (Shafer, Smith & Linder, 2005). Magretta (2002) puts it well when she stated that "*the business model's great strength as a planning tool is that it focuses attention on how all the elements of the system fit into a working whole*." Advantages associated with using a business model are easily recognisable. They help organisations review ideas and goals, identify product opportunities, adapt to changes in the organisation, provide clear direction (especially for start-ups), establish financial goals, and lastly business models help in developing a business plan.

In essence, a business model serves as a map to guide the enterprise in a calculated manner towards value creation for stakeholders and ultimately towards profits and growth.

6.2.2 THE GOAL OF A BUSINESS MODEL

Magretta (2002) believes that a good business model answers the age-old questions posed by Peter Drucker:

- Who is the customer?
- What does the customer value?
- How do we make money in this enterprise?
- What is the underlying economic logic that explains how we can deliver value to customers at an appropriate cost?

There are a host of authors who have tried to answer these questions over the years. Quite recently however, Osterwalder reviewed the most famous and relevant literature in this field and with the help of Pigneur has written a bestselling book called *Business Model Generation* (Osterwalder & Pigneur, 2010), wherein they have adapted the existing literature and combined it into an easy to follow step-by-step procedure. This highly acclaimed approach will be used from now on as it provides a very broad approach based on an extensive literature base of highly cited works, and also draws from numerous experts in the field.

6.3 Business model definition

The business model describes the core logic for the creation and capturing of value (Chesbrough & Resenbloom, 2002; Morris, Schindehutte & Allen, 2005; Osterwalder, Pigneur & Tucci, 2005; Zott & Amit, 2010). It is different from the business strategy in that it does not incorporate possibilities for alternative paths of market evolution. The business model notion nonetheless informs theories regarding competitive advantage, core competencies, enterprise boundaries, internal and external value chains, leadership capabilities and aspirations, strategic networks, and value systems (Morris *et al.*, 2005).

Due to a growing interest in business model research, a shared ontology has become popular among academics and businesses alike. Zott, Amit and Massa (2011:20) go as far as to claim that the business model is now widely recognised as a fundamental unit of analysis for new ventures, stating that "*there is an increasing consensus that business model innovation is key to firm performance.*" Through business model innovation, enterprises can differentiate themselves from competitors through a much more structured analysis (Doganova & Eyquem-Renault, 2009; Christensen, 2001).

Though the business model concept is extremely popular, it is relatively young which lends itself to many competing theories and typologies in literature. For the purposes of this study, a normative definition of the business model is ideal in that it describes each and every attribute or aspect necessary for improving business performance and subsequently growth. The approach of Osterwalder and Pigneur (2010) is normative in nature, emphasising learning through application as opposed to explanations of researchers, which is highly beneficial for helping managers and founders in a start-up make the right decisions and relate these if necessary to subordinates (Kalinowski & Vives, 2013).

An alternate representation of business models is given by Zott and Amit (2010) who define it as a system of interdependent activities wherein each activity is comprised of a number of transactions between different actors, both inside and outside of the enterprise boundary. The role of the entrepreneur or manager in this view is to create interdependencies with purposeful intent and design. However, this view gives too little consideration to external role players and will therefore not be considered further.

If seen as a conglomeration of choices made by the entrepreneur and managers, the business model can be described as a concept which "*embodies a set of choices… [to] facilitate the analysis, testing, and validation of the cause-and-effect relationships that flow from [previously made] strategic choices*" (Shafer *et al.*, 2005:203). This view ensures that the choices made in the enterprises are internally consistent and mutually reinforcing of one another. In this way, the business model acts to strengthen aspects in the model in an iterative cycle (Demil & Lecocq, 2010). McGrath (2010) further supports this approach. This however is insufficient as a definition for a BOP worthy business model description as it requires the entrepreneur to experiment with different options to arrive at a holistic approach, which is inconsistent and unsustainable in a typically resource deficient start-up. This trial and error approach for environmentally uncertain circumstances makes these approaches infeasible.

According to Osterwalder and Pigneur (2010), "*a business model describes the rationale of how an organisation creates, delivers and captures value.*" The underlying theme of business model literature is that it assists an organisation in understanding how value is created for customers and stakeholders, as well as how money is made for the organisation. Chesbrough and Rosenbloom (2002) believe that "*the ultimate role of the business model for an innovation is to ensure that the technological core of the innovation is embodied in an economically viable enterprise*." This extends the business model to a point of capturing innovative value as well.

6.3.1 OSTERWALDER'S BUSINESS MODEL ONTOLOGY

The business model ontology developed by Osterwalder (2004) "*is a conceptual tool that contains a set of elements and their relationships and allows one to express the business logic of a specific organisation*." It makes it possible to easily capture, model, understand, share, observe over time, and, potentially even measure and simulate business models.

Table 6-1 Definition of Osterwalder's business model ontology elements

Area	**Addresses**	**Building block**	**Definition**
Product	What sector the enterprise is in, the products and the value propositions offered to the market	Value proposition	A value proposition is an overall view of an enterprise's bundle of products and services that are of value to the customer
Customer relationship	Who the enterprise's target customers are, how it delivers them products and services, and how it builds strong relationships with them	Customer	The target customer is a segment of customers an enterprise wants to offer value to
		Relationship	The relationship describes the kind of link an enterprise establishes between itself and the customer
		Channel	A distribution channel is a means of getting in touch with the customer
Infrastructure management	How the enterprise efficiently performs infrastructural or logistical issues, with whom, and as what kind of network enterprise	Capability	A capability is the ability to execute a repeatable pattern of actions that is necessary in order to create value for the customer
		Partnership	A partnership is a voluntarily initiated cooperative agreement between two or more enterprises in order to create value for the customer
		Value configuration	The value configuration describes the arrangement of activities and resources that are necessary to create value for the customer
Financial aspects	What the revenue model, the cost structure and the business model's sustainability are	Cost	The cost structure is the representation in money of all the means employed in the business model
		Revenue	The revenue model describes the way an enterprise makes money through a variety of revenue flows

The main areas and building blocks of Osterwalder's business model ontology are described in Table 6-1 and depicted in Figure 6-1, which shows the four main areas which make up the nine building blocks.

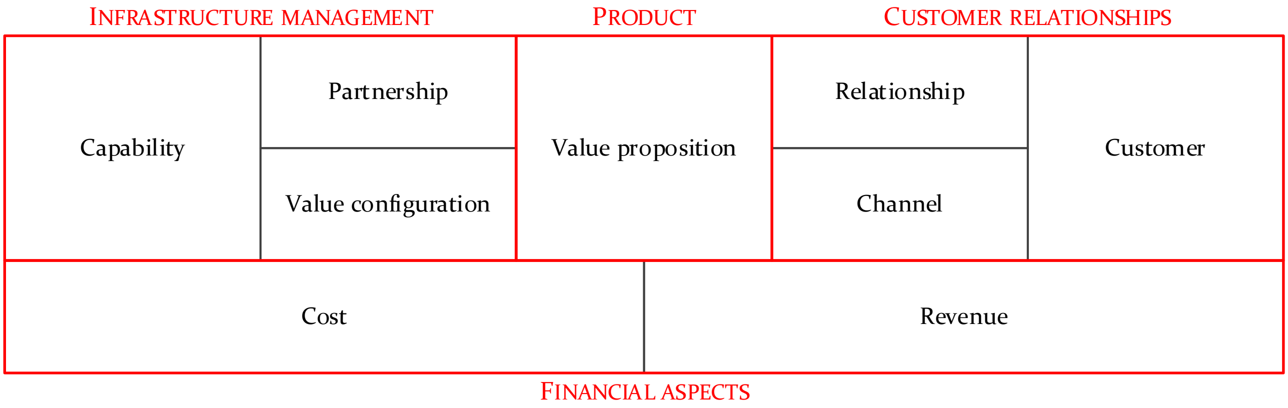


Figure 6-1 Osterwalder's business model ontology (Osterwalder, 2004)

The areas are based on the four perspectives from the balanced scorecard approach of Kaplan and Norton (1992), including products, infrastructure, customer, and financial aspects.

6.4 The business model canvas

In order to develop a business model, it is sufficient therefore to follow the approach of Osterwalder and Pigneur (2010) who together updated Osterwalder's business model ontology doctoral approach. The new approach to designing a business model was described through use of the more graphical and user-friendly *business model canvas* approach in their book *Business Model Generation*. Osterwalder and Pigneur (2010) said that in designing this approach they stressed that "*the concept must be simple, relevant, and intuitively understandable, while not oversimplifying the complexities of how enterprises function*."

This canvas includes a partial revision of Osterwalder's dissertation's individual building blocks. As shown in Figure 6-2, the business model canvas is divided into four main areas of a business which constitute the nine building blocks. The four governing sections are again seen in the balanced scorecard approach of Kaplan and Norton (1992).

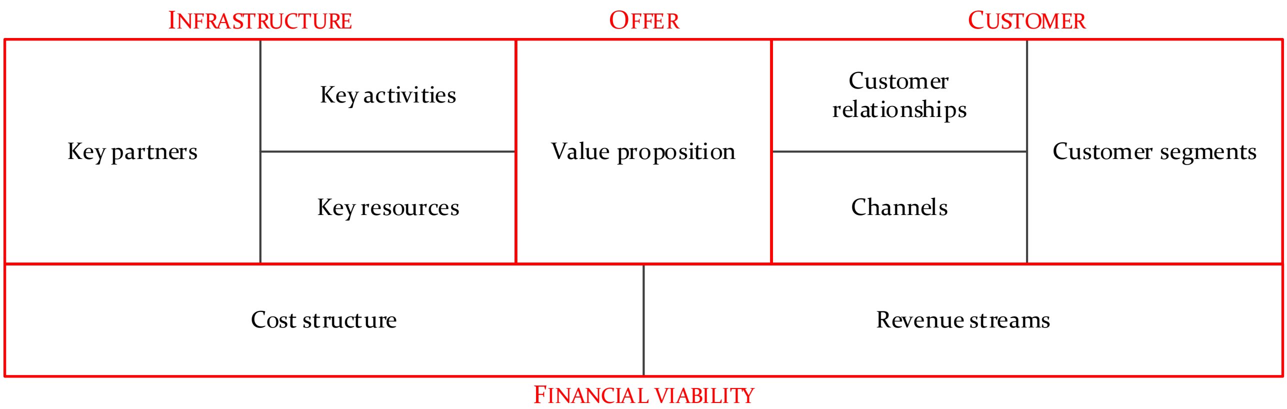


Figure 6-2 Business model canvas components (Osterwalder & Pigneur, 2009)

According to the authors, this canvas acts as a blueprint for strategy implementation via organisational structures, processes, and systems. The four areas are linked to one another in that the customer area describes how the offer is brought to the customers, the infrastructure area relates the infrastructure required to create and deliver the offer to the customer, and finally the financial viability area looks at how the business administrates its costs and makes money.

The business model canvas approach is therefore ideal in that it provides a practical approach to discerning analytically what a feasible business model for the BOP targeting start-up SMME would look like.

For a full understanding of the nine building blocks and how they are unique in dealing with the BOP, each will be discussed briefly in a generic manner, followed by a description of the elements which differ according to the BOP perspective in the section thereafter.

6.4.1 CUSTOMER SEGMENTS

The customer segments building block defines the different groups of people or organisations an enterprise aims to reach and serve. The heart of any business model is ultimately the customer, without whom a business would not survive for very long. Different customers have different needs, and fulfilling these needs so as to satisfy customers is easier if a business groups its customers into distinct segments comprised of customers with common needs, behaviours, or attributes. Different segments will undoubtedly be of different sizes; therefore, it is important for an organisation to decide actively which segments to serve and which to disregard. Thereafter, a business model can more accurately be designed to satisfy specific customer needs.

Some defining criteria for customers being from different segments include that they:

- Are willing to pay for different aspects of the offer
- Have needs which require and justify a distinct offer
- Have substantially different profitabilities
- Need to be reached through different distribution channels
- Require different types of relationships

Determining customer segments is basically the market analysis step in business model design. After focusing on this building block, it should be clear exactly which customer segments are most important and consequently whom value needs to be created for.

6.4.2 VALUE PROPOSITIONS

The value propositions building block describes the combination (aggregation or bundle) of products and services that specific customer segments gain value from. Value propositions are the reason for customers having a first-choice enterprise, as it is these enterprises which give most satisfactory product or service offerings for the customer's needs or because it answers the customer's problem most adequately.

To define an organisation's value proposition, it is necessary to answer these questions:

- What value does the enterprise deliver to the customer?
- Which customer problems are the enterprise helping to solve?
- Which customer needs are being satisfied?
- What bundle of products and services are being offered to each customer segment?

Value is a broad term including both quantitative (e.g. price, service speed) and qualitative (e.g. design, customer experience) aspects. Some common elements which may increase the customer value of an offering include:

- **Accessibility**: making products and services widely available to remote users
- **Brand/status**: using and displaying a brand can show status or social popularity
- **Convenience/usability**: making things more convenient or easier to use
- **Cost reduction**: helping customers reduce costs
- **Customisation**: ability to tailor products or services to specific individual customer or customer segment needs
- **Design**: superior design makes a product stand out and generally more attractive
- **Getting the job done**: helping a customer with difficult or mundane tasks
- **Newness**: satisfies a new set of needs that were previously unheard of
- **Performance**: improved product or service performance
- **Price**: similar value for a lower price for price-sensitive customer segments
- **Risk reduction**: reducing risks when purchasing products or services (especially for second hand products)

As discussed earlier, there are a multitude of innovation measures which increase the value or benefits a customer segment receives. On the one hand, there are disruptive innovations with a new offer, and on the other hand there are offers similar to existing market offers, just with added features and attributes.

6.4.3 CHANNELS

The channels building block describes how an enterprise reaches and communicates with its customer segments, so as to deliver a value proposition. Basically, this sums up the marketing channels used to raise awareness of the value proposition.

The functions customers are served via channels include:

- Allowing specific products and services to be purchased
- Delivering a value proposition
- Helping evaluate value propositions
- Providing post-purchase support
- Raising awareness about products and services

According to Osterwalder and Pigneur (2010), "*channels are customer touch points that play an important role in the customer experience*."

To determine an enterprise's channels requires one to answer these questions pertaining to channels:

- Via which channels do the customer segments want to be reached?
- How are the existing customer segments being reached?
- How are the enterprise's channels integrated?
- Which channels work best?
- Which channels are most cost-efficient?
- How are the enterprise's channels being integrated with customer routines?

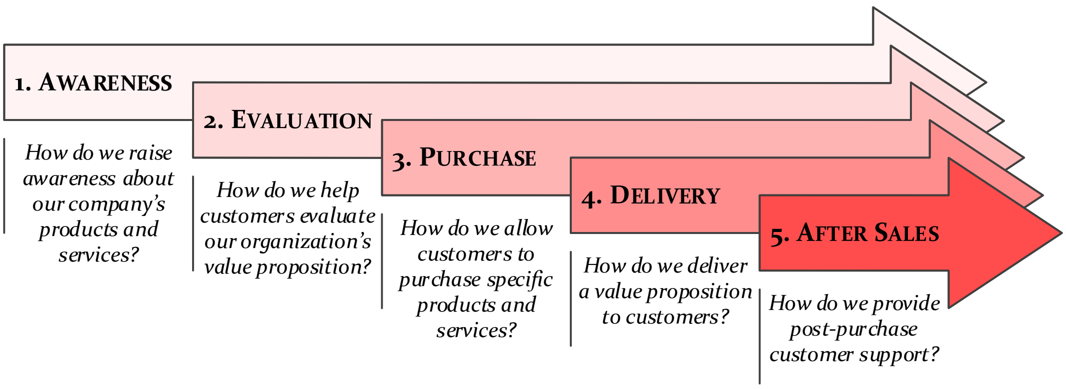


Figure 6-3 Channel phases (Osterwalder & Pigneur, 2009)

In order to find the correct mix of channels to satisfy how customers want to be reached, an enterprise may use its own channels (e.g. web sales) or its partner's channels (e.g. a wholesaler). This is crucial when trying to bring a value proposition successfully to market. Using partner channels may mean lower margins but it has the advantage of expanded reach and benefit of partner strengths, which is especially important for a start-up to gain popularity. Osterwalder and Pigneur (2010) offer five channel phases an enterprise goes through one after the other as shown in Figure 6-3.

The ideal end state is finding the correct balance between different channel types so that they can be integrated in a manner which creates a great customer experience and thus maximises revenues.

6.4.4 Customer relationships

The customer relationships building block describes which types of relationships an enterprise has with which customer segments. Each segment must have its own relationship type, ranging from personal to automated communication, whilst also taking into account the motivation driving the relationship: customer acquisition, customer retention, or boosting sales (upselling).

To define the relationships necessary between the customer segments and the enterprise, it is important that these questions be answered:

- What type of relationship does each customer segment expect the enterprise to establish and maintain with them?
- Which relationships are already established?
- How costly are the relationships?
- How are the relationships integrated with the rest of the business model?

Several categories of customer relationships which may co-exist within an enterprise include:

- **Automated services**: a mix of more sophisticated forms of self-service and automated processes
- **Communities**: whereby enterprises utilise user communities to become more involved with customers/prospects whilst facilitating connections between community members
- **Co-creation**: when an enterprise goes beyond the traditional customer-vendor relationship so as to co-create value with customers
- **Dedicated personal assistance**: the deepest and most intimate relationship with a customer whereby an individual client has a dedicated customer representative
- **Personal assistance**: this is based on human interaction whereby the customer gets to communicate with a customer representative during the sales process or after purchasing
- **Self-service**: no direct relationship with the customer is maintained

6.4.5 Revenue streams

The revenue streams building block denotes the income an enterprise generates from each of the customer segments (i.e. revenues less costs equal earnings). As customers are the heart of the business model, revenue streams may aptly be seen as the arteries. It is imperative that an enterprise successfully determines how much each customer segment is willing to pay for what value. This allows the enterprise to generate a revenue stream for each segment.

It is likely that each revenue stream has its own pricing mechanisms, e.g. fixed list process, bargaining, auctioning, market or volume dependent, or yield management. Furthermore, there are two types of revenue streams a business model can involve: once-off payments or transaction revenues, and recurring revenues from ongoing payments or for post-purchase customer support.

These questions should guide an enterprise in determining its revenue streams:

- For what value are customers willing to pay?
- For what value do customers currently pay?
- How do customers currently pay?
- How do or would customers prefer to pay?
- How much does each revenue stream contribute to the enterprise's overall revenues?

A few means of generating revenue streams include:

- **Advertising**: fees for advertising a product, brand, or service
- **Asset sale**: sale of ownership rights to a physical product
- **Brokerage fees**: intermediation services conducted on behalf of two or more parties
- **Lending/renting/leasing**: temporarily granting a person the exclusive right to use a particular asset for a fixed period of time in return for a fee
- **Licensing**: giving customers permission to use intellectual property for a fee
- **Subscription fees**: selling continuous access to a service
- **Usage fees**: generated by the use of a particular service increasing in price with time used

The pricing mechanism chosen for the various revenue streams in an enterprise may cause a substantial difference depending on if the pricing mechanism is fixed (predefined prices based on static variables) or dynamic (prices vary depending on market conditions) in nature.

6.4.6 Key resources

The key resources building block basically looks at the most important assets that are required to make a business model work. Key resources enable an enterprise to create and offer a value proposition, reach markets, maintain and grow relationships with customer segments, as well as earn revenues.

To determine an enterprise's key resources these questions should be answered:

- What key resources do the enterprise's value propositions necessitate?
- What key resources do the enterprise's distribution channels require?
- What key resources do the enterprise's customer relationships need?
- What key resources do the enterprise's revenue streams demand?

There are four types of key resources: financial, human, intellectual, and physical which may all be either owned or leased by the enterprise (or otherwise acquired from relationships with key partners through strategic alliances):

- **Financial**: includes financial resources and guarantees such as cash and lines of credit
- **Human**: basic requirement of every enterprise especially knowledge-intensive industries where creativity is required
- **Intellectual**: includes brands, patents and copyrights, partnerships, proprietary knowledge, and customer databases
- **Physical**: includes physical assets, e.g. manufacturing facilities, machines, vehicles, and distribution networks

6.4.7 Key activities

The key activities building block relates the most important things/actions an enterprise must do to ensure its business model works and that the enterprise operates successfully. Similar to the key resources, key activities are required to create and offer a value proposition, reach markets, earn revenues and maintain customer relationships. Key resources also vary according to business model type.

Questions an enterprise should answer to assist in designing this building block include:

- What key activities do the enterprise's value propositions necessitate?
- What key activities do the enterprise's distribution channels require?
- What key activities do the enterprise's customer relationships need?
- What key activities do the enterprise's revenue streams demand?

The following categories exist for key activities:

- **Platform/network**: business models designed with a platform as a key resource are dominated by platform or network-related key activities, e.g. networks, software, etc.
- **Problem solving**: these activities relate to developing new solutions to individual customer problems. Activities required here include knowledge management and continuous training

- **Production**: activities which relate to designing, making and delivering product in either or both mass quantities and superior quality

This building block basically focuses on the actions an enterprise must take to operate efficiently and effectively, and is therefore the operational part of the business model, and relates how the other building blocks will be achieved. The previous building blocks focus on what will be done in the enterprise and this building block focuses on how it will all come about.

6.4.8 Key partnerships

The key partnerships building block helps the enterprise understand the network of suppliers and partners that help make the business model work. Alliances between organisations can help optimise an enterprise's business model, reduce its risk, and help in acquiring resources. There are four fundamental partnerships which may be formed:

- Buyer-supplier relationships to assure reliable supplies are available when needed
- Coopetition which is the formation of strategic partnerships between competitors
- Joint ventures to aid in developing new businesses
- Strategic alliances that exist between non-competitors

Fundamental questions an enterprise is posed with in developing this building block include:

- Who are the enterprise's key partners?
- Who are the enterprise's key suppliers?
- Which key resources are being acquired from partners?
- Which key activities are performed by the enterprise's partners?

There exist three broad reasons for why enterprises create partnerships:

- **Acquisition of particular resources and activities**: enterprises extend their own capabilities by relying on other enterprises to furnish particular resources or perform certain activities and this is motivated by the need to acquire knowledge, licenses, or access to customers
- **Optimisation and economies of scale**: this is the most basic form of partnership or buyer-supplier relationship designed to optimise the allocation of resources and activities, usually formed to reduce costs, and often involves outsourcing or sharing infrastructure
- **Reduction of risk and uncertainty**: it helps reduce risk in a competitive environment characterised by uncertainty

6.4.9 Cost structure

The cost structure building block describes all of the costs that are incurred in operating a particular business model. Costs are incurred whilst creating and delivering value, maintaining customer relationships, and even in generating revenue. Once the key resources, activities, and partnerships are all defined, it is reasonably easy to calculate. For some cost-driven businesses this is extremely important, e.g. low-cost *no-frills* airlines.

To determine the cost structure of the enterprise management must answer these questions:

- What are the most important costs inherent in the enterprise's business model?
- Which key resources are most expensive to the enterprise?
- Which key activities are most expensive to the enterprise?

There are two extreme classes of business model cost structures: cost-driven and value-driven. The vast majority of business models fall in between these two extremes:

- **Cost-driven**: business models which focus on minimising costs wherever possible. This typically involves the leanest cost-structure possible using low price value propositions, maximising automation, and extensive outsourcing
- **Value-driven**: business models which focus on value creation with less concern for minimum costs, offering premium value propositions and commonly a high degree of personalised services

Either of these cost-structures and those in between may have the following common characteristics:

- **Economies of scale**: cost advantages brought about by expanding outputs, e.g. bulk purchase rates
- **Economies of scope**: cost advantages experienced due to a large scope of operations, e.g. the same marketing activities or methods may support multiple products
- **Fixed costs**: costs which remain the same regardless of the volume of goods or services produced, e.g. salaries
- **Variable costs**: these vary proportionally with the volume of goods or services produced, e.g. fuel consumption

Using the business model canvas is ideal for a start-up, but to remain useful it needs to be redesigned throughout the business life cycle, as the nine building blocks constantly update and change.

6.5 Critique of the business model canvas

The popularity of the business model canvas is often lent to its user-friendliness and hands-on nature, both of which promote analysis, creativity, discussion, and understanding among employees and managers alike through brainstorming sessions (Jonkers, Quartel & Blom, 2012). Its generic nature, being applicable to multiple levels of business and across various industries is advantageous for the purposes of this study, giving one a mental image of how each building block interacts.

As the concept of Osterwalder and Pigneur (2010) is relatively young, it is prone to criticism and is still being developed on as new aspects come to light. Im and Cho (2013) provide a good comparison of the different focal points of varying authors in terms of what constitutes a complete business model.

Business process critics argue that the business model canvas is isolated from the day to day implementation steps which are crucial to successful application of the business model (Jonkers *et al.*, 2012; Solaimani & Bouwman, 2012). However, as the focus of this study is for high level management, it is not necessary to go into too much detail, which make the business model canvas concept adequate. By looking at the strategic level decisions, it is up to founders and managers to determine for themselves which operational level business processes are relevant and necessary to align the *what to do* of the business model with the *how to do* of the business strategy.

Novel innovative business model development approaches are also argued by some to be best for attaining success (Zott *et al.*, 2011; Im & Cho, 2013; Chesbrough, 2010b), but they're highly specialised and leaving it at this would not provide the average SMME with a foundation on which to build a business model and are therefore found wanting for the purposes of this study.

One drawback of the original business model canvas is its lack of emphasis on social aspects, which are a crucial consideration in BOP targeting enterprises. Furthermore, the importance of sustainability is not emphasised.

6.6 The BOP business model canvas

Osterwalder (2009) later incorporated sustainability in the business model canvas with regard to social and environmental costs and benefits. The amended sustainable development business model canvas is shown in Figure 6-4.

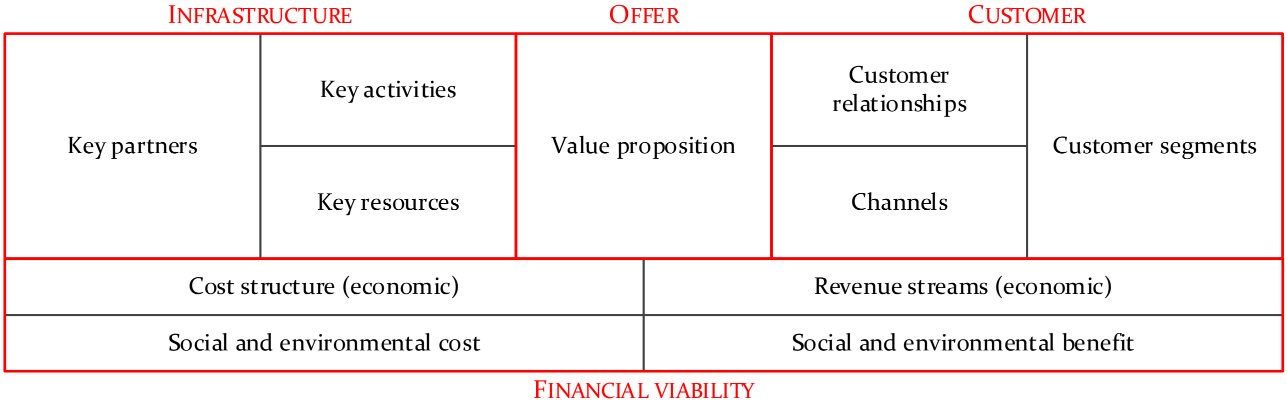


Figure 6-4 Sustainable development business model canvas (Osterwalder, 2009:109)

In order to understand how the building blocks (including sustainability) are applicable to the BOP targeting enterprise, it is necessary to address each separately and look to literary works which substantiate the relevance of the business model canvas to the BOP.

6.6.1 CUSTOMER SEGMENTS

For an SMME targeting the BOP as a market, the BOP is innately the primary customer. Entering and serving this market has long been characterised by uncertainties and challenges (Ucaktürk, Bekmezci & Ucaktürk, 2011). A common mistake among enterprises targeting the BOP is to see it as a one-dimensional emerging mass market, as opposed to a market consisting of numerous segments with varying needs and behaviours (Sehgal, Tse, Bhattacharya & Panneer, 2010).

Successful BOP targeting enterprises firstly identify and group customers according to behavioural and need characteristics rather than just demographics (Egan & Ovanessoff, 2011). With BOP markets, it is important that cross-country segments be uncovered. Identifying and targeting those segments which are both scalable and transportable across different countries, cultures, and languages can present SMMEs with great opportunities for growth (Hart & Prahalad, 2002).

One thing about customers at the BOP which is hugely advantageous to social entrepreneurs is that although there are multiple segments within the BOP market, they all value similar characteristics of a product or service offering. Product and service characteristics may include high quality, simplicity, robustness, and low cost to name a few. Of course, cultural and social differences are hugely influential and require that products designed for one BOP segment be altered before being presented to another.

6.6.2 VALUE PROPOSITIONS

Developing a strong value proposition for the BOP requires that managers of SMMEs alter their mind-set and approach used in targeting the BOP market (Esposito, Kapoor & Goyal, 2012). Value at the BOP is created when an enterprise's proposition or value offering is well matched to the consumer's perception of need (Ramani, Ghazi & Duysters, 2012). Value propositions for the traditional market segments (upper tier market segments) cannot simply be reconsidered and delivered in a new package to the BOP market, but rather the enterprise needs to engage with the market itself to ascertain the viability of any offering (Nidumolu, Prahalad & Rangaswami, 2009).

For value creation at the BOP, the market segment being targeted must be engaged in a variety of ways, not only by seeing them as consumers, but also as employees, distributors, and suppliers through building local embeddedness and capacity (Viswanathan, Seth, Gau & Chaturvedi, 2007; Karnani, 2006; Esposito *et al.*, 2012).

Developing skills and fostering growth supporting ecosystems at the BOP is possible through engaging the BOP in business operations. Local capacity building in the community increases their ability to invest further down the line in a greater range of products and services. Increasing local embeddedness helps forge relationships which can be extremely advantageous in developing products and services which will create value for the BOP market segments. With a good understanding of the target market, innovative sustainable value propositions can create lasting value (Nidumolu *et al.*, 2009; Esposito *et al.*, 2012).

Beyond looking to the BOP to discover what needs really exist and how the customers behave in order to create value, SMMEs may also collaborate with partners such as NGOs (Dahan, Doh, Oetzel & Yaziji, 2010; Esposito *et al.*, 2012). This acts so as to ensure development is not detrimental to the BOP, promoting sustainable development. Through partnering with organisations that have been involved with the BOP for a long period of time and understanding their complementary capabilities, the enterprise will be in a better position to understand the different modes of value creation available with the added benefit of learning from others' mistakes, as well as their wisdom. This aids the enterprise in understanding how to reduce risk and costs and maximise sustainable value creation in future. These value-adding partnerships provide enterprises with access to market expertise and knowledge, they develop the enterprise's legitimacy, and provide the enterprise with access to infrastructure and even better, distribution channel entrants (Esposito *et al.*, 2012).

In short, enterprises that wish to achieve growth at the BOP need to have developed a presence in the everyday life of the BOP community in order to create value. Furthermore, for lasting value creation, sustainable development must be pursued.

6.6.3 Channels

One of the key challenges faced by enterprises aiming to capitalise on BOP market opportunities is considered by Prahalad (2009) to be the lack of access to the BOP consumers. Although there exist numerous potential customers in the BOP, the nature of their living environment being one of highly dispersed clusters complicates dealings with them (Karamchandani, Kubzansky & Lalwani, 2011;

Nakata & Weidner, 2012). Beyond having to deal with a scattered and fragmented market, distribution, communication, and sales strategies face further obstacles in way of the often very different and extreme nature of developing country geographies and topographies.

In comparison to the well-developed channels of established markets, BOP market channels are often non-existent or completely worthless due to weak supporting infrastructure, lack of maintenance, or vandalism of existing channels (Anderson & Markides, 2006; Schuster & Holtbrugge, 2012; Chikweche & Fletcher, 2012; Karamchandani *et al.*, 2011). The lack of fundamental elements for the existence of channels (such as electricity, roads, water, and technology combined with the absence of complementary products and services) acts as a huge barrier to accessing the BOP (Esposito *et al.*, 2012).

Due to this state of affairs, SMMEs targeting the BOP must either create new channels or innovatively deal with the given market conditions to mitigate the shortcomings of having no set channels (Anderson & Markides, 2006; Schuster & Holtbrugge, 2012; Chikweche & Fletcher, 2012; Karamchandani *et al.*, 2011).

Anderson and Markides (2006) put forward that pursuing the BOP market should first begin with the development of appropriate distribution channels, and only after these are in place should the enterprise worry about creating demand for the product or service. This makes sense in that any idea, no matter how great, is useless unless it can reach the intended customers for which it is designed.

Enterprises operating in the BOP market will often need to redefine how they reach their customers. Local service providers will not necessarily know how to best reach these customers as traditional channels are inadequate most of the time (London & Hart, 2004). Another solution to the channel problem can be found through innovating within the network and infrastructure already present and available at the BOP (Chikweche & Fletcher, 2012; Mahajan & Banga, 2007; Viswanathan *et al.*, 2007; Karamchandani *et al.*, 2011; London & Hart, 2004; Schuster & Holtbrugge, 2012).

Both formal and informal channels of distribution are imperative, with research showing that often informal distribution channels yield the greatest results due to the way in which they minimise negative distributional effects, ensure access to products and services via unknown routes (and therefore unknown potential customers), and provide employment to marginalised consumers at the BOP (Chikweche & Fletcher, 2012). Examples of informal distribution channels include social networks, open markets, and tuckshops, all of which can coexist with formal ones such as BOP family owned grocery stores, wholesalers and supermarkets if they have a lower price and provide value creating services not available at authorised retailers (Rubesch, 2005).

A range of advertising techniques can be used in a mixed channel approach for communicating with the BOP, such as above the line (mass media, e.g. TV, print, radio), and below the line (direct means of communication, e.g. mobile advertisements, roadshows, touch and feel advertisements) activity.

Another distribution approach suggested by Nakata and Weidner (2012) pertains to atomised distribution wherein channels are arranged in a manner that brings products and customers as close together as possible through making use of multiple small or existing distributors. Four different modes of atomisation exist, each of which utilises the available networks and infrastructure:

1. Removing middlemen so as to be more cost effective
2. Applying a micro franchise sales and distribution model
3. Employing independent contractors to sell products from their own homes or pushcarts
4. Utilising numerous reachable existing outlets other than retailers, e.g. post offices

The franchising route is further supported by Chikweche and Fletcher (2012) who agree that added benefits for the enterprise exist in that the franchisee is empowered, and thus more buyers may themselves seek to become part of the distribution channel. This approach also builds upon the inherently social nature of the BOP, capitalising on personal interactions between sellers and buyers, in effect gaining customers and growing the distribution channel at the same time.

In essence, due to the vast differences between traditional markets and BOP markets, there exist a plethora of difficulties, but also opportunities to reinvent the way in which communication, distribution, and sales channels operate at the BOP. Appropriate channels are the ones which are fastest, least risky, most cost reducing, and sport the highest consumer penetration. Due to the scattered and fragmented nature of the BOP market, channels must either be created or redesigned to use what is available in an innovative manner.

6.6.4 Customer relationships

Though numerous opportunities exist at the BOP, the customer profile of the BOP presents a challenge to enterprises (Esposito *et al.*, 2012). Uncertainty in this market is partly attributed to the fluctuating nature of the BOP market's irregular income, language and literacy diversities, minimal savings, frugal purchasing attitudes, and limited mobility. Furthermore, complications arise due to the low population density across the country, lack of efficient government involvement or legislative support, and scarcity of information on BOP market characteristics. Due to this multifaceted problematic nature of customer relationships, Chikweche and Fletcher (2012) make the argument that detailed planning is crucial for successful relationships.

The literature on BOP customer relationships is sorely lacking, however the general consensus is that trust, transparency, and the 4As which will be discussed in the marketing chapter to come, must all be present if successful relations are to be made (Esposito *et al.*, 2012; Prahalad, 2012). Trust and transparency promote a functional and mutually beneficial atmosphere, resulting in increased market share and profitability according to Akter, Ray and D'Ambra (2012). This is best brought about through engaging the BOP communities in a hands-on, face-to-face manner.

6.6.5 Revenue streams

When considering the revenue streams associated with targeting BOP markets, it is important to reduce all costs in the cost structure as the amount of money earned per typical transaction will be much lower, albeit with extremely higher volumes if the market is well penetrated. The more affordable the product or service for the BOP, the more sales there will be.

Although as a market the BOP is becoming increasingly attractive and exhibits great potential, modelling the business in line with the revenue streams of the BOP is a huge challenge to SMMEs (Linna & Richter, 2011). Though minimal studies have been conducted on the revenue streams associated with the BOP market, the majority that have been conducted underline the significance of aligning profit pursuit with poverty alleviation, whilst empowering those at the BOP so as to gain success in the marketplace (Chatterjee, 2013; Prahalad, 2009; Battilana, Lee, Walker & Dorsey, 2012; Ansari, Munir & Gregg, 2012). As mentioned in the section on social entrepreneurship, enterprises working at the BOP must focus on social goals and then on profit maximisation (Ansari *et al.*, 2012).

Chatterjee (2013) puts forward that the evaluation of investments in the BOP should not be measured by short-term figures (e.g. revenue or profit) but rather through long-term objectives (e.g. the development of transaction capacity). Successfully developing high and consistent revenue streams for high growth at the BOP therefore requires a combination of social welfare with traditional revenue generating approaches in what can be seen as a hybrid model (Chatterjee, 2013; Prahalad, 2009; Battilana *et al.*, 2012; Ansari *et al.*, 2012).

6.6.6 Key resources

As will be seen in the next chapter (on sustainable development), due to the sheer size of the BOP market, if sustainable solutions are to be designed using the same resources required for the mainstream markets, the environment will not be able to cope. For this reason, the resources utilised need to be reduced heavily in targeting such an enormous market (Hart, 2010). Sustainable development requires that the resources used be renewable and regenerated (Chopra & Narayana, 2012).

Hart and Christensen (2002) view technologies including solar photovoltaics, wind turbines, micro-turbines, and fuel cells as key resources necessary for operating at the BOP, due to the manner in which they curb the expenses of high level distribution infrastructure by using renewable resources.

London, Anupindi and Sheth (2010) give a good account of the resource constraints BOP targeting enterprises experience, and furthermore divide the resources into raw materials, financial resources, and production resources. Raw material constraints acting on the enterprise relate to the reduced access to high-quality raw material production. In terms of financial resource constraints, BOP targeting enterprises struggle to find formal credit providers in comparison to their traditional counterparts. Production resource constraints exist in the form of lack of access to technology and expertise, and specific equipment too expensive for the generally less profitable BOP targeting SMME. Deficiencies in human resources are also common in start-ups, as already discussed in the high growth chapter.

Thus, key resources should be chosen with knowledge of their availability, sustainability, and appropriateness. Enterprises should aim to reduce the required resources.

6.6.7 Key activities

Key activities consist of the operational and managerial processes by which the enterprise delivers value. These processes should be repeatable and have the ability to increase in scale for growth to be achieved. Common processes include budgeting, developing, manufacturing, planning, selling servicing, and training (Johnson, Christensen & Kagermann, 2008). Of course, the relative importance of activities is by and large context dependent on the products and services offered by the enterprise and the industry at hand.

The importance of strengthening activities pertaining to the value chain of the enterprise is key to success at the BOP (Jagtap, Larsson & Kandachar, 2013). Osterwalder and Pigneur (2010) state the choice of key activities is by and large dependent on the business model type chosen.

6.6.8 Key partnerships

Establishing partnerships in the BOP is naturally a key challenge to enterprises. More recently there has been a shift in strategy from what some call BOP 1.0 to BOP 2.0 (Simanis & Hart, 2008), and from BOP 2.0 to BOP 3.0 (BoP Global Network, 2012), the differences of which are related in Table 6-2. Initially, the strategy employed by enterprises was one of only selling to the poor, but the second generation of BOP strategy has a very different slant which incorporates the BOP persons in the business so to speak, as a partner.

Table 6-2 Next generation BOP strategy (Simanis & Hart, 2008; BoP Global Network, 2012)

BOP 1.0 *Selling to the poor*	**BOP 2.0** *Business co-venturing*	**BOP 3.0** *Platform innovation*
BOP as consumer	BOP as business partner, facilitated by NGOs	Cross-sector partnerships with NGOs, BOP, government, etc.
Deep listening	Deep dialogue	Collaboration
Reduce price points	Expand imagination	Innovate inclusively
Redesign packaging, extend distribution	Marry capabilities, build shared commitment	Collaborative distribution approaches, sharing channels with complementary partners, using wider bandwidth value propositions
Arm's length relationships	Direct, personal relationships	Enterprise embedded in larger innovation ecosystem

The fundamental difference between the three approaches with respect to partnerships is that BOP 1.0 is consumer oriented, BOP 2.0 is producer oriented, and BOP 3.0 is partnership oriented. While BOP 2.0 enables the consumers to lift themselves out of poverty by generating an income whilst selling to the rest of the BOP, BOP 3.0 benefits from relationships across all sectors. Karnani's (2006) view that the BOP market is non-profitable due to low consumer income holds no water when a BOP 2.0 approach is undertaken.

The traditional BOP business model needs to be innovatively redesigned so as to incorporate an interactive component with the *customer as partner* notion of BOP 2.0, and furthermore to see strategic alliances across sectors as fundamental to achieving greater impact. It is possible that much of the failure met by enterprises in the past could be attributed to this fundamental difference in approach. The BOP market segment needs to be adequately involved, and partnerships across sectors need to be fostered to bolster the enterprise's core competencies. The change in BOP strategy can be attributed to what some concluded as the need for relationships and networks in existing market gaps (Hart, 2010; Prahalad, 2012; Rivera-Santos & Rufin, 2010; Reficco & Márquez, 2012).

Paying consumers to sell may sound backwards, but this is what some argue is the biggest constraint on enterprise growth (Sanchez & Ricart, 2010). The BOP market is very diverse, and responding to each of their needs is difficult for start-ups which lack much needed resources (Schuster & Holtbrugge, 2012). This interactive business model approach lowers costs by combining enterprise resources with assets and capabilities of mutually committed local actors in the ecosystem.

Through utilising partnerships with BOP personnel, enterprises can create business opportunities in even lower income segments (Sanchez & Ricart, 2010). This is further supported by Reficco and Márquez (2012) who show that horizontal arrangements in which all partners share responsibility for reaching the outcome are necessary for operating in the BOP market successfully. No single partner takes the role of authority or control, minimising potential unrest or rivalry amongst BOP partners. Thus, the term *interactive* business models becomes one of *inclusive* business models.

Inclusive business models necessitate long-term working relationships, with some level of training, education, empowerment, and skill transfer for the partnerships to flourish (BoP Global Network, 2012). This further reinforces the establishment of mutual trust and transparency at the BOP as mentioned earlier, fostering increased levels of interest (Chesbrough, Ahern, Finn & Guerraz, 2006; Prahalad & Mashelkar, 2010; Simanis & Hart, 2008).

Other partnerships outside of the BOP itself include civil society, governmental organisations, NGOs, and business partners (which is addressed in great detail in Chapter 11). Schuster and Holtbrugge (2012) conducted a study on what factors and relationships with which partners are beneficial to the enterprise. They found that civil society (non-governmental partners) and business partners are generally beneficial to the enterprise when it comes to addressing customer needs and dealing with varying market conditions at the BOP. Governmental organisations were beneficial in that they aided enterprises responding to the institutional environment in the BOP market. Partnerships with NGOs and other philanthropic institutions can also provide enterprises with financial aid which is crucial in a new business (Seelos & Mair, 2007; Simanis & Hart, 2008).

If one focuses on the popular resource based view of the enterprise for the upper tiers of the economic pyramid, one can draw parallels at the BOP as to why enterprises enter partnerships. However, unlike the upper tier businesses which form within-sector business-to-business (B2B) partnerships, the BOP approach emphasises the need to expand across sectors when forming partnerships with private businesses and NGOs (Schuster & Holtbrugge, 2012). The assorted resources brought to the enterprise by different partners provides the rationale for this in that access to capital, technology, and managerial expertise from diverse partners fill institutional gaps (Anderson & Markides, 2006; Rivera-Santos & Rufin, 2010; Wheeler, McKague, Thomson, Davies, Medalye & Prada, 2005).

In accordance with the BOP 2.0 strategy approach, Simanis and Hart (2008) put forward that the BOP partnering process goes through a number of phases in its development for sustainable partnerships to grow, as shown in Figure 6-5. Each of the phases overlap partially, thus formation of partnerships requires the business model to be recreated along the way. This is in effect business model innovation in action.

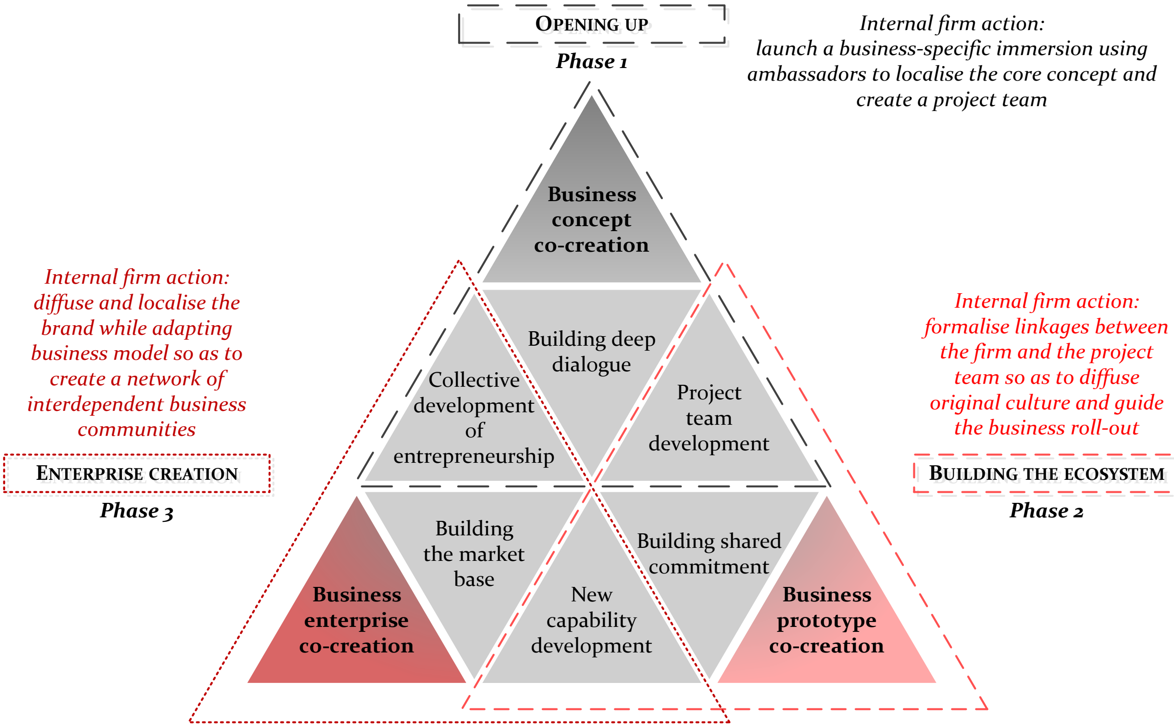


Figure 6-5 Co-creation logic of the partnering process (Simanis & Hart, 2008)

The three main phases are shown in Table 6-3 along with a description of the market and enterprise co-creation characteristics synonymous with each phase.

Table 6-3 The three main phases of the partnering process

Phase	Enterprise co-creation	Market co-creation
Opening up 8-10 weeks approximately	Business strategy: an actionable *umbrella business concept*	Brand recognition: broad ranging awareness of enterprise name and use of strong face recognition of enterprise team members
	Organisational culture: cautious trust combined with deep respect from community members and enterprise employees	Business alignment: clarity within community regarding enterprise's general intentions
	Team roles: cohort of tested community partners and enterprise team members committed to joint action	
Building the ecosystem 6 months approximately	Business strategy: business prototype tested in community	Brand recognition: heightened awareness in the community of the emerging enterprise shown by a broad interest in the team's efforts
	Organisational culture: shared understanding of both the business model and the created value with a deep commitment to its success	Business alignment: active participation by the broader community in developing and evolving the business offering
	Team roles: identifying individual's business and leadership skills as well as effective group decision making processes	
Enterprise creation variable time span	Business strategy: locally embedded business enterprise	Brand recognition: enterprise brand deeply embedded within the social consciousness of the community
	Organisational culture: culture which reinforces brand and offering of business	Business alignment: feelings of loyalty and commitment to the local business in the broader community

Phase	Enterprise co-creation	Market co-creation
	Team roles: community oriented business team with requisite management skills necessary to sustain and drive the business forward	

There also exists a pre-field phase along with the three main phases shown above, which entails the following steps:

1. **Select** appropriate BOP project sites
2. **Form and train** a multidisciplinary corporate *field* team
3. **Select** local community partners
4. **Create** an R&D white space to support experimentation outside the scope of the current business model and its development processes

According to Simanis and Hart (2008:12) the characteristics which are most important for a local partner at the BOP are that:

- The organisation must be open to learning new capabilities and display an ability to use enterprise as a way to advance its mission
- Its staff should be experienced in using participatory development practices
- It is socially embedded in the community

The degree of embeddedness of an organisation can best be surmised by the location of its offices with respect to the community being considered, as well as whether its staff come from or live in that community. By nature, these organisations generally operate within a small geographical range and finding them can be difficult, however they can be more easily found by querying other NGOs and multinational corporations (MNCs) as to where their programmatic efforts are implemented. The role of BOP 3.0 with respect to partnerships is elucidated on in Chapter 11 to a much greater extent.

6.6.9 Cost structure

The final official building block looks at the cost structure of BOP targeting SMMEs. Ensuring that products and services for the BOP are affordable to people with a low disposable income is probably one of the most important tests of the viability of any new social venture. For this reason, a differentiation strategy as is commonly looked to today in the other tiers of the economic pyramid, is not advisable.

What is needed at the BOP for success is a low-cost approach wherein instead of maximising the profits for the enterprise, the value for the customer is maximised, with only as much profit being taken from sales as is necessary to grow the enterprise. As Hart (2010) says, this low cost and low margin approach is in stark contrast to traditional pursuits of high growth margins. Thus, the enterprise must rather pursue volume and capital efficiency for attaining high growth.

Prahalad (2012) promotes the idea that innovative pricing models must take the place of customary price-performance relationships. These innovations, however, must be designed for ease of adoption in similar BOP market segments (Hart & Prahalad, 2002). In pursuing high production volumes, scalability is central to attaining success in pro-poor innovations (scalability is the ability of a system, network, or process to handle growing amounts of work in a capable manner or its ability to be enlarged to accommodate that growth), as according to Dolfsma, Duysters and Costa (2009), the reason so many innovative measures fail is due to a lack of scalability in activities of the enterprise.

Products and services must match the cash flows of customers who generally receive intermittent daily incomes (Anderson & Billou, 2007). Consequently, minimising costs is absolutely imperative for success. Some researchers argue for the simultaneous attainment of high quality and low cost for a satisfactory offering to the BOP (Hart & Prahalad, 2002; Prahalad & Krishnan, 2008). Hart (2010) proposes that solutions may be found through disruptive innovations, as developed by Christensen (1997), which basically enables a larger proportion of less skilled and resource deficient people to buy products of lower, but still satisfactory quality. Disruptive innovation will be covered in much more depth in the following chapters.

Thus, low cost low profit approaches whereby high volumes of products are sold is the best way for BOP targeting SMMEs to attain high revenue stream growth. Solutions which are scalable across market segments and countries, cultures, and languages increase the likelihood of selling such high volumes.

6.6.10 Sustainability

As will be shown in the next chapter, operating profitably in BOP markets whilst simultaneously helping to alleviate poverty will only have lasting positive effects on the community if sustainable development is pursued. This requires a different sort of accounting, taking into consideration the social and environmental costs and profits in determining progress.

Sustainable development requires a combination of private sector innovation and engagement within a supportive national context (Smulders & Withagen, 2012). What is needed is a focus on triple bottom line accounting to ensure BOP ventures create lasting value (Venn & Berg, 2013).

6.7 Root definition of the business model

In developing a full understanding of the business model pertaining to the BOP targeting SMME, which is the focus system of this study, it is necessary to fully incorporate the aspects shown in Table

6-4 in that definition for a full understanding. This is in keeping with the soft systems approach utilised in this study, so as to help in building purposeful activity models of the high growth enterprise at the end of this document.

Table 6-4 Root definition components of the business model

CATWOE Element	**Disambiguation**
Clients	The beneficiaries of this system include strategic alliance members, and the owner (entrepreneur) and/or managers of the SMME
Actors	Those responsible for conducting the activities which make this system work include consultants, the owner (entrepreneur) and/or managers, the strategic alliance partners, and the staff or employees of the SMME
Transformation	The inputs to this system pertain to the enterprise and market information at the disposal of the consultant, strategic alliance partners, the SMME owner and/or managers, and the staff or employees of the SMME. These inputs are transformed into the output which is a viable business model/plan for operating at the BOP. The purposeful activity which transforms the input to the output is the utilisation of the business model canvas to arrive at a holistic and viable approach to doing business, ideally conducted under the guidance of a consultant for maximum effectiveness
Worldview	The relevant perception which justifies the existence of this system can be seen in that the typical enterprise exhibits a set of key areas and building blocks from which it is made, and which when fully addressed correctly make an organisation more likely to succeed, all of which is best addressed under the guidance of consultants with the relevant information at their disposal
Owners	The people who have the authority to change the measures of performance of this system or abolish it altogether include the owner and/or managers of the SMME
Environment	External constraints this system takes as a given include the degree to which strategic alliance partners will operate accordingly, limitations surrounding the BOP market, and disruptive competitors that make the business model irrelevant

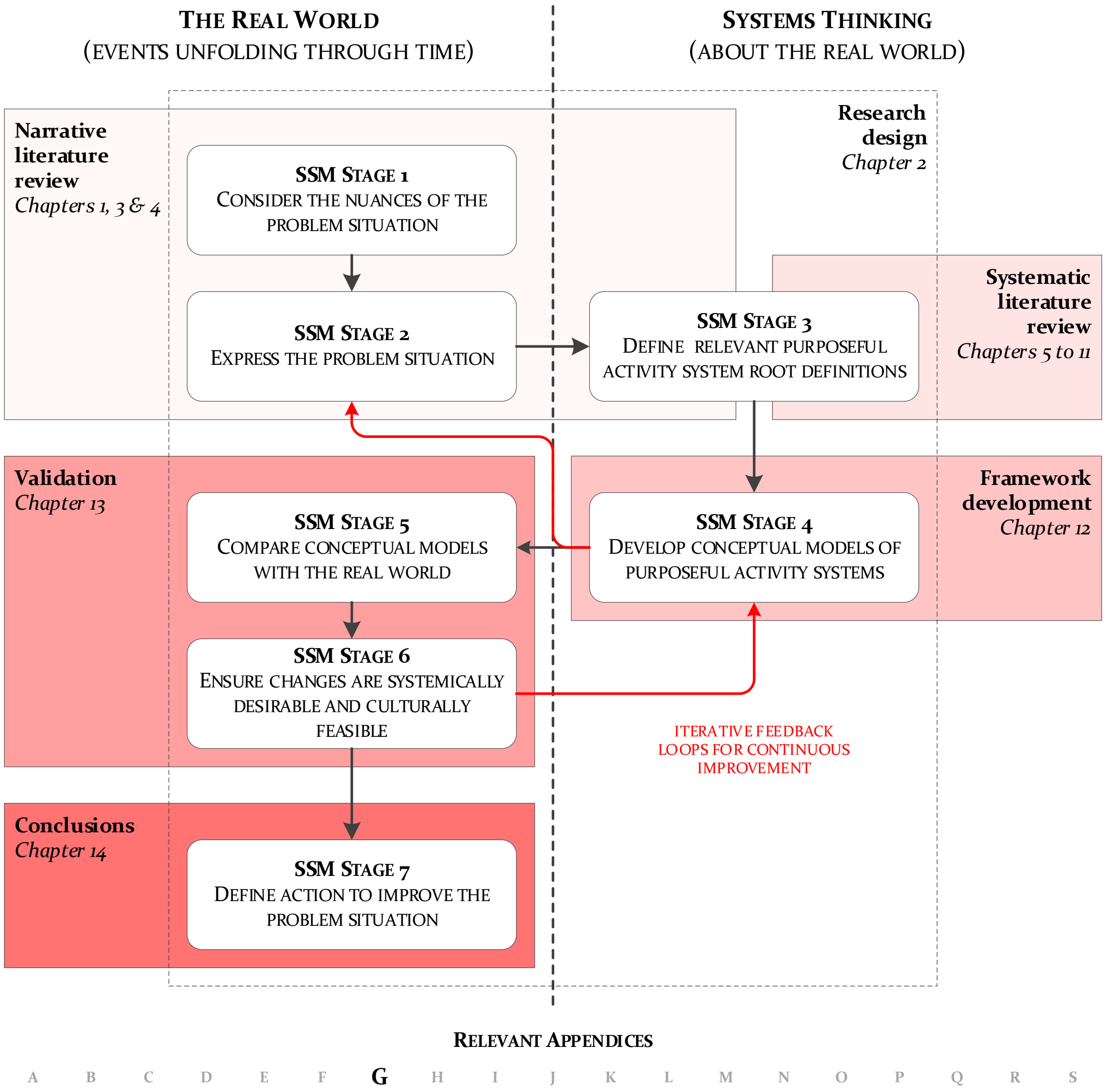
The root definition of the business model in the context of this study is therefore: a system which acts so as to transform information about the enterprise and market environment into a viable business model/plan for operating at the BOP, by utilising the business model canvas approach to cover all the fundamental areas and building blocks of the business so as to increase the likelihood of an enterprise's success for the owner of the SMME and strategic alliance members, through making use of the skills of consultants, strategic alliance partners, the owner and/or managers, and the staff or employees of the SMME, with the owner having the ultimate control to abolish the system, but at the same time being subject to the constraints surrounding the degree to which strategic alliance partners will operate accordingly, the BOP market, and the entry of competitors with disruptive innovations that make the business model defunct.

The list of requirements pertaining to business modelling which must be incorporated in the framework design process of Chapter 12 are listed in Table G-2 of Appendix G. They will ensure that an airtight business model for planning the enterprise's actions at the BOP is incorporated in the framework.

6.8 Conclusion

Successfully targeting the BOP as a market has been shown to require substantially different planning than that used in a conventional market. Osterwalder's business model canvas provides a clear foundation on which to build a holistic model of the business. Using this approach is advantageous in that it forces one to consider all the different role players and understand exactly how value is to be created for each of the target market segments.

CHAPTER 7
SUSTAINABLE DEVELOPMENT



"Sustainable development is the pathway to the future we want for all. It offers a framework to generate economic growth, achieve social justice, exercise environmental stewardship and strengthen governance."

Ki-moon (2013)

7.1 Introduction

Business planning is indeed a fundamental requirement for any business, and even more so when dealing with business orientated about poverty alleviation at the BOP. In this chapter, sustainability in business operations is shown to be key to lasting positive impacts at the BOP. It is therefore possible to see the business model as that essential device which is employed by the enterprise to provide the social entrepreneur with a logical means of realising sustainable development.

Too many enterprises focus predominantly on the economic aspect of their products and services, placing just enough focus on the social aspects to attract customers. However, the environmental impact is often neglected, leading to contributions from SMMEs that not only negatively impact the environment, but also make the developed offerings unsustainable. To this end, this chapter focuses on examining what sustainable development entails in each of the three realms of economic, social, and environmental affairs. To avoid creating what could be called destructive wealth for the BOP market, social entrepreneurs must evaluate their approaches to alleviating poverty accordingly. The BOP as already established, exists in dire conditions, and therefore sustainable development is crucial. Once the three dimensions of sustainable development are discussed, a root definition for sustainable development, as well as the chapter's specific requirements, are developed for use in constructing the framework in Chapter 12.

As portrayed in Figure 2-1 of Chapter 2.2, this chapter contributes to stage three of the SSM approach used throughout this study (Checkland & Scholes, 1990:211).

7.2 Sustainable development

Measures of sustainability are sorely lacking in South Africa as shown in the Global Competitiveness Report 2014-2015 (Schwab & Sala-i-Martín, 2014:71). South Africa's main social problems were determined to be the extremely high income inequality and youth unemployment which exists alongside inadequate healthcare access, and a poor social safety net for the majority of South Africans. Furthermore, nationwide access to sanitation is also elusive.

Environmentally, South Africa fails to protect a large part of its rich biodiversity as shown with its minimal wastewater treatment measures, rapidly depleting fish stocks, and high carbon dioxide emission levels more akin to highly industrialised economies.

Socio-economically the costs of unemployment are threefold in that unemployment represents: lost present-day potential economic output; degradation of future potential in that the unemployed are unable to gain the experience and skills needed to contribute to future productivity, and lastly; worsening of social ills and loss of hope, both of which result in crime, disengagement with the political process, and a loss of future investment in the unemployed persons' wellbeing. This is why sustainable development is crucial in South Africa.

According to the Brundtland Report (Brundtland, 1987), the term *sustainable development* is defined as development which:

> *Ensures that it meets the needs (global economic, environmental, and social) of the present without compromising the ability of future generations to meet their own needs… and requires meeting the basic needs of all and extending to all the opportunity to fulfil their aspirations for a better life.*

Elkington (1998), author of the ground-breaking book *Cannibals with forks: The Triple Bottom Line of 21st century business* described the Triple Bottom Line (TBL) as the three pillars on which sustainable development is built, namely the economic, social, and environmental aspects an organisation affects, depicted in Figure 7-1. He views sustainability as a principle of "*ensuring that our actions today do not limit the range of economic, social, and environmental options open to future generations*."

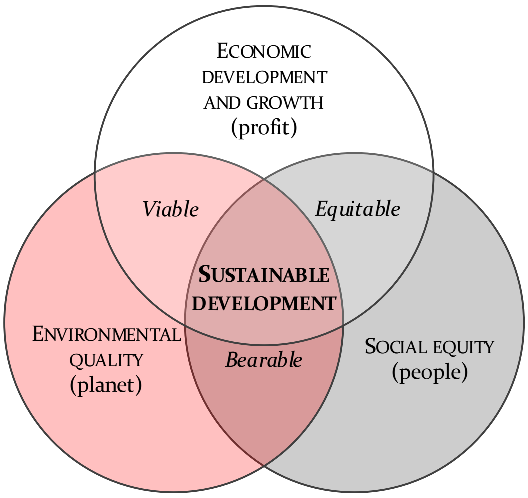


Figure 7-1 The three pillars of sustainability

Elkington argues that organisations are answerable to financial markets that will increasingly insist that industry and governments take action towards delivering against the TBL. "*Business executives wanting to grasp the full scale of the emerging challenge must audit current performance and future targets against the triple bottom line,*" according to John Elkington (1998). Thus, not only should an organisation's performance be assessed based on traditional measurements, but also according to TBL accounting, i.e. economic, social and environmental performance criteria. Often these pillars are referred to as the three Ps of *people, planet, profit* as fashioned by Elkington's consultancy agency *SustainAbility* as a slogan for Shell in 1994.

Laszlo (2003) in his book *The Sustainable Company* speaks of planetary ethics which extend the code of business conduct to the globe, meaning that it is not moralistic (it does not exhort enterprises to adopt one or another moral ideology) or political (it does not attempt to impose the beliefs of one group on another group) but rather market-driven as it is a set of measurable performance standards that must be met for the benefit of humanity and the earth. Thus, this new ethic echoes the Brundtland Commission's definition of sustainability and can be seen as a "*dynamic standard for pursuing profitability that allows future generations an equal opportunity to do so*" (Brundtland, 1987). Thus, planetary ethics calls for organisations to operate within the earth's social and physical limits.

More recently scholars such as Sachs and Reid (2006) have defined sustainable development as "*economic growth that is environmentally sound*." They argue that environmental goals cannot be accomplished without also addressing poverty, and go even further to say that addressing poverty is essential for improving the environment. Environmental goals and poverty alleviation both need additional resources, even more so in developing nations.

In an organisational sense, sustainable development is therefore a continuous improvement strategy characterised by three factors:

1. **An enhancement of the value of life for the people involved in the organisation**: fair treatment of all stakeholders; employees, customers, shareholders, society
2. **A zero tolerance with respect to degradation of the environment**: design of products, processes, practices and premises to avoid degradation
3. **Growth in the economic standing of the business**: turning over profits

7.3 The social pillar

In order to define the social pillar of sustainable development, it is important to recognise the difference between equity and equality, which are often incorrectly used interchangeably. Equality refers to a state of being equal in status, right or opportunities, whereas equity denotes the quality of being fair and impartial.

Social equity, therefore, involves a pursuit to understand and provide people with what they need to enjoy full, healthy lives whereas social equality in contrast aims to ensure that all people receive the same things in order to enjoy full, healthy lives. Social equity can be said to pursue fairness and justice as with social equality however, it can only work if all of humanity begins at the same place and has the same needs. Thus, it can be said that the main concern of BOP targeting enterprises is, in actual fact, the pursuit of social equity.

Rawls (1971) in his theory of *Justice as Fairness* argues that there are two principles of justice which would successfully govern society if it were moved to the original position (that place where the appropriate initial status quo ensures that the fundamental agreements reached in it are fair), namely:

1. Each person is to have an equal right to the most extensive scheme of equal basic liberties compatible with a similar scheme of liberties for others

2. Social and economic inequalities are to be arranged so that they are both:
   a. Reasonably expected to be to everyone's advantage, and
   b. Attached to positions and offices open to all

According to Frederickson (2005) the equitable public administrator has not only a duty but an obligation to deploy his efforts on behalf of the less advantaged as shown by his appeal:

> *If politics is all about majority rule – and it is – then public administration should be all about seeing after the interests of minorities and the poor. It seems to me we are long past needing to defend this proposition. It is time to walk the social equity talk.*

A full commitment to social equity from both governmental and NGOs may result in what could be termed a *compensatory ethic*, whereby services are developed especially in those areas of society with the most critical needs, i.e. the BOP. Frederickson (2005) believes that social equity is a huge role player in pluralistic government. Basically, he argues that when pluralistic government discriminates in favour of established bureaucracies, including their specialised minority clientele and against those minorities lacking in political and economic resources, there will be a continuance of widespread unemployment, poverty, disease, under-education, and hopelessness in a time of unprecedented economic growth. Though this would satisfy the profit part of the three Ps, it certainly does not satisfy the vast majority of people. This condition is thus morally unacceptable, and if left unattended to constitutes a fundamental threat to the viability of any political system as has been seen countless times the world over through widespread militancy. Continued deprivation amid plenty will ultimately depose government if public administration fails to establish a means of redressing this deprivation of minorities in the BOP.

The attractiveness of targeting the BOP, consequently, has an ethical dimension to it in that according to Hart and Prahalad (2002), organisations who invest in the BOP can help in "*lifting billions of people out of poverty and desperation, averting the social decay, political chaos, terrorism, and environmental meltdown that is certain to continue if the gap between rich and poor countries continues to widen.*"

Equity is defined according to the Black's Law Dictionary (2014) as:

> *Denoting the spirit and the habit of fairness, justness, and right dealing which would regulate the intercourse (communication, commerce) of men with men - the rule of doing to all others as we desire them to do to us; or, as it is expressed by Justinian, 'to live honestly, to harm nobody, to render to every man his due'… It is therefore the synonym of natural right or justice. But in this sense its obligation is ethical rather than jural, and its discussion belongs to the sphere of morals. It is grounded in the precepts of the conscience, not in any sanction of positive law.*

Social equity therefore implies fairness in terms of access to such things as a livelihood, education and resources, whilst also including full participatory rights in the political and cultural life of a community. Thus, there is a sense of empowerment that is lacking in social classes such as the BOP. King, Feltey and Susel (1998) maintain that empowering citizens requires the designing of processes where citizens know that their participation has the potential to make changes and impact society in such a way that there are indeed visible outcomes. With a substantially broad range of representative citizens included in this participation, it would only make sense that they have the right to observe change.

Indeed, there is potential for organisations to bolster and sustain profits at the BOP, but it is imperative for social equity that the emerging markets are not exploited as this will increase the inequity. Products and services aimed at the BOP must increase their value of life in a sustainable way. Of all the indicators of inequity, poverty has the strongest grip on persons in the BOP, effectively binding them to the BOP.

Investments in the BOP must aim to increase common factors or indicators associated with social equity in a sustainable development context. Some such socio-cultural indicators defined by Adelman and Morris (1973) in their book *Economic Growth and Social Equity in Developing Countries* which may be appropriate to job creators include: extent of dualism, extent of urbanisation, importance of the indigenous middle class, extent of social mobility, extent of literacy, extent of mass communication, degree of cultural and ethnic homogeneity, degree of social tension, degree of modernisation of outlook, predominant type of religion, and level of socioeconomic development.

7.4 The environmental pillar

Environmental degradation is a phenomenon that stretches across the entire expanse of the planet from the depths of the ocean to the heights of the atmosphere. Carbon emissions, large-scale deforestation, soil depletion (erosion) and pollutants in the water, soil and air are examples of it to name but a few. Before looking at how to better the environment it is worthwhile defining what being environmentally healthy means.

According to the World Health Organisation (WHO, 2014):

> *Environmental health addresses all the physical, chemical, and biological factors external to a person, and all the related factors impacting behaviours. It encompasses the assessment and control of those environmental factors that can potentially affect health. It is targeted towards preventing disease and creating health-supportive environments.*

Thus, it is easy to see how clean water, unpolluted soil, and uncontaminated air are imperative for a healthy environment. According to WHO (2011), environmental hazards are responsible for around a quarter of the total burden of disease worldwide, and in sub-Saharan Africa roughly up to 30%. Developing countries in Africa bear the brunt of environmental disease the world over as is depicted clearly in Figure 7-2.

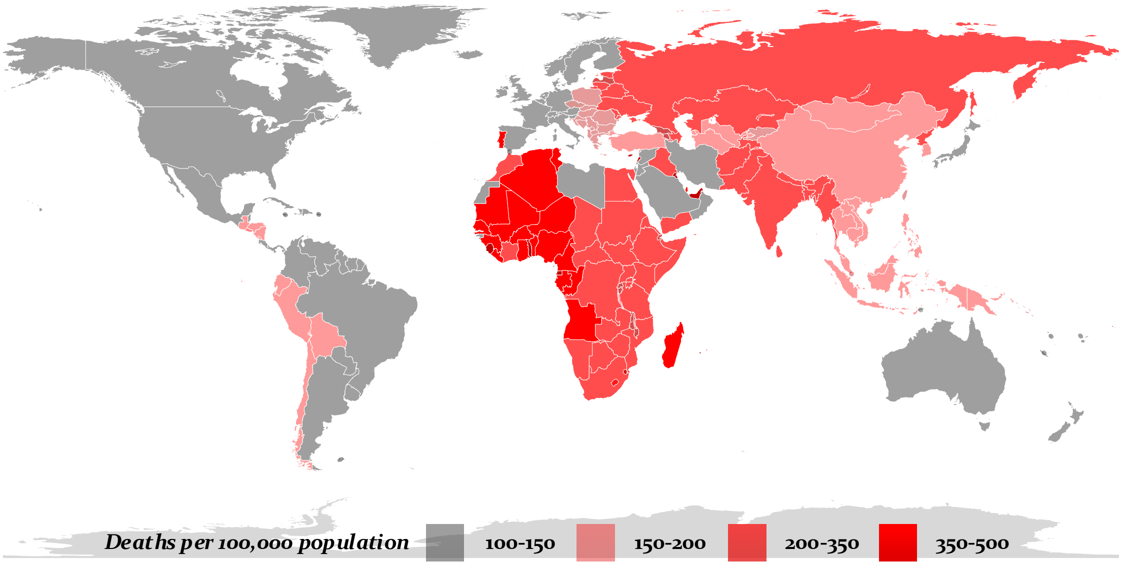


Figure 7-2 Environmental disease burden by WHO sub region (WHO, 2011)

Many factors contribute to the decay of our environment. Since the industrial revolution, organisations endeavoured to grow economically at almost any cost for a long period of time. Schumacher (1993) explains that organisations are inclined to treat those constructs which we have not made ourselves as having no value. As a consequence of this, disease and diminishment in natural resources has only exacerbated worldwide poverty. As the American business magnate Warren Buffett stated (Buffett & Clark, 2006:129), "*in the business world, the rear-view mirror is always clearer than the windshield*," therefore, it is important that we as a society safeguard ourselves against the likelihood of a future whereby we look back on an environmental wasteland.

As developing countries do not have the luxury (for lack of a better word) of exploiting the once abundant natural resources in development as did many of the developed countries, it is important that responsible measures are taken in managing natural resources. Hart and Prahalad (2002) put the developed world's consumption relative to its size into context: "*the United States' 270 million people – only about 4 percent of the world's population – consume more than 25 percent of the planet's energy resources. To re-create those types of consumption patterns in developing countries would be disastrous*." Schumacher (1993) in his book *Small is Beautiful*, places the blame for the environmental dilemma in traditional economics. As economics deals with goods and services from the point of view of the market where all that is important for the buyer is that he finds a bargain from the seller, he believes this is the root of the problem. For the buyer is concerned only with obtaining the best value for his money, and by and large cares little about the origins of the goods or how they were produced. Schumacher (1993) says that common sense would suggest that the burden of proof for any change affecting the environment should lie on the person who wants to introduce the change, and it is he that has to demonstrate that there cannot be any damaging consequences brought about by the change. Thus, organisations as sellers based in developing countries must pursue environmentally friendly and sustainable practises when pursuing markets. In short, organisations must adhere to the principles of sustainable design.

Sustainable design is commonly known by such terms as ecological design, green design, green architecture, eco effective, holistic, and environmentally friendly design. McLennan (2004) defines sustainable design as "*a design philosophy that seeks to maximise the quality of the built environment, while minimising or eliminating negative impact to the natural environment*." Sustainable design is an approach to design and not merely an aesthetic exercise. One of the major goals of sustainable design is to enhance the level of quality in terms of better buildings, products, and places that benefit people. However, the main goal of sustainable design is to reduce the impact on the natural environment.

A framework offered by Anastas and Zimmerman (2003) defines the twelve principles of green engineering for design purposes. The principles aim to be applicable, effective and appropriate when dealing with any design architecture type, e.g. molecular (chemical compound construction), product (vehicle design), or urban (building design). The 12 principles are:

- Designers need to strive to ensure that all material and energy inputs and outputs are as inherently non-hazardous as possible
- It is better to prevent waste than to treat or clean up waste after it is formed
- Separation and purification operations should be designed to minimise energy consumption and materials use
- Products, processes, and systems should be designed to maximise mass, energy, space, and time efficiency
- Products, processes, and systems should be *output pulled* rather than *input pushed* through the use of energy and materials
- Embedded entropy and complexity must be viewed as an investment when making design choices on recycle, reuse, or beneficial disposition
- Targeted durability, not immortality, should be a design goal
- Design for unnecessary capacity or capability (e.g. one size fits all) solutions should be considered a design flaw
- Material diversity in multicomponent products should be minimised to promote disassembly and value retention
- Design of products, processes, and systems must include integration and interconnectivity with available energy and materials flows
- Products, processes, and systems should be designed for performance in a commercial afterlife
- Material and energy inputs should be renewable rather than depleting

If organisations adhere to the twelve principles of green engineering they will be on the right path to environmental sustainability.

7.5 The economic pillar

Sustainable growth and sustainable development are two common but very different terms commonly used when discussing economic progress. Growth relates to the natural increase in size by addition of material through accretion or assimilation, whereas development means to expand or realise the potentialities of something and bring gradually to a better state of being. Thus, development has a qualitative improvement aspect which growth does not necessarily contain. Daly (1990) says of this difference in terms "*an economy can grow without developing, or develop without growing, or do both or neither*." This is also true for organisations. In terms of the outputs of an organisation, there are implications as Daly further suggests by saying that "*the rule of sustainable development would be to emphasize technologies that increase resource productivity (development), the amount of value extracted per unit of resource, rather than technologies for increasing the resource throughput itself (growth)*." A good example of this would be the development of more efficient cars, as opposed to the growth of oil and gas companies which would only diminish limited natural resources. As the world's economy will continue to grow naturally (thus requiring more resources) with increases in trade and population size, it is imperative that organisations operate and develop sustainably in order to sustain the planet.

In order to reduce poverty and help people at the base of the economic pyramid, growth is however required. Development can and shall nevertheless help in seriously alleviating poverty and reducing the size of the BOP population through control and redistribution aimed at limiting wealth inequality (Daly, 1990). On the one hand, growth creates a need for jobs, and thus enables people to work to create wealth and on the other hand, development creates new technologies which are ever more efficient. Without development, organisations run the risk of being surpassed by competitors and without growth and the increase of the value of their investments, shareholders and investors will not continue to support an organisation financially. Thus, the ideal economic state is for a business to grow and develop simultaneously and consistently.

Economic benefits of pursuing development at the BOP include that the BOP provides relatively uncontested markets and also a good platform for the development of new technologies, the testing of these technologies, and disruptive innovations (Hart & Prahalad, 2002). Disruptive innovations introduce simpler, less-expensive, and more convenient products to low-end customers as will be discussed later (Christensen & Raynor, 2003). In short there is a vast untapped source of growth, profit and incalculable social good that can be achieved at the base of the economic pyramid. For an organisation to grow and increase its revenues it has two options: to improve the current offerings through sustaining innovation; or to expand into new markets by creating new technologies through development.

Thus, the requirements of sustainable development are important when evaluating product and service offerings to the BOP market. The triple bottom line must be met in order for lasting impact at the BOP. The importance of sustainable development is imperative for social entrepreneurs hoping to alleviate poverty in South Africa.

7.6 Root definition of sustainable development

In developing a full understanding of sustainable development pertaining to the BOP targeting SMME, which is the focus system of this study, it is necessary to fully incorporate the aspects shown in Table 7-1 in that definition.

Table 7-1 Root definition components of sustainable development

CATWOE Element	**Disambiguation**
Clients	The beneficiaries of this system include society at large, the BOP communities, the owner (entrepreneur) and/or managers of the SMME, strategic alliance partners, and the staff or employees of the SMME
Actors	Those responsible for conducting the activities which make this system work include the consultants, strategic alliance partners, owner (entrepreneur) and/or managers of the SMME, and the staff or employees of the SMME
Transformation	The inputs to this system pertain to the natural resources and proposed/potential developments of the SMME and its strategic alliance partners. These inputs are transformed into the output which is arguably sustainable development that ensures the value offering and its development are socially, environmentally, and economically friendly: social equity, justice and empowerment; environmental stewardship and governance, and; promoting economic development and growth (profitability). The purposeful activity which transforms the input to the output is the utilisation of the triple bottom line accounting approach to evaluating the permissibility of various developments, ideally conducted under the guidance of a consultant for maximum effectiveness
Worldview	The relevant perception which justifies the existence of this system is seen in the way in which enterprises conducting business are increasingly looking to utilising sustainable routes so as to operate freely in the public eye, and furthermore in the way in which the BOP market suffers most from the effects of environmental degradation
Owners	The people who have the authority to change the measures of performance of this system or abolish it altogether include the owner and/or managers of the SMME, and to an extent the strategic partners of the SMME
Environment	External constraints this system takes as a given include limited resources, limited knowledge of the impact of many operations on the environment and society, and the difficulty of finding renewable resources for development in the BOP

The root definition of sustainable development in the context of this study is therefore: a system which acts so as to transform proposed/potential developments into an arguably sustainable value offering for the BOP by making use of triple bottom line accounting, allowing the enterprise to gain public standing as an economically, environmentally, and socially friendly organisation which sees the society at large and the BOP market communities as its beneficiaries, brought about by the owner and/or managers, staff and employees, and strategic partners of the SMME, under the control of the owner and/or managers ideally under the guidance of consultants, with an understanding of the external constraints which include limited resources, limited understanding of the impact of operations on the environment and society, and limited access to renewable resources.

The list of requirements pertaining to sustainable development which must be incorporated in the framework design process of Chapter 12 are listed in Table G-3 of Appendix G. They will ensure that any proposed development is arguably sustainable prior to acting on or implementing the strategy.

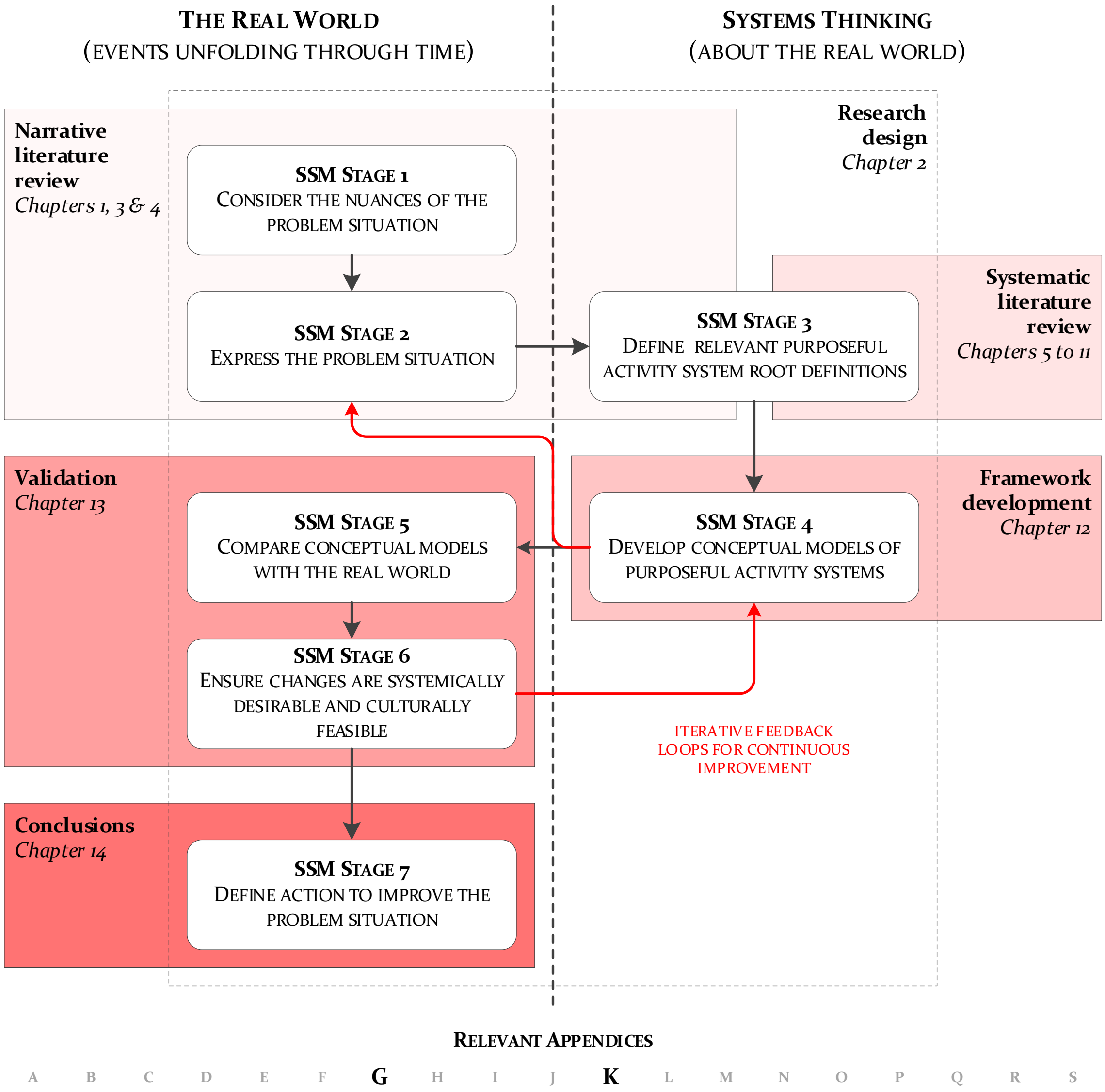
7.7 Conclusion

In this chapter, sustainable development was discussed in relation to its role in an organisation pursuing value creation at the BOP. Sustainable development requires that organisations completely rethink their business strategy until a position is attained where the three pillars of sustainable development are satisfactorily accounted for. The essential nature of sustainable development in BOP dealings was supported in each of the three pillars in that:

- Socially, attaining a point of social equity is a directive for those with the means to help in poverty alleviation
- Environmentally, people at the BOP suffer the most due to environmental degradation reinforced by large commercial organisations
- Economically, there is a large and virtually untapped market at the BOP and it provides a perfect testing ground for products and services with the ability to create value, wealth, and jobs for society, regardless of what tier of the economic pyramid a person inhabits. Economic growth itself was shown to be insufficient in alleviating poverty, and that what is truly needed is sustainable development

CHAPTER 8

BUSINESS STRATEGY



"Blue ocean strategy challenges companies to break out of the red ocean of bloody competition by creating uncontested market space that makes the competition irrelevant. Instead of dividing up existing – and often shrinking – demand and benchmarking competitors, blue ocean strategy is about growing demand and breaking away from the competition."

Kim and Mauborgne (2005:xxii)

8.1 Introduction

According to the Kobro and Hattrem (2014), South Africa's BOP market is attractive to international enterprises due to its advanced state, making it a competitive environment in which to operate, increasing the need for a strategy to develop different products and services than competitors. For this reason, it is imperative to look at what business strategy might aid in capturing large market segments of the BOP. As blue ocean strategy seeks uncontested market space to create value for its customers, it is fitting that it is utilised.

In this chapter, two leading and opposing approaches to business strategy are discussed, and the suitability of the one over the other is argued for. Hereafter, the chosen strategy is defined and explored, with a look at the specific tools and principles pertaining to it. In a similar manner to the last two chapters, a root definition and set of requirements specific to this chapter are developed at the end of it for use in the development of the conceptual framework of Chapter 12.

As portrayed in Figure 2-1 of Chapter 2.2, this chapter contributes to stage three of the SSM approach used throughout this study (Checkland & Scholes, 1990:211).

8.2 Blue Ocean Strategy versus Porter's five forces

Andrews and Roland (2012) define strategy as "*a plan, method, or series of manoeuvres or stratagems for obtaining a specific goal or result.*" Strategy is a term often fraught with ambiguity and has multiple associations in business, from management to marketing to branding, etc. Common trends among different definitions can be seen in the way that they relate to the influence that strategy has on the enterprise's future prospects and the likelihood of achieving desired outcomes with the resources available to the enterprise. Strategy is crucial to the success of start-ups and gives a good indication of the quality of leadership exhibited in the founders. Furthermore, strategy is linked to the capacity an enterprise has to differentiate itself from competitors and thus win market share. Implementing a coherent strategy increases the chances of success in the typical start-up which operates in a generally high-risk business environment.

Two popular schools of thought which argue for opposing approaches towards strategy can be seen in BOS (Kim & Mauborgne, 2005), and the competitive approach of Porter's five forces (Porter, 2008), the logic of each being shown in Figure 8-1. The key difference between the two relates to the way in which the five forces focus on dominating existing markets, whereas BOS looks for opportunities to create new markets.

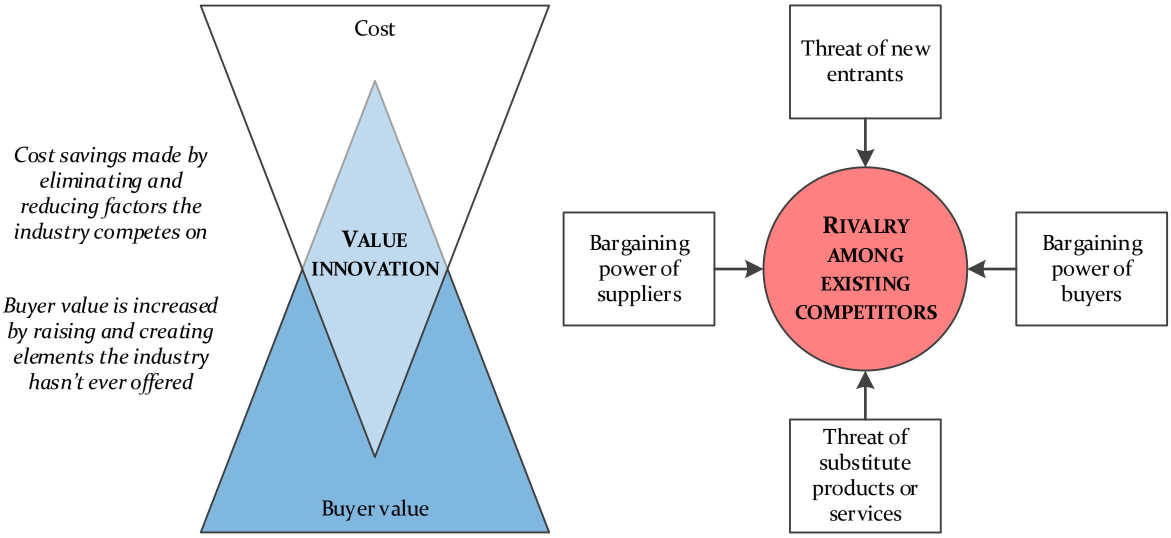


Figure 8-1 Blue Ocean Strategy logic versus Porter's five forces logic

The five forces framework seeks to determine the competitive intensity and appeal of markets through understanding the five forces that shape the industry. Thus, Porter's competitive strategy approach looks for the strengths and weaknesses in these existing markets to arrive at the most profitable competitive strategy available.

The BOS framework demands that businesses seize their own initiative and innovate. Value innovation is the cornerstone of BOS, and its logic is the simultaneous pursuit of differentiation and low cost so as to increase the value for the enterprise and the buyer. This occurs only when the whole system is aligned, in terms of cost, utility, and price.

The term *blue ocean* is used to indicate an unexplored market space with negligible competition, unlike the red oceans which are the focus of competitive strategies. Red oceans represent known market spaces wherein the water has turned blood-red due to fierce competition. Table 8-1 gives a brief comparison of the two types of strategies.

Table 8-1 Blue Ocean Strategy versus red ocean strategies (Blue Ocean Strategy, 2015)

Red ocean strategy	Blue ocean strategy
Compete in existing market space	Create uncontested market space
Beat the competition	Make the competition irrelevant
Exploit existing demand	Create and capture new demand
Make the value-cost trade-off	Break the value-cost trade-off
Align the whole system of an enterprise's activities with its strategic choice of differentiation or low cost	Align the whole system of an enterprise's activities in pursuit of differentiation and low cost

Of course, any new and profitable market that is created will soon enough fill up with rivals as increasing numbers of vendors begin to compete in that market. At some point the market will reach saturation point, wherein everyone competing in the market more or less breaks even (Burke, Van Stel & Thurik, 2010).

Thus, for the enterprises utilising a BOS approach, what is needed when the market becomes too saturated is the creation of a new market, whereas for the enterprises using the five forces approach the answer would be to become more competitive. In effect, BOS calls for an innovative approach and the five forces call for a competitive approach to strategy.

The question is then one of how long it takes before a new market becomes too saturated to remain lucrative, at which point a competitive strategy would be more appropriate. To this end, Burke *et al.* (2010) conducted a longitudinal study of the Dutch retailing industry, which is both highly innovative and highly competitive, making for a good testing ground for the effectiveness of each approach in the highly segmented industry. Their results indicated that enterprises pursuing essentially BOS approaches were surprisingly sustainable, with their innovative offerings generating greater profits than that of new competitors for up to an average of fifteen years. As the number of competitors increased, however, the profitability of the BOS enterprises diminished and enterprises pursuing competitive strategies began to dominate the market. Thus, it took a significant period of time for the BOS approach to yield to competitive strategy. This is of course dependent on the industry, and would be a much shorter period for high tech ones (i.e. fast cycle industries).

Burke *et al.* (2010) put forward that what may be the best solution is for enterprises to adopt a mixed approach, blending the two strategies, depending on the age of the market. For a start-up SMME, which is the focus of this study, it is therefore beneficial to focus on a BOS approach, whereby creating a new market will often cut out the need for competitive resources and will give the enterprise some time to generate wealth without much competition. In this way, when the market becomes more and more saturated, the enterprise can shift to a competitive strategy to slow down its profit erosion whilst developing a new market once again.

8.3 Blue Ocean Strategy definition

After over a decade of research on key strategic moves made by enterprises across more than thirty industries spanning over a hundred years, BOS was introduced by Kim and Mauborgne (2005) in their bestselling book called *Blue Ocean Strategy: how to create uncontested market space and make the competition irrelevant*. With a proven analytical framework boasting multiple practical tools for strategy formulation, BOS caused a paradigm shift in the field of strategy.

BOS is essentially a manner in which a product or service provider may break away from its competition by creating new demand. The authors argue that if an organisation competes in overcrowded industries that organisation will not sustain any measure of high performance. The solution Kim and Mauborgne (1997a) provide to organisations is a simple but powerful one, namely that "*the real opportunity is to create blue oceans of uncontested market space.*" Hence a blue ocean is a broad term associated with industries or markets not currently in existence.

The core tenet of BOS is to create new markets and new demand, instead of fighting over old markets. The industries and markets already in existence are appropriately referred to as red oceans, characteristics of which include commonly accepted boundaries and regulations which enterprises operate according to in order to maximise their market share and demand from customers.

The BOP acts as a large blue ocean for SMMEs for a few reasons: they are largely underserved by SMMEs; they are more willing to try new ways of doing things than other tiers of the economic pyramid, and; the BOP is largely uncontested due to the false myths that were addressed in Chapter 3.

8.3.1 Value innovation relationship

BOS was developed alongside the notion of value innovation. As will be shown in Chapter 9, value innovation focuses on making competition irrelevant by creating more value at a lower cost for the customer. According to Kim and Mauborgne (1997a), "*value innovation is the cornerstone of blue ocean strategy.*" While red ocean strategies focus on the cost to value trade-off, insisting that optimally balancing the two is the best way to beat competition, blue ocean strategies focus on value innovation which completely opposes the conventional strategic logic of red ocean strategies.

Porter (1987) believes that organisations must determine whether their strategy will focus on differentiation, cost leadership, or getting an advantage over their competitors. In effect, value innovation focuses on all three. In the past, it was common belief that organisations had two options, either they could create average value at lower costs or greater value at higher costs. Value innovation seeks to maintain profitable growth in an organisation by offering customers value at a low cost, and overcoming the cost to value trade-off by pursuing low costs and differentiation at the same time (Kim & Mauborgne, 1999).

Thus, value innovation is the simultaneous driving down of costs to the organisation and increase in value to the customer. This is arguably ideal for the social entrepreneur who aims to create value for the BOP market while turning over a profit.

8.3.2 The strategy canvas

When an organisation is developing its strategy, Kim and Mauborgne (2005) provide two critical questions a strategist must answer in developing an effective strategy:

- How do we break out of the red ocean of bloody competition to make the competition irrelevant?
- How do we open up and capture a blue ocean of uncontested market space?

In order to answer these questions, they propose making use of what they term the *strategy canvas*. To understand what components this canvas will need, it is worthwhile first looking at what exactly the characteristics of a good strategy are.

8.3.2.1 CHARACTERISTICS OF A GOOD STRATEGY

A strategy is a means of charting the future of an enterprise and according to Kim and Mauborgne (2002), the most suitable method for yielding the best results is through using a visual representation of the strategy. Strategic planning has long been a very intense process involving preparation of dense documents containing large volumes of numbers and endless jargon. Due to a frenzy of information coming from all directions and different departments each with their own agendas and often incompatible ways of communicating, the outcome ends up being a complicated document nobody understands never mind commits to. The most common sections of this strategic document often include in order of occurrence: a lengthy description of the industry as well as the competitive situation; a discussion of how to increase market share, capture new segments, or cut costs arriving at numerous goals and initiatives, and; a full budget accompanied by excessive graphs and spreadsheets. However, thanks to Kim and Mauborgne's *strategy canvas* the process can be built around a much easier to understand and generally much more successful big picture.

According to Kim and Mauborgne (2002) this strategy canvas approach "*consistently produces strategies that are easy to understand and communicate, that engage more people within an organization, and that unlock the creativity of participants.*" Kim and Mauborgne (2002) believe the characteristics of a successful strategy include the complementary aspects of the focus, the divergence, and the compelling tag line of the strategy. These three characteristics serve as an initial litmus test of the commercial viability of any blue ocean idea.

i. Focus

At the heart of every great strategy is focus. This focus must be clearly shown in an enterprise's strategic profile (or value curve as shall be seen later). A good focus incorporates a number of factors which are generally easily distinguishable, and enables an enterprise to do a few things well instead of ending up doing everything mediocrely.

By zoning in on only a few of the competitive factors (i.e. the focus), an enterprise can dominate a certain area over its competitors. This is in stark contrast to the common way of evenly distributing the enterprise's resources to all of a particular industry's competitive factors. A lack of focus will leave an enterprise running after competitors, never gaining the upper hand and generally is signified by across the board investing. This reveals that competitors are setting the enterprise's agenda.

ii. Divergence

When an enterprise reacts to competitors instead of choosing how to respond, it will struggle to keep up with competition, the ultimate price being the loss of its uniqueness. Divergence relates to the manner in which a strategy must be different from that of competitors in order to achieve success. When an enterprise reacts to competitors, it tends to share the same strategic profile as its competitors. This is a recipe for failure, and can only be remedied by the enterprise making some big changes.

These changes in strategy must work together to increase the divergence of the strategy from that of competitors, which can be done by eliminating, substantially reducing, or dramatically increasing investments in certain factors. The factors need to be controlled so as to increase value for the customer. The overall profile of the industry is also subject to change when new factors are introduced. Divergence is basically what enables an enterprise to stand apart from its competitors.

iii. Compelling tag line

The last characteristic of a good strategy is how well it lends itself to a tag line. Kim and Mauborgne (2002) state that "*a good tag line must not only deliver a clear message but also advertise an offering truthfully, or else customers will lose trust and interest.*" They go as far as to say that without a strong and authentic tag line there is a high chance an enterprise will not have a strong strategy either.

8.3.2.2 DRAWING THE STRATEGY CANVAS

The strategy canvas approach provides strategists with a practical way of addressing each of these concerns. It is unique in that it does three things in a single picture (Kim & Mauborgne, 2002):

- It shows the strategic profile of an industry by depicting very clearly the factors that affect competition among industry players, as well as those that might in the future
- It shows the strategic profile of current and potential competitors, identifying which factors they invest in strategically. Graphing the current state of play in the known market space enables the enterprise to understand where competitors are investing as well as the most important factors in which the industry currently competes (in terms of products, services, delivery, and existing competitive offerings)
- It draws the enterprise's strategic profile (value curve) showing how it invests in the factors of competition and how it might invest in them in the future

The strategy canvas is both an analytical and an action framework whose focus is on building a compelling BOS. The strategy canvas itself consists of two axes and a value curve. The horizontal axis captures the range of factors the industry competes on and invests in. The vertical axis is a representation of the magnitude of the value offering, i.e. low (or high) magnitude shows low (or high) investment in that factor. Figure 8-2 shows the basic layout of the strategy canvas.

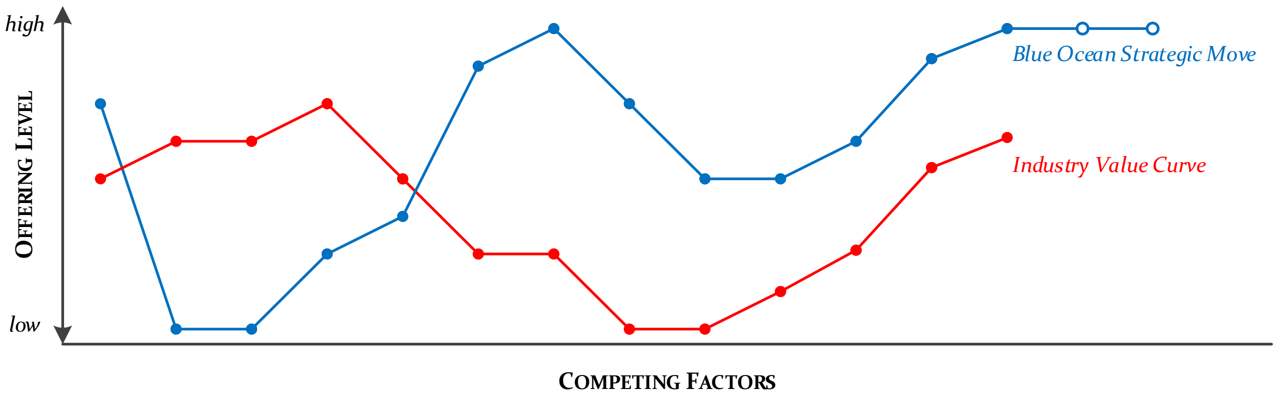


Figure 8-2 The Blue Ocean strategy canvas (Kim & Mauborgne, 1997)

A value curve is "*a graphic depiction of a company's relative performance across its key success factors*" (Kim & Mauborgne, 1997). The value an enterprise puts on the strategic focus, customers, assets and capabilities, and product and service offerings must be optimised so as to change the shape of an enterprise's value curve. Due to the conventional logic of competition the value curves of enterprises within the same industry follow the same basic shape. Rivals have slightly different values at each point of the curve due to their attempts at adding value by offering a little more or less to each key factor. However, the fundamental shape of the curve is generally speaking never contested or changed.

The shape of the value curve can however be significantly changed if management answers the four questions laid out in the next section regarding the *strategic focus, customers, assets and capabilities*, and *product and service offerings*.

According to research conducted by Kim and Mauborgne (1997a), all the high performing enterprises in their study created fundamentally new and superior value curves. This was achieved through a combination of reducing, erasing, eliminating, and creating features to unprecedented levels within their industries.

As with all things that bring about wealth or success, competitors are however not far behind, and this is the reason for the need of repetition in value curve reengineering, accompanied by constant checking that the enterprise does not fall into the trap of competing. Competitors will eventually imitate the shape of the curve and the value innovator will need to jump to action to avoid losing growth and profits. Continued success once again requires a new curve, not a fight for customers.

8.3.3 THE FOUR ACTIONS FRAMEWORK

In order to redraw the strategic profile of an organisation within a certain industry, Kim and Mauborgne (2005) introduce the four actions framework. Reconstructing buyer value elements through this framework will result in a new value curve. There are four fundamental questions posed in the framework to break the trade-off between low cost and differentiation all of which challenge an industry's strategic logic and business model:

- Which of the factors that the industry takes for granted should be *eliminated*?
- Which factors should be *reduced well below* the industry's standard?
- Which factors should be *raised well above* the industry's standard?
- Which factors should be *created* that the industry has never offered?

The framework is depicted graphically in Figure 8-3.

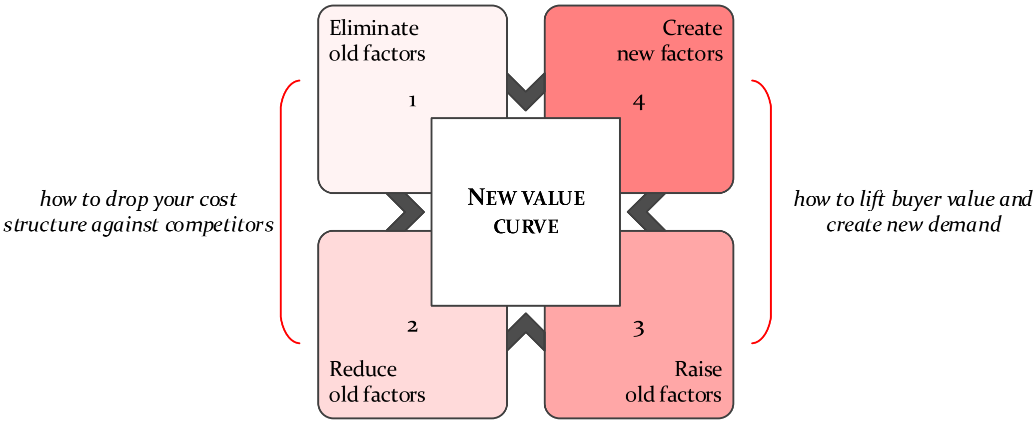


Figure 8-3 The four actions framework

The first question helps a strategist to eliminate redundant, valueless, and value detracting factors. These factors may exist due to changes in buyer values or because too much focus is placed on benchmarking and competitors' actions.

The second question aids in determining if products or services have been overdesigned. This may once again be a result of too much focus being placed on competitors, whereby the enterprise tries to match and beat even though it is not what customers necessarily value. Overserving customers like this leads to higher costs for no gain whatsoever.

The third question ensures that the enterprise uncovers and also eliminates any compromises that the customer is forced into in his/her decision making.

Lastly, the fourth question requires the most ingenuity and creative thinking so as to discover entirely new factors that customers will find value in, thus creating new demand and as a result shifting the strategic pricing of the industry.

8.4 The six principles of blue ocean strategy

In order to successfully develop an effective strategy, it is necessary to integrate execution into the strategy making (Kim & Mauborgne, 2005). To achieve this, there are six principles developed by Kim and Mauborgne (2005:21) which ensure a sustainable approach to BOS formulation within the organisation. The principles act so as to attenuate management risks associated with people's attitudes and behaviours during implementation of the new strategy. The principles and attenuated risk for each is shown in Table 8-2.

Table 8-2 The six principles of BOS and the corresponding attenuated risks

Formulation principles	Reconstruct market boundaries	***Risk attenuated***	Search risk
	Focus on the big picture, not the numbers		Planning risk
	Reach beyond existing demand		Scale risk
	Get the strategic sequence right		Business model risk
Execution principles	Overcome key organisational hurdles		Organisational risk
	Build execution into strategy		Management risk

The focus BOS places on execution is advantageous for a start-up as it gives the owner a practical and tested means by which to launch a new venture, making up for what some argue is a flaw in the business model canvas approach of Osterwalder and Pigneur (2010).

Each of the principles will hereafter be outlined and discussed.

8.4.1 Principle 1 – Reconstruct market boundaries

The first principle asserts that it is necessary to reconstruct market boundaries so as to enable the organisation to break away from their competitors and create blue oceans (Kim & Mauborgne, 2005:47).

By following the six paths framework which follows, the organisation is able to minimise the search risk associated with the first principle. The search is one for the successful identification of a commercially compelling blue ocean opportunity. The paths basically provide a solid means of determining these blue ocean opportunities without forcing managers to rely on intuition or chance in strategy formulation. These paths are generally applicable across all industry sectors.

8.4.1.1 Path 1 – Look across alternative industries

Conventional wisdom states that the enterprise must define its industry similarly to competitors and focus on being the best in it. Understanding the following considerations will avert the enterprise from falling into the trap of conventional wisdom:

- Organisations do not only compete with enterprises inside their own industries, but also with enterprises in other industries which sell alternative products or services

- Substitutes are products or services of different forms which still offer the same functionality or basic core utility, meaning they can replace one another and get the same customer satisfaction (e.g. installing a landline or buying a mobile phone)
- Alternatives are broader than substitutes in that alternatives include products or services which have different functions and also different forms but exist for the same purpose (e.g. restaurant entertainment versus the cinema)

As Kim and Mauborgne (2005:55) state: "*by focusing on the key factors that lead buyers to trade across alternative industries and eliminating or reducing everything else, you can create a blue ocean of new market space.*"

8.4.1.2 PATH 2 – LOOK ACROSS STRATEGIC GROUPS WITHIN INDUSTRIES

Conventional wisdom would say that enterprises must look at their industries through the lens of generally accepted strategic groups and strive to stand out within their specific group. To not fall into the trap of conventional wisdom the following points must be understood:

- Strategic groups refer to enterprises within an industry that pursue similar strategies (e.g. NGOs, NPOs, MNCs, SMMEs, and charities)
- Ranking strategic groups can be done hierarchically in terms of price or performance
- Price jumps are generally accompanied simultaneously with a jump in performance
- Strategic groups do not generally recognise or pay heed to other groups

Successful creation of a blue ocean across existing strategic groups requires the organisation to break out of this narrow thinking by understanding which factors may determine customers' decisions of whether or not to trade up or down from one group to another.

8.4.1.3 PATH 3 – LOOK ACROSS THE CHAIN OF BUYERS

Conventional wisdom assumes that the enterprise should focus on the same buyer group. Once again, to not fall into the trap of conventional wisdom the following points must be understood:

- In reality, there is actually a chain of buyers involved in the buying decision
- Purchasers of products or services may be different to the users, and this relationship is further complicated by the presence of influencers (for instance a mother buying a calculator for a high school child may have to adhere to the breadwinning father's price limiting conditions)
- Overlap may occur amongst the purchasers, users, and influencers but they often have different motivations (in the case of the calculator it could be utility for the student, appearance for the mother, and cost for the father)

New blue oceans may be found by determining which of the three role players in the chain of buyers (purchasers, users, or influencers) should be targeted as the buyer in a particular industry.

8.4.1.4 Path 4 – Look across complementary product and service offerings

Conventional wisdom infers that the scope of the products and services offered by the industry should be similarly defined. To avoid succumbing to conventional wisdom the following points must be understood:

- Other products or services may affect the value of an organisation's own products or services
- A way to tap into the value of complementary products or services is to define the total solution the buyer is looking for in the enterprise's product or service. Key to this is thinking about what happens before, during and after the product is used

Thus, in order to enhance the overall customer experience, it is important to look at complementary products or services to find a complete solution to customers' needs.

8.4.1.5 Path 5 – Look across functional or emotional appeal to buyers

Conventional wisdom states that the enterprise should accept the industry's functional or emotional orientation towards the buyer. The following considerations help to question the conventional logic of businesses:

- Industry competition tends to converge on two possible bases of appeal, namely functional, and emotional appeal
- Competition occurs in one of two ways: either with its focus principally on price and its function largely based on calculations of utility (a more rational appeal) or as others do with competition based largely on feelings (revealing a more emotional appeal)
- The behaviour of enterprises reinforces the buyers' expectations generally ending up with enterprises either being functionally or emotionally oriented
- This reinforcing nature has made industries train customers in what to expect, that is generally more-for-less

Changing from a predominantly functional orientation to a more emotional one or vice versa can open up new market space to the enterprise, stimulating new demand.

8.4.1.6 Path 6 – Look across time

Conventional wisdom says that the enterprise must focus on the same point in time as competitors or even the same current competitive threats when developing a strategy. To not fall into the trap of conventional wisdom the following points must be considered:

- External trends within industries affect businesses over time
- From the correct perspective, these trends can guide an enterprise in creating blue ocean opportunities
- Most enterprises are reactive, adapting incrementally and even passively to unfolding events
- Projecting trends into the future can help managers determine a direction in which to go by following technological advances and predicting how it will evolve all the while ensuring they have the necessary development to adopt their new technologies if they become scalable

Key insights rarely come from these projections, but rather from business insights into how the trend itself will actually change customers' perceptions of value, and then on to how this will affect the enterprise's business model.

The main problem with enterprises following the same conventional wisdom in competitive thinking is the competitive convergence which occurs. This convergence can only be broken free from by looking across all the different areas of the six paths.

8.4.2 Principle 2 – Focus on the big picture, not the numbers

Using a strategy canvas has the advantage that it not only helps in visualising the current strategic position but it also aids in charting the required future strategy. This helps the enterprise to focus on the big picture during the planning process instead of falling into the usual trap of getting caught up in operational details (Kim & Mauborgne, 2005:82).

Common difficulties in drawing up the strategy canvas include:

- Understanding to what extent the organisation as well as its competitors offer the various competitive factors
- Seeing the overall dynamics of the industry is challenging
- Differentiating between employee preferences (motivated commonly by internal benefits) and what actually is appealing in the industry to the customer (usually unrelated to the benefits of employees) is a difficult task

There are four steps to help in visualising strategy, all of which are shown in Table 8-3.

Table 8-3 The four ordered steps of visualising strategy (Kim & Mauborgne, 2005:84)

Steps	**Elucidation**
Visual awakening	Compare your businesses with your competitors' by drawing your *as is* strategy canvas
	See where your strategy needs to change
Visual exploration	Go into the field to explore the six paths to creating blue oceans
	Observe the distinctive advantages of alternative products and services
	See which factors you should eliminate, create, or change

Steps	**Elucidation**
Visual strategy fair	Draw your *to be* strategy canvas based on insights from field observations
	Get feedback on alternative strategy canvases from customers, competitors' customers, and noncustomers
	Use feedback to build the best *to be* future strategy
Visual communication	Distribute your before-and-after strategic profiles on one page for easy comparison
	Support only those projects and operational moves that allow your enterprise to close the gaps to actualise the new strategy

This four-step process continues from the six paths of blue ocean creation and uses visual stimulation to tap into human creativity, each of which is outlined in more detail in Appendix K.1.

8.4.3 Principle 3 – Reach beyond existing demand

A key question for enterprises employing BOS is how they can maximise the size of the blue ocean being created. This brings us to the third principle of BOS which is to reach beyond existing demand (Kim & Mauborgne, 2005:101). This is a main component in attaining value innovation as it aggregates the greatest demand for the new product or service offering, thus attenuating the associated scale risk in creating a new market.

Two common strategy practices which must be confronted include focusing mainly on existing customers, and pursuing finer segmentation so as to accommodate a plethora of buyer differences. Focusing on existing customers limits the possibility of understanding what would attract new customers. Further segmentation in competitive industries is a common result of higher customisation in what is offered to the buyer, and the end effect is often too small target markets. Rather than focusing on the differences in what specific buyers value, it is more beneficial to build on strong commonalities in what multiple buyers value so as to reach beyond existing demand.

Enterprises must realise that converting the BOP market's noncustomers into new demand trumps capturing the most of the existing customer base. Furthermore, combining key commonalities in what is valued by buyers can attract more customers than finer segmentation or increased customisation. According to Kim and Mauborgne (2005:103) organisations must "*think noncustomers before customers; commonalities before differences; and desegmentation before pursuing finer segmentation*" to reach beyond existing demand.

8.4.3.1 The three tiers of noncustomers

Before an enterprise can hope to successfully capture a blue ocean it must have a keen insight into who the noncustomers really are and how best they can be approached to capture them. This is in stark contrast to conventional competitive strategies.

Three tiers of noncustomers exist from which a blue ocean may be formed, each of which pose different obstacles in pursuing them. Figure 8-4 shows these three tiers along with a short description of each. The three tiers differ increasingly in their distance from the current market.

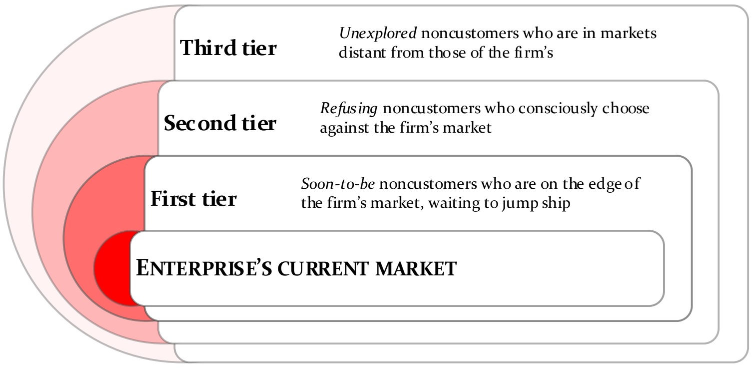


Figure 8-4 The three tiers of noncustomers

i. First-tier noncustomers

The first tier is closest to the enterprise's current market, sitting at the edge of the market. A defining feature of this tier is that these buyers minimally purchase the industry's offering out of a sense of necessity although in their own minds they are noncustomers.

These buyers use the current market offerings as stepping stones to get by until something better is available. If offered a big enough jump in value they will become long-term frequent customers. This is the easiest tier of noncustomers to transform into customers. Asking the first-tier noncustomers what makes them unhappy with the enterprise's current offering and what makes them want to search elsewhere will help the organisation capture this tier. Basically, by focusing on the commonalities amongst their responses instead of the differences, insight may be gathered as to how best the organisation may desegment these buyers to create more demand in the newly developed blue ocean.

ii. Second-tier noncustomers

The second tier of noncustomers consists of people who outright refuse to use the enterprise's industry's offerings to fulfil their needs. Reasons for this may be that the offering is not valuable enough to them or that they may not be able to afford the current market offering. The enterprise should determine whether or not these needs are being met via competitors. A similar approach of focusing on commonalities across the second tier regarding why they refuse to use the enterprise's products or services will provide necessary insight into how to capture this latent untapped demand.

iii. Third-tier noncustomers

The third tier is farthest from the organisation's current market and has quite simply never thought about using the enterprise's market offering. The reason for this tier of noncustomers being unreached is that they have never been seen as potential customers for the particular industry. This is because their needs and the associated business opportunities have been viewed as belonging to other markets. By neglecting this tier, organisations forget about a huge source of customers and substantially limit their ability to grow.

As mentioned before, by focusing on key commonalities amongst the three tiers of noncustomers and existing customers an enterprise can better understand how to pull them into the existing market. In effect, the blue ocean extends over each tier of noncustomers.

8.4.4 Principle 4 – Get the strategic sequence right

After having followed the first three principles in that the enterprise has looked across paths to discover blue ocean possibilities, it has constructed a clear strategy canvas which accurately articulates the future BOS, and it has explored how to aggregate the largest number of buyers for the new idea, it is then ready to look to the fourth principle.

The fourth challenge pertains to how the enterprise can ensure it will be profitable in the new pursuit before diving headlong into the BOP market. The fourth principle of BOS is therefore to get the strategic sequence right (Kim & Mauborgne, 2005). The right strategic sequence combined with an understanding of how to assess blue ocean ideas along key criteria in that sequence can substantially reduce business model risk.

8.4.4.1 Strategic sequence of BOS

Kim and Mauborgne (2005) propose the strategic sequence for building blue ocean strategies shown in Figure 8-5 which relates the sequence to a commercially viable blue ocean idea.

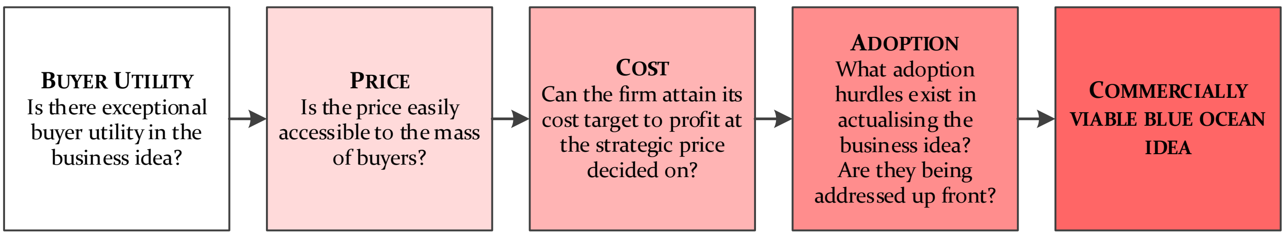


Figure 8-5 The sequence of blue ocean strategy

To begin with, the enterprise must guarantee that buyer utility exists. If no exceptional utility is being offered to customers and there is no compelling reason to buy it, then it is unlikely there will be any substantial number of customers and therefore no blue ocean. Here, the offering must either be abandoned or rethought to make it an attractive one offering exceptional utility to customers.

Once the utility is sorted then the enterprise may look to setting the right strategic price. Relying on price alone is not the best way for the organisation to create demand. The pricing must be set so as to provide a compelling ability for the target buyers to pay for the offering, especially at the BOP, else few will be able to buy it and there will be no knock-on effect to produce irresistible market buzz.

Together, the buyer utility and cost address the revenue side of the enterprise's business model so as to ensure a leap in buyer value is created (buyer value = utility buyers receive – price paid for the utility received). Thus, the next step to deal with in the strategic sequence is cost. Costs should never be allowed to drive prices, nor should utility be scaled down so that high costs will not cut away from the ability to profit at the strategic price. If the target cost cannot be met it is necessary to either abandon the idea as it will not be profitable enough or the business model must be innovated to achieve the target cost. Costs must be handled so as to create a leap in value for the organisation in the form of profits (profit equals price of offering less cost of production).

The final step to be addressed pertains to overcoming the adoption hurdles in implementing the new idea. This has to be done at the beginning so as to make certain that all role players are on board and will successfully actualise the idea. Adoption hurdles come in many forms, e.g. resistance from retailers or partners, tricky regulatory environment, etc.

According to Kim and Mauborgne (2005:119) "*it is the combination of exceptional utility, strategic pricing, and target costing that allows companies to achieve value innovation – a leap in value for both buyers and companies*." Each of these crucial components will now be discussed further.

8.4.4.2 DESIGNING FOR EXCEPTIONAL UTILITY

Buyer utility is tremendously important in designing a successful product or service. Exceptional value needs to be delivered for high utility, which is often overlooked by organisations which have developed some or other novel idea. Customers seek a compelling reason to use the product or service and failing to deliver this may cause potential customers to look elsewhere. There exists a common trap many enterprises fall into when dealing with ideas involving latest technology in that they wrongly assume that bleeding-edge technology is equivalent to bleeding-edge utility for buyers. More simply put: "*unless the technology makes buyers' lives dramatically simpler, more convenient, more productive, less risky, or more fun and fashionable, it will not attract the masses no matter how many awards it wins*" (Kim & Mauborgne, 2005:120).

Thus, in the process of developing a product or service, it is much more important to design for exceptional buyer utility as opposed to estimating the value of a technology as a function of its technical possibilities. This view is in strong alignment with the need for social value at the BOP.

i. Buyer utility map

Figure 8-6 shows the buyer utility map. The map is basically an assessment tool that enables managers to ensure that they deliver exceptional utility to the buyer throughout the entire offering lifetime.

The six stages of the buyer experience cycle

The six utility levers	1. Purchase	2. Delivery	3. Use	4. Supplements	5. Maintenance	6. Disposal
Customer productivity						
Simplicity						
Convenience						
Risk						
Fun and image						
Environmental friendliness						

Figure 8-6 The buyer utility map

Kim and Mauborgne (2005:121) developed the map "*to identify the full range of utility spaces that a product or service can potentially fill.*" However, for sustainable development at the BOP it is not only useful for ensuring exceptional utility, but also for taking into account the impact the proposed products and services will have on the environment and BOP community over their whole life cycle.

ii. Six stages of the buyer experience cycle

The columns of the buyer utility map relate the six stages of the typical buyer experience cycle.

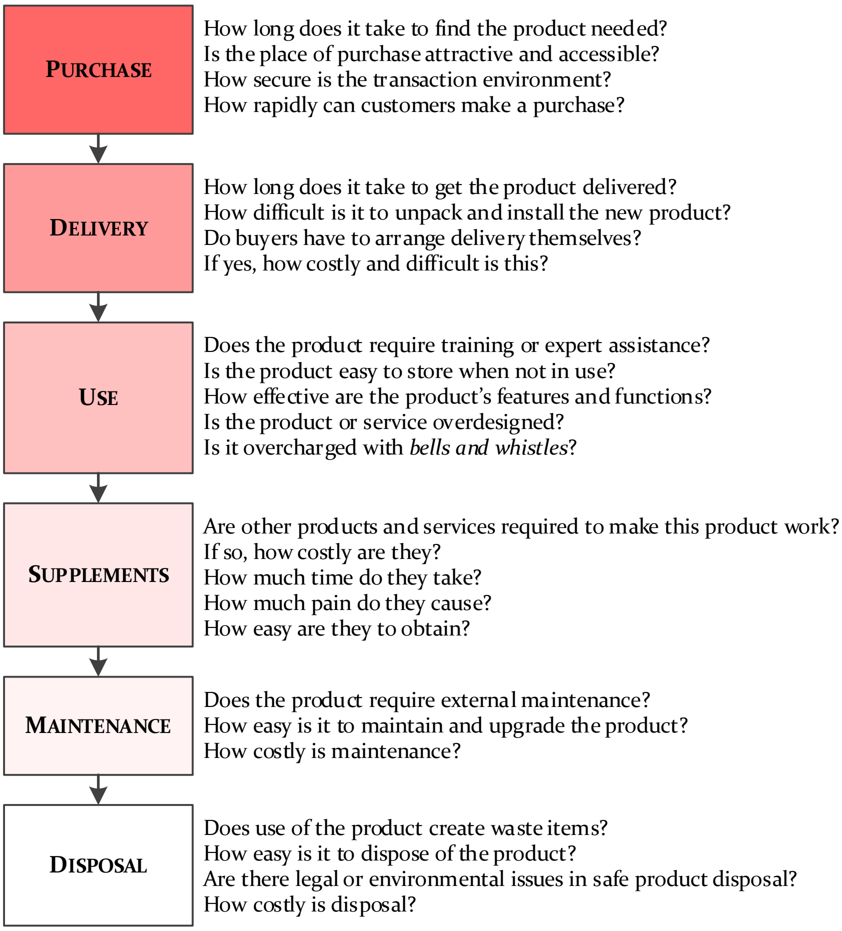


Figure 8-7 The buyer experience cycle

These stages run chronologically from purchase to disposal. The aim is for managers to be able to answer each of the questions shown in Figure 8-7 so that the buyer experience is maximised.

iii. Six utility levers

At each of the six stages there are six utility levers which can be used by the enterprise to create exceptional utility for buyers. Simplicity is important for the general population at the BOP due to their lower levels of education, however they cannot be underestimated in terms of their ability to learn. Environmental friendliness has been adequately addressed in the previous chapter. The need for fun and image is a twofold consideration which needs to be split when looking at those stuck in poverty. The BOP are brand and image conscious as established in Chapter 3, and fun is indeed a need at the BOP. Less thought of levers but still very useful ones are the risks that may be reduced through use of the proposed product or service, for instance financial (insurance), physical (warranty or guarantee), and credibility risks. Convenience is the ease with which a buyer can obtain, use, or dispose of a product or service. The most frequently used lever pertains to customer productivity, which is the degree to which the product or service helps a customer do things faster or better. This lever is arguably important for the BOP community as increasing their ability to raise capital lends to more spending power in the BOP. When testing the offering for exceptional utility, it is vital that the organisation checks to see if the greatest blocks to utility have been removed across the whole buyer experience cycle (for both customers and noncustomers). Where there are the greatest blocks, there are often also the greatest opportunities for unlocking outstanding value.

To use the buyer utility map, one must just locate the position of the proposed offering on the thirty-six spaces of the map. After this is done, it is very easy to see how and if the new idea creates a different utility position from that of competitors and if the biggest blocks to utility have been removed so that the number of noncustomers converting to customers can increase. A blue ocean offering should not fall on the same spaces as competitors or else it is not a blue ocean offering.

8.4.4.3 STRATEGIC PRICING

The right strategic price is the best way of ensuring a strong revenue stream for the enterprise's new offering. This means buyers will want to buy the offering and they will also have a compelling ability to pay for it. This approach is in stark contrast to that of the majority of enterprises which first introduce the new offering to the price insensitive novelty seeking customers, and then drop the price after time proves the offering to be good enough. This is a really delayed way of attracting and reaching mainstream buyers. The smarter route is to start from the get-go with a price that quickly captures the mass of target buyers.

According to Kim and Mauborgne (2005) there are two reasons for this change:

- Enterprises are discovering that volume generates higher returns than it used to
- As the nature of goods becomes more knowledge intensive, enterprises bear much more of their costs in product development than in manufacturing

A general rule of thumb is that people will not buy a product or service if it is used by few others. Either millions are sold at once or none are sold at all (Katz & Shapiro, 1994). Thus, many offerings are an all or nothing proposition.

What complicates matters more, is that with knowledge-intensive offerings increasing rapidly in modern times, there is also the potential for free riding which happens due to the nonrival and partially excludable nature of knowledge (Arrow, 1962a; Romer, 1986). Rival goods are those that when used by one enterprise precludes further use of that good in any other enterprise, and the contrary goes for nonrival goods which can be used by all enterprises simultaneously. Ideas are nonrival goods and therefore cannot be guaranteed to legally stay within the grasp of the founding organisation. Thus, the cost and risk of development is generally borne by the initiator, with the followers being able to imitate to their hearts' content.

What complicates matters is the idea of excludability, which is a function of both the nature of the good and also the legal system operating around it. Excludable goods are those which can be prevented from others using it due to limited access or patent protection, e.g. property ownership laws negate Intel's competitors from using its manufacturing facilities to produce microprocessor chips. A gym, however, cannot exclude anyone from entering their facility and taking mental notes of what goes where and which routines work best to get into shape. Ideas which are neither patentable nor excludable are at risk of imitation.
To put all of this into the context of strategic pricing, it is therefore imperative that enterprises set the strategic price so that not only will large numbers of buyers be attracted, but also that it is set so as to retain those buyers. To retain buyers, it means the offering's reputation has got to be earned from the first day, as brand building is hugely impacted by word-of-mouth recommendations, which spread rapidly due to the highly networked society we live in. In order to determine the correct strategic price, Kim and Mauborgne (2005) have developed *the price corridor of the mass* tool to arrive at an irresistible offer. There are two steps to this as shown in Figure 8-8.

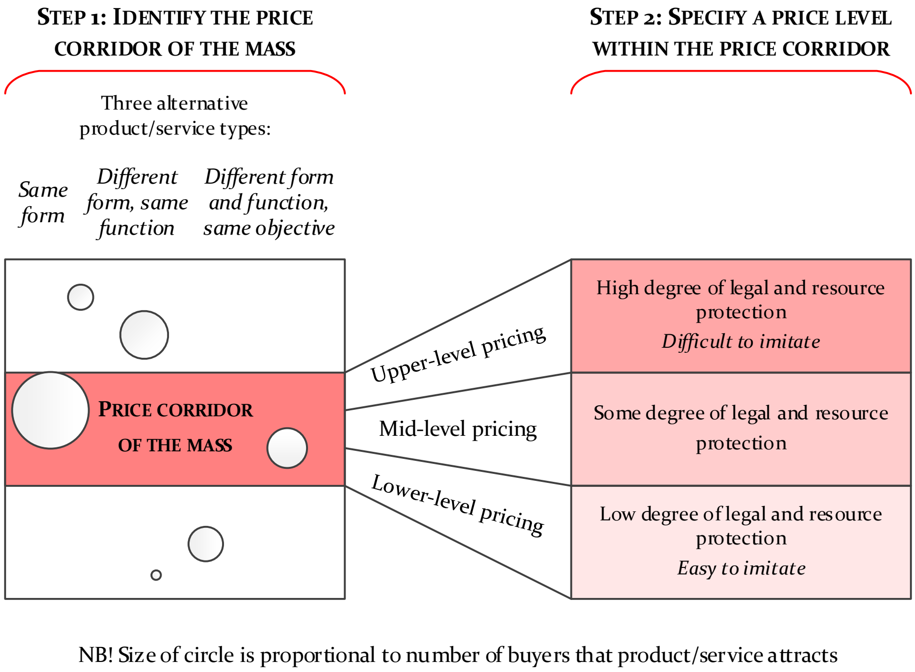


Figure 8-8 The price corridor of the mass (Kim & Mauborgne, 2005:128)

i. Step 1 – Identify the price corridor of the mass

In order to get an idea of what a good price would be, enterprises generally look to other products with a similar form, and their field of view is usually limited to their industry. This is a necessary but insufficient means of setting the best strategic price for attracting new customers. The real challenge is to gain an understanding of the price sensitivities of the people who will compare the new offering with a number of very different looking offerings which exist outside the group of traditional competitors. There are basically two categories of products and services outside of the industry's boundaries, namely products and services which have:

- **Different forms but the same function:** it is common for enterprises following a BOS to attract customers from other industries through offerings which perform the same function or at least provide the same utility even though they have a totally different physical form (e.g. Ford's Model T dominated the horse drawn carriage industry after a short while)
- **Different forms and functions but have the same over-arching objective:** this is used to lure customers from even more remote industries (e.g. bars, restaurants, and circuses have very few physical commonalities yet all three have the same goal of providing a fun night out for customers)

By making a list of all the groups of alternative products and services in these categories the whole spectrum of potential buyers can be determined. With a graphical plot of the prices and volumes of these alternatives, managers will be able to identify very easily where the mass of target buyers resides as well as what they are likely to be willing to pay for the offerings they currently use. Once the largest group of target buyers has been distinguished this is then referred to as the price corridor of the mass. The bandwidth may be extremely wide but this is not a problem. The key is to pursue pricing against substitutes and alternatives across both industries and non-industries as opposed to just pricing against competitors.

ii. Step 2 – Specify a level within the price corridor

The second step assists managers in determining what the highest price they can afford to set within the corridor is, without making it easy for competition to imitate the offering, but also allowing the majority of the BOP market segment to afford it. According to Kim and Mauborgne (2005:130) there are two principal factors that determine how easy it is for imitation to occur:

- The degree to which the product or service is protected legally through patents or copyrights
- The degree to which the enterprise owns some exclusive asset or core capability that can block imitation (e.g. an expensive production plant)

With strong patents and service capabilities that are hard to imitate, enterprises are able to utilise upper boundary strategic pricing to attract the mass of target buyers. However, for enterprises with uncertain patent and asset protection the strategic pricing which is best suited should price their offering somewhere in the middle of the corridor. With no protection, the pricing has got to be close to the lower boundary of the corridor. Mid to lower boundary strategic pricing should be pursued for any enterprise with the following attributes:

- If their blue ocean offering has relatively high fixed costs and marginal variable costs
- If their cost structure benefits a lot from steep economies of scale and scope (i.e. if volume brings significant cost advantages)
- If their attractiveness depends to a large extent on network externalities

The price corridor of the mass shows not only the strategic pricing zone which is central to creating new demand but it also shows how the initial price estimates must be adjusted to achieve this. Once strategically priced it is then time to look at the costing.

8.4.4.4 TARGET COSTING

Costing addresses the business model's profit level. The profit potential of the blue ocean offering can be maximised by deducting the desired profit margin from the price to obtain the target cost. It is crucial to follow a price less costing approach, as opposed to a cost plus pricing approach, to turn over a profit and make the offering difficult for imitators to match. Although when this is accomplished, target costing needs to be aggressive for the strategic pricing to work in a way that yields an optimal profit. Reducing things like customisability and removing unnecessary frills can be key to cutting costs.

For products, the whole manufacturing system may need to be rethought to minimise these costs. If enterprises fall into the trap of increasing the strategic price or decreasing the utility of the offering there are likely to be consequences in the near future. According to Kim and Mauborgne (2005) there are three main levers available for hitting the cost target:

- **Streamlining operations and introducing cost innovations from manufacturing to distribution:** an example of this would be replacing expensive materials to unconventional but less expensive ones. Anything that eliminates, reduces, or outsources high cost and low value activities could be a valid example
- **Partnering:** it could greatly lighten the load of the organisation if it gets help from partner enterprises in production and distribution activities. Partnering is a quick and effective way of acquiring much needed expertise and capabilities whilst dropping the cost structure
- **Changing the pricing model of the industry:** a good example of this would be when the first videotapes were released, due to their high price relatively few people could afford to buy the cassette for themselves and in answer to this problem a few enterprises instead rented the tape to customers instead of selling, thus making it possible for them to keep their strategic pricing

Therefore, to hit the cost target which will give a healthy profit without changing the strategic pricing, enterprises can either: streamline and cost innovate, or partner with other enterprises. If the target cost is still not attainable, then the third lever of pricing model innovation should be pursued.

8.4.4.5 Adoption

The final step in the strategic sequence of BOS is adoption. This acts so as to increase the likelihood of success, even if the business model is inadequate to ensure commercial success of the blue ocean idea. Eradicating any fear within the organisation is vital if the new offering is to be successfully adopted. Thus, the three central stakeholders that must be addressed include the enterprise's employees, business partners, and the general public at the BOP:

- **Employees:** communicating the new idea to employees is the first step in dealing with adoption of the new idea as they are the heart of the enterprise. By defusing threats, the support of employees will more likely be attained, despite the associated shifts in roles, responsibilities, and rewards
- **Business partners:** employee dissatisfaction is a major cause for concern but is eclipsed by the damage which can be done by resistance from partners who fear a decline in revenue streams or market standings due to the new idea

- **The general public at the BOP:** opposition to a new idea from the general public is common if the idea is innovative and new, thereby seeming to threaten existing political and social norms and this can be devastating to the enterprise's idea

To successfully educate the three key stakeholders, the enterprise needs to engage in open discussion with all three as to why the adoption of the new idea is needed. Providing an explanation of the key merits, expectations of its ramifications, and a description of how they will be dealt with should be adequate to get all stakeholders on board.

8.4.5 Principle 5 – Overcome key organisational hurdles

The fifth principle of BOS is to overcome key organisational hurdles so as to bring about successful action (Kim & Mauborgne, 2005:147). After developing a BOS with a business model which is profitable, the organisation must execute it. With execution comes many hurdles, and in the process of transferring from thoughts into actions many difficulties will be encountered. The status quo of blue ocean strategies departs significantly from red ocean strategies as blue ocean strategies look at divergence in value curves at lower costs as opposed to convergence.

The four common areas of difficulty faced by management involve the cognitive, resource, motivational, and political hurdles as shown in Figure 8-9.

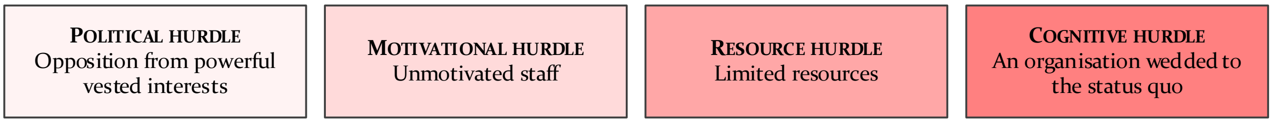


Figure 8-9 The four organisational hurdles to strategy execution

Cognitively it is important to wake up employees to the need for a strategic shift, as red oceans will not likely be the source of future profitable growth. Although employees may be comfortable in their current situation it is imperative to drive home the fact that pursuing blue ocean strategies is also in their best interests.

Limited resources are a common problem faced by start-up enterprises. Even for an established enterprise the larger the shift in strategy, the more resource intensive it will generally be. However, it is possible to minimise the required resources if the BOS is well implemented.

Motivating key players to operate quickly and work tenaciously to break from the status quo is a tricky business. This generally takes years to achieve which is not good enough for modern businesses that want to compete, especially on a global scale (say, in the form of MNCs).

The last hurdle to jump is political and stems from both internal and external sources. Many stakeholders will resist change due to a fear of losing their perceived position. Enterprise politics are a dynamic state of affairs wherein persuasion trumps authority.

Not all organisations will necessarily face all four of these hurdles, and in some cases the focus may largely lie on one hurdle much more than the others. However, dealing with these hurdles to bring about a successful blue ocean venture is necessary to minimise organisational risk. To overcome these hurdles, conventional wisdom on bringing about change needs to be abandoned and managers should instead look to tipping point leadership (Kim & Mauborgne, 2005; Gladwell, 2000).

Tipping point leadership essentially looks to flip the conventional view that greater change requires greater resources and instead seeks to overcome all four hurdles fast and at low cost whilst gaining employees' support to accomplish it. It hinges on the understanding that within the organisation there is a critical mass of people who can bring about fundamental changes through an epidemic movement very quickly when their beliefs and energies are focused towards an idea (Gladwell, 2000; Schelling 1978). In reality there are certain people, acts, and activities which have a disproportionate influence on performance. Therefore, concerning a massive change, the organisation who employs tipping point leadership need only identify and leverage the disproportionate influencing factors so as to save resources and time. Key questions tipping point leaders must be able to answer include:

- What factors exercise a disproportionately positive influence on breaking the status quo?
- Which factors motivate key players to aggressively move forward with change?
- Which factors get the maximum *bang for buck* of resources?
- What factors knock down political roadblocks that often trip up even the best strategies?

Focusing on and exploiting these factors of disproportionate influence result in the four hurdles being cleared more easily. Leveraging the factors to overcome the four hurdles will quicken the transformation of thought into action in executing the blue ocean strategy. For a more in depth understanding of each hurdle, each is discussed in detail in Appendix K.1.

8.4.6 Principle 6 – Build execution into strategy

An organisation is made up of all the role players from the top to the front lines. When all of these members are in support of and aligned around a common strategy is it possible for the organisation to become a great and consistent executor of that strategy. For this reason, it is imperative to overcome any hurdles in the organisation which hinder strategy execution thus allowing employees to take action.

At the root of this is a fundamental basis for action which must be stoked early on, and that is the attitudes and behaviour of the all the people in the organisation. A culture of trust and commitment will generate an environment that is conducive to executing the strategy. The right culture will rapidly bring people to a point whereby they will willingly go beyond compulsory execution to a place of voluntary cooperation in executing the strategy of their own accord. Change without clear reasoning and explanations can cause anxiety in employees who may feel the organisation may be looking to laying a few people off. This may be a huge barrier to progress if the front-line employees show a lack of buy in to the new strategy. For this reason, the sixth principle is very important in starting a blue ocean venture.

The sixth principle states that the organisation must foster people's trust and commitment deep in the ranks and in so doing inspire voluntary cooperation through the building of execution into strategy right from the start (Kim & Mauborgne, 2005:171). The successful incorporation of execution into strategy is likely to yield a threefold reduction of management risk in the forms of distrust, non-cooperation and sabotage. To bring about successful execution of strategy it is important to obey the tenets of fair process (Kim & Mauborgne, 1997).

8.4.6.1 FAIR PROCESS AND ITS THREE PRINCIPLES

Fair process is intimately linked with the ethical points considered in Chapter 7. It is concerned with the social sciences and is applicable to human relations in strategy execution as it has to do with not only the outcome but also the process of any decisions affecting a number of people.

Decades ago Thibaut and Walker (1975) combined the psychology of justice (Rawls, 1971) with the study of process to form what they termed *procedural justice*. Their goal was to understand what makes people trust a legal system, in such a way that they will comply with laws without needing to be coerced into doing so. The findings of their studies revealed that people care as much about the justice of the process through which an outcome is produced as they do about the outcome itself. Furthermore, people are more satisfied with any particular outcome and are more committed to it when procedural justice is exercised (Lind & Tyler, 1988). Fair process was developed by Kim and Mauborgne (1997b) as a managerial expression of the legal settings of procedural justice theory to be used as a tool for helping managers create buy-in right at the beginning, and thus build execution into strategy.

The basic premise of fair process is that through exercising procedural justice ideals in the strategy making process, people will trust that a level playing field exists. This encourages them to cooperate voluntarily during execution of the strategy. Voluntary cooperation involves going beyond the call of duty, wherein individuals exert energy and initiative to the best of their abilities, even subordinating personal self-interest to execute resulting strategies (O'Reilly & Chatman, 1986; Katz 1964; Blau 1964).

Figure 8-10 shows the causal flow Kim and Mauborgne (2005) observed takes place in blue ocean organisations.

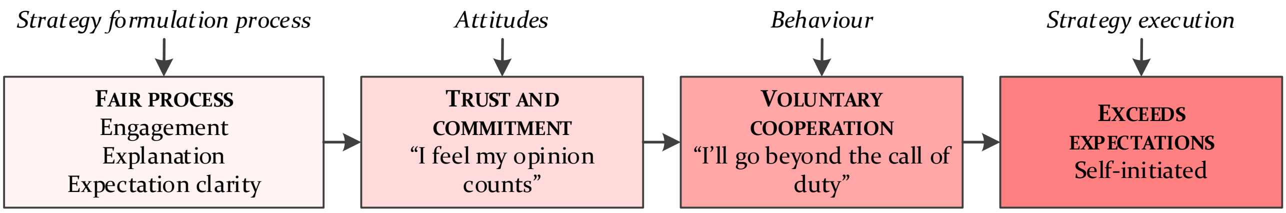


Figure 8-10 How fair process affects people's attitudes and behaviours

Three shared elements which strengthen one another and define fair process are engagement, explanation, and clarity of expectation. These elements are useful in dealing with people from the top all the way to the front line and will be discussed now.

i. Engagement

The first element of engagement relates to the necessity of involving individuals in strategic decision making in the areas that affect them. This can be done by asking for their input and making allowances for them to contest the merits of each other's ideas and associated assumptions. By engaging everyone, management communicates a sense of respect for individuals and their ideas. Group discussions and arguments made in a healthy way can sharpen thinking and increase the collective reasoning ability of the group. The end result of engagement is better strategic decisions and greater commitment from all role players in the change.

ii. Explanation

The second element is explanation, meaning that everyone involved or affected must understand why the final strategic decisions made, are as they are. Being able to logically reason through the thinking that determined the final decisions provides people with confidence in management's choices. Knowing that management considered their opinions and decided impartially so as to maximise the overall interests of the enterprise goes a long way for creating buy-in lower down in the enterprise. Trusting management's intentions is the key to employees accepting changes especially if their ideas have been rejected, and thus explanations create a strong and healthy feedback loop which encourages learning.

iii. Expectation clarity

Expectation clarity is the final element and acts so as to ensure that managers state the new rules of the game to employees. Even if expectations are demanding, employees need to be aware of how their work will now be graded and the penalties for not maintaining the specified standard of operation. For fair process to be effective it is important that the new goals, expectations, and responsibilities are properly understood, thus minimising a host of negative consequences such as favouritism, political jockeying, and slow strategy implementation.

These three elements work in conjunction to lead to judgements of fair process and none of the elements may achieve this without the other two working concurrently.

8.5 Root definition of business strategy

In developing a full understanding of business strategy pertaining to the BOP targeting SMME, which is the focus system of this study, it is necessary to fully incorporate the aspects shown in Table 8-4 in that definition for a full understanding.

Table 8-4 Root definition components of business strategy

CATWOE Element	Disambiguation
Clients	The beneficiaries of this system include the owner (entrepreneur) and/or managers of the SMME, and the BOP consumers
Actors	Those responsible for conducting the activities which make this system work include the consultants, the owner (entrepreneur) and/or managers of the SMME, the staff or employees of the SMME, and representatives from the BOP
Transformation	The inputs to this system pertain to the market knowledge of strategic alliance partners, competitors, and consumers across industries. These inputs are transformed into the output which is a blue ocean idea suitable/relevant to the BOP target market. The purposeful activity which transforms the input to the output is the utilisation of the strategy canvas, the four actions framework, and the six principles of BOS which enables the managerial team to ascertain where the enterprise must change the offering so as to create a new blue ocean of uncontested market space, ideally conducted under the guidance of a consultant for maximum effectiveness
Worldview	The relevant perception which justifies the existence of this system is that there exist blue oceans of uncontested market space which are more ideal than their counterpart red oceans which are highly competitive by nature, the identification of which is best effected under the guidance of consultants
Owners	The people who have the authority to change the measures of performance of this system or abolish it altogether include the owner and/or managers of the SMME
Environment	External constraints this system takes as a given include knowledge of the competitive stance of enterprises in similar or related fields of expertise, as well as the limited time that a value offering may remain a blue ocean offering (i.e. the industry and/or product life cycle stage)

The root definition of business strategy in the context of this study is therefore: a system which acts so as to utilise market knowledge of strategic alliance partners, competitors, and consumers to arrive at a blue ocean of uncontested market space ideally under the guidance of a consultant through making use of the strategy canvas along with the four actions framework and six principles of BOS, so as to increase the value created for the BOP consumers and the SMME who are both the beneficiaries of the system, arrived at through action of the owner and/or managers of the SMME, the staff or employees of the SMME, and representatives from the BOP, under the control of the owner and/or managers of the SMME, taking into account the constraints which exist in way of the competitive stance of enterprises in similar or related fields of expertise, as well as the way in which blue oceans turn to red ones with time.

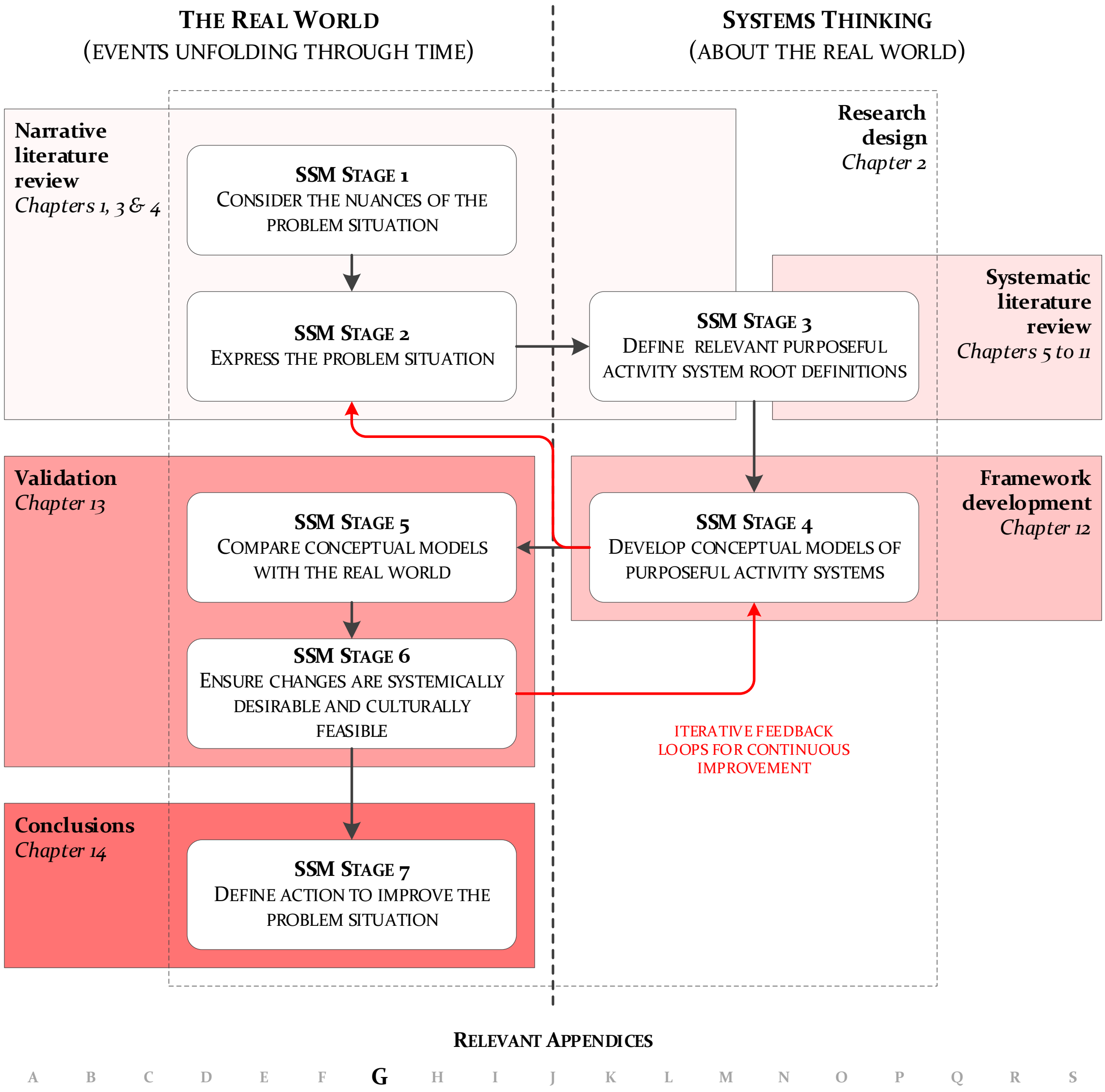
The list of requirements pertaining to business strategy which must be incorporated in the framework design process of Chapter 12 are listed in Table G-4 of Appendix G. They will ensure that uncontested market space is sought via an approach that enables the simultaneous lowering of costs and maximising of value for all.

8.6 Conclusion

Competitive strategies have been shown to be unsuitable to the needs of SMMEs entering the BOP (especially start-ups which are the focus of this study), which require disruptive, value-added strategies which act so as to enable them to indirectly challenge market leaders. Essentially, BOS contends that the key to enterprise growth and exceptional performance lies in redefining the market context. This can be done practically by making use of the strategy canvas, the four actions framework, and following the guidance of the six principles of BOS. The end result is a blue ocean of uncontested market space ready for the SMME to pursue, effectively resulting in competitors being cut out.

CHAPTER 9

INNOVATION



"Innovation is the specific instrument of entrepreneurship. The act that endows resources with a new capacity to create wealth."

Drucker (2014:36)

9.1 Introduction

Innovation is necessary to bring about superior ideas and ensure that an enterprise's value proposition is and always remains the best for the target market. Innovation is discussed in this chapter with the intention of raising the awareness of its importance in the pursuit of high growth at the BOP, whilst providing social entrepreneurs with an enterprise foundation from which to begin their pursuit of innovative action.

To begin with, the importance of innovation to the enterprise is related. This will give managers an understanding of the suitability of SMMEs for innovative action in addition to providing them with a way of categorising SMMEs in line with their current and desired innovative stance/level. Once having established the relevance of SMMEs for innovative pursuits, a few notable definitions of innovation are reviewed, and then the innovation process itself is defined in the context of this study. In order to establish where innovations might be searched for, the search space is then established. Once this is done, the different types of innovations which can be pursued are outlined with a model of the innovation space. In order to understand the ways these innovations differ with regards to how they should be managed, a focus is then placed on the managerial aspects pertaining to the innovation space, or more appropriately, the lenses management can view innovation through. With a good understanding of the options available to innovators, it is then worthwhile regarding the different innovative strategies which have shown to be of practical importance at the BOP. By describing and discussing a number of models, managers will be better equipped when diving into the BOP innovation space. Thereafter, it is useful to look at the ideal innovative enterprise and offering, so as to give managers an idea of what the end goal should be. A few tips are also covered as to how managers of innovative enterprises might best utilise their resources. As with the last three chapters, this chapter concludes with the development of a root definition for innovation and a list of requirements, both of which aid in developing the conceptual framework of Chapter 12.

As portrayed in Figure 2-1 of Chapter 2.2, this chapter contributes to stage three of the SSM approach used throughout this study (Checkland & Scholes, 1990:211).

9.2 The importance of innovation

Innovation is driven by the ability it gives an enterprise to see connections, spot opportunities, and exploit them in both new and established markets. It plays a key role not only in novel technological development, but also in the way it can improve old products. Of course, the scope of innovation is not limited to only product improvement, but includes services as well. Thus, innovation is a valid concern for every type of profit pursuing organisation.

Chapter 9 Innovation

Innovation is the common denominator of many successful high growth enterprises (Tidd & Bessant, 2014:5). Although these enterprises derive their competitive advantage from factors such as their size, assets, or other enterprise-specific proficiencies, it is becoming clearer that what is more important is their ability to mobilise knowledge and technological skills (and experience) to create novelty in both their offerings and the manner in which these offerings are brought to market.

Innovation is not only beneficial for high technology enterprises, but has been shown to be as important in enterprises which operate in a much more menial manner, e.g. the German enterprise of Würth which is the largest manufacturer of screws, nuts, and bolts in the world with an annual turnover of £7.5 billion. Würth attributes its ability to beat even Chinese competition by emphasising both product and service innovation (Financial Times, 2008).

With regards to SMEs, studies have shown that innovation is intricately linked to success. Statistics Canada (2006) found the following factors to be common to all successful SME enterprises:

- Innovation is consistently found to be the most important characteristic associated with success
- Innovative enterprises typically achieve stronger growth or are more successful than those that do not innovate
- Enterprises that gain market share and increasing profitability are those that are innovative

Innovation is important at both the level of the enterprise and as recognised more recently, a wellspring for national economic growth. Dillon, Lee and Matheson (2005) put it appropriately when they say that fundamentally "*innovation is our economy's value creation engine*." Innovation goes hand in hand with any business strategy to create value in any market, especially so at the BOP. It is not surprising therefore that many advanced economies are looking at increasing the number of policy measures promoting innovation at both regional and national levels. Economist William Baumol (2002) points out that "*virtually all of the economic growth that has occurred since the eighteenth century is ultimately attributable to innovation*."

Coupled with innovation is entrepreneurship. According to Tidd and Bessant (2014:11) entrepreneurship is "*a potent mixture of vision, passion, energy, enthusiasm, insight, judgement and plain hard work which enables good ideas to become a reality*." These two ideas are intricately related to one another. Innovation and entrepreneurship are both important when targeting the BOP in a new business operation, as it is inherently a risky process akin to developing something new and untested with a lot at stake.

Innovation allows novel ideas to become new products, which research evidence supports the existence of a strong correlation with market performance (Souder & Sherman, 1994; Tidd, 2001). New products allow an enterprise to capture and retain market shares, whilst simultaneously increasing the profitability of the enterprise.

Legislation and regulation in this modern day and age also plays a large role in what an enterprise can and cannot do. Innovation provides enterprises with the capability to respond quickly and efficiently to these openings or restrictions faster than competitors. The dynamic nature of the business environment makes continuous innovation important, meaning that it is not a once off event.

At the BOP, local entrepreneurs invariably pursue lower quality goals regarding their product offerings, often resorting to inferior techniques to save money (Arnould & Mohr, 2005). Due to the deeply ingrained risk adverse nature of the BOP community brought about by economic uncertainty and demand weakness, local producers tend to stick to what they know works and thus do not stimulate innovation or seek to tap novel markets in the BOP by maximising the use of their clusters (Arnould & Mohr, 2005).

9.2.1 SMMEs AS VEHICLES FOR INNOVATION

The way in which innovation is managed has a large dependence on the size of the innovative enterprise. Smaller enterprises typically possess a number of advantages over their larger counterparts, including agility and rapid decision-making ability, however they also face limitations such as resource constraints. Table 9-1 lists a number of advantages and disadvantages associated with innovative SMMEs due to their smaller size.

Table 9-1 Size related pros and cons of innovative SMMEs (Tidd & Bessant, 2014:69)

Advantages	Disadvantages
High quality of communication (everyone knows what is happening)	Lack of formal control systems for management (costs, project times)
Greater decision-making speed	Limited or lack of access to key resources (financial, intellectual, physical)
Informal culture	
Shared and clear vision	Lack of experience and important skills
Agility and flexibility	General lack of long-term strategy and direction
Entrepreneurial spirit and risk-taking propensity	Lack of structure and succession planning
Energy, enthusiasm, and passion for innovation	Poor risk management capabilities
Generally good at networking, both internally and externally	Deficiency of supporting systems

However, it must be noted that small enterprises are not all equal with regards to their attitude towards innovation. Furthermore, innovation is a generic term applicable to both the fisherman trying to increase the efficiency of his fish packaging process and the entrepreneur launching a nanotechnology spin-out. For this reason, it is important to understand the various types of innovative enterprises.

9.2.2 Types of innovative enterprises

How well innovation is managed in an enterprise is tantamount to its effectiveness. Tidd and Bessant (2014:83) argue that success is attained primarily through building and improving effective routines. The capacity an enterprise has to learn to do this is dependent on recognising and understanding effective routines over time and integrating them throughout the enterprise.

Enterprises differ widely in their ability to innovate. Many enterprises do not even recognise the need for change, regardless of whether or not they have the capacity to bring about change. These enterprises differ from those which recognise the need for some strategic change, enterprises which understand the need for acquiring and using new knowledge but do not know how to use it effectively once attained. Then again there are those which know what is needed but do not know how to find a solution. The enterprises for which innovation holds the most advantage are however those which have well developed routines to find and answer these problems (Leonard-Barton, 1998). These archetypes of enterprises are related in Figure 9-1.

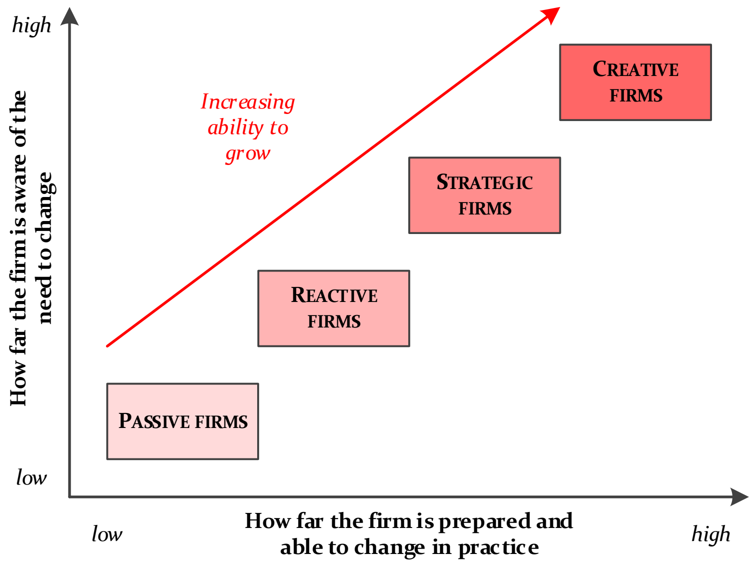


Figure 9-1 Groups of enterprises according to innovation capability (Leonard-Barton, 1998)

Therefore, it can be seen that a distinguishing feature between unsuccessful and successful enterprises is their ability to organise and manage the entire innovation process, from searching to assimilating to bringing about effective use of the new knowledge.

Passive enterprises are unaware of the need for innovation, lacking the ability to recognise the need for change. If the environment becomes more hostile or market know-how becomes important, these enterprises are likely to fail. In essence, they are vulnerable to low cost competitors entering the market, or changing market demands which necessitate quicker delivery or better quality. They exhibit an inability to pick up relevant signals or respond promptly, and focus resources on the wrong kinds of improvement, if any.

Reactive enterprises recognise the need or challenge of change, however it is unclear to them which directions to pursue in order to address these needs effectively. Generally due to limited internal resources, they lack the needed skills and experience and therefore tend to react to external threats and the possibilities thereof. However, they are likely to be unable to shape or exploit events to their advantage. A characteristic of these enterprises is a stunted and inadequate external network, with most of their know-how being derived from observation of other enterprises in their sector.

Strategic enterprises exhibit a well-developed sense of the need for change, and also boast a high capacity to implement new projects through a strategic approach to the process of continuous innovation. With a clear knowledge of their priorities, these enterprises show cognisance of when and how change needs to be brought about. Change is implemented quickly and skilfully due to strong internal capabilities in managerial and technical areas. Through well-developed strategic frameworks taking into account the searching, acquiring, implementing, and improving of new knowledge they stay on top of competition. The area these enterprises lack capabilities in is that of radical innovation. Without the ability to redefine markets through new products and services, these enterprises remain trapped in a competitive mode, always operating within the boundaries of the industry. These industries tend to be mature and exhibit slow growth, despite the continuous effective exploitation of market opportunities in the industry. They are therefore limited in their ability to acquire knowledge that is new and beyond the boundaries of their traditional business settings.

The final and most advantageous enterprise type is the creative one. Creative enterprises operate at the international knowledge frontier. They lead through taking a creative and proactive approach towards the exploiting of technological and market knowledge. Their competitive advantage is derived from extensive and diverse networks. Being at ease with the latest strategic frameworks for innovation, they rewrite the rules of the game, with a great enough degree of absorptive capacity that they are able to diversify into other sectors, wherein they are able to apply their own skills and knowledge to redefine the manner in which enterprises traditionally compete. This type of enterprise is synonymous with the BOS enterprise.

In effect, the whole importance of this chapter on innovation can be seen in that what is most important for enterprise owners and managers to understand is that a creative enterprise is the desired form. Without innovation being at the forefront of the enterprise's decision making, new knowledge will not be gathered or utilised to its full effect. When targeting the BOP, it is as imperative to be creative in terms of the network-oriented definition given above due to the fact that start-ups often have limited key resources to pursue opportunities fully.

9.3 Towards a definition of innovation

Innovation is more than simply generating good ideas, it extends to the process which nurtures these ideas into practical use (Hargadon, 2003). In its broadest sense, as derived from its Latin word, *innovare*, innovation means to make something new. Many people wrongly think of innovation as only the development of new inventions, however it is much more than this. There is no single definition which has been agreed upon by the majority of academicians, however there are common trends among their definitions. All of them stress the need to complete the development and exploitation aspects regarding new knowledge as shown by the following quotes.

According to the Innovation Unit, UK Department of Trade and Industry (2004), as quoted by Pittaway, Robertson, Munir, Denyer and Neely (2004:9):

"*Innovation is the successful exploitation of new ideas.*"

Freeman (1982) claims that:

"*Industrial innovation includes the technical, design, manufacturing, management and commercial activities involved in the marketing of a new (or improved) product or the first commercial use of a new (or improved) process or equipment.*"

Rothwell and Gardiner (1985) put forward that:

"*…Innovation does not necessarily imply the commercialisation of only a major advance in the technological state of the art (a radical innovation) but it includes also the utilisation of even small-scale changes in technological know-how (an improvement or incremental innovation).*"

Drucker (2007) says:

"*Innovation is the specific tool of entrepreneurs, the means by which they exploit change as an opportunity for a different business or service.*"

Porter (1990) argues that:

"*Companies achieve competitive advantage through acts of innovation. They approach innovation in its broadest sense, including both new technologies and new ways of doing things.*"

Richard Branson as quoted by Clegg (1999:96) said:

"An innovative business is one which lives and breathes 'outside the box'. It is not just good ideas, it is a combination of good ideas, motivated staff and an instinctive understanding of what your customer wants."

Thus, invention is only the first step in bringing a product, service, or process into widespread effective use. Innovation can therefore be seen as the process by which new ideas are turned into reality and existing offerings are improved, maximising the value created by and captured from them.

9.4 Types of innovation

With a process view of innovation, it is useful to look to the different outputs of that process to better understand how it works. There are many ways in which enterprises may innovate through finding opportunities for ideas, creating something wholly or partially different, and then capturing value by bringing the idea into the market successfully.

One instance of this is when completely new ideas are brought about in the form of radical breakthroughs, creating and growing new markets. The more common though less notable form of innovation is however incremental in nature, whereby products, services, and processes are continuously improved bit by bit, serving established and mature markets.

9.4.1 THE 4PS OF INNOVATION SPACE

Change can take several forms, which according to Tidd and Bessant (2014:24) can be divided into four categories, each ranging from incremental to radical innovation. These categories of innovation are as follows:

- **Product:** changes in the products or services which an enterprise offers
- **Process:** changes in how products or services are created and delivered
- **Position:** changes in the context in which products or services are introduced
- **Paradigm:** changes in the underlying mental models that frame what the enterprise does

These four Ps can be organised as shown in Figure 9-2 so as to form the *innovation space*.

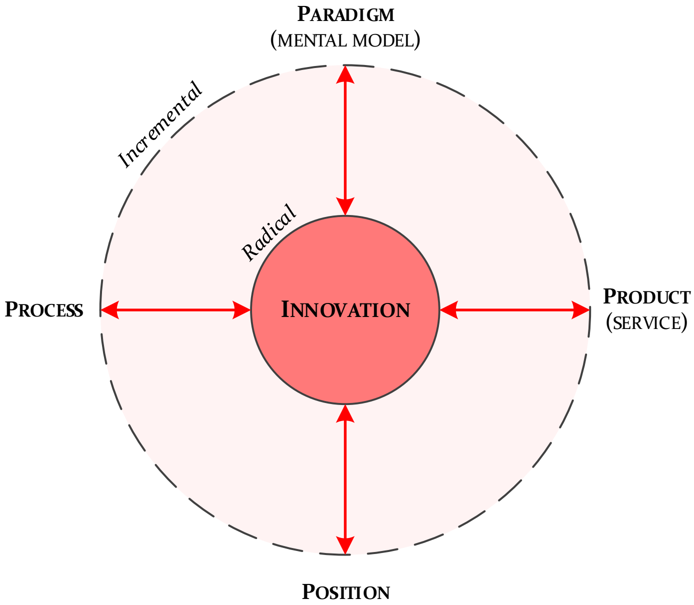


Figure 9-2 The 4Ps of innovation space (Tidd & Bessant, 2014:25)

Of course, in reality some innovations are not clearly one or the other, but exhibit components of each of the different categories to some extent. Examples of each type of innovation for both radical and incremental types are shown in Table 9-2. An advantage of using the innovation space is that rival offerings of competitor enterprises can be mapped onto the innovation space and thus used to determine unexplored space which might offer significant opportunities (very similar to the strategy canvas but with an innovative slant).

Table 9-2 Innovation examples mapped onto the 4Ps model

Innovation type	**Incremental (do things better)**	**Radical (do something new and different)**
Product	Improved performance incandescent light bulbs	LED-based lighting using completely different and more energy efficient principles
Process	Improved range of banking services delivered at bank branches	Online banking and mobile banking using phones as an alternative to banking systems
Position	Banking services targeted at key segments such as students, or retirees	BOP approaches using a similar principle but tapping into huge and very different high volume/low margin markets
Paradigm	Henry Ford, a latecomer to the car industry changed the underlying model of business, making affordable cars for the average person, not only the wealthy	Grameen bank and its microfinance model, rethinking the assumptions about credit and the poor

9.4.2 MANAGERIAL LENSES FOR LOOKING AT INNOVATION

Different aspects of innovation provide lenses through which innovation can be viewed by management, each requiring different considerations to be made in how the enterprise identifies new opportunities, and then pursues them correctly. Through understanding the key challenges posed by the following key aspects, the entrepreneur and managers will be aided in making strategic decisions regarding where and when to act.

9.4.2.1 INCREMENTAL VERSUS RADICAL INNOVATION

Incremental innovation is basically when an enterprise continuously improves on what it already does. The term *incremental* provides insight into the degree of novelty across different positions of the innovation space. The degree of novelty increases right up to that of radical innovations which completely redefine the way something is thought about and used. The degree of novelty however is a perceived notion, and it is management's job to determine what kind of innovation is being pursued as each has different implications. Ettlie (2007) puts forward that only 10% of what are called project innovations are attributable to radical and disruptive innovation. Incremental innovation requires consistency and occurs over an extended period in small steps, resulting in greater accumulation of efficiency over time than that due to radical innovations (Hollander, 1965; Tremblay, 1994; Enos, 1962; Figueiredo, 2001). Radical innovation is more discontinuous in nature, coming and going intermittently and often unpredictably.

Incremental innovation is synonymous with the total quality management movement of the late twentieth century brought on by the significant gains Japanese manufacturers had attained through sustained incremental change (Imai, 1986). Furthermore, incremental innovation can be seen in the learning curve effect whereby productivity increases with scale of production, due to increased learning that comes about by continuous and incremental problem solving in the introduction of new products and processes (Arrow, 1962b). The most recent concept of lean thinking further reveals the importance of incremental innovation (Womack & Jones, 2009).

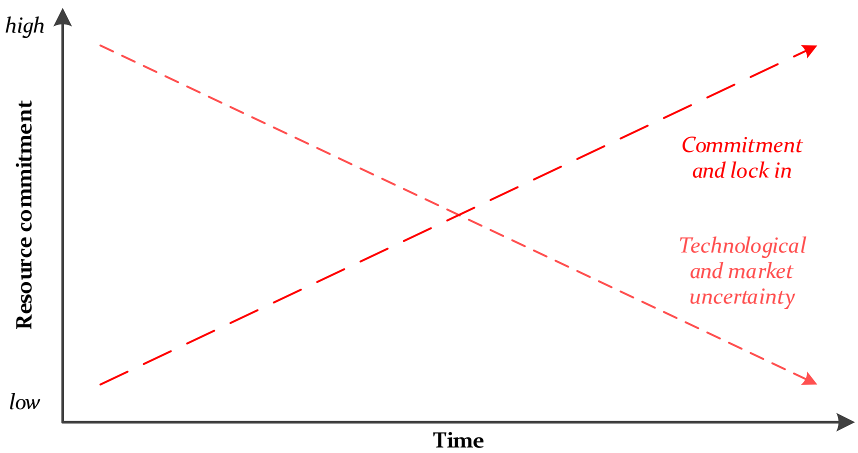


Figure 9-3 Resource commitment and uncertainty in innovation (Tidd & Bessant, 2014:40)

Managing innovation is essentially the process of increasing resource commitment to some idea while reducing uncertainty, as displayed in Figure 9-3. Incremental innovation, although not void of risk by any means, is at least manageable as the starting point is something well within the enterprise's understanding, and developing improvements on it is relatively low risk. However, in moving to more radical innovations, uncertainty is higher and there is little to go on as to how much of the enterprise's resources should be used, and on what it should be used.

9.4.2.2 PLATFORM INNOVATION

Platforms provide an enterprise with a way of harnessing continuous incremental innovation to good effect. Through innovating in a manner which allows for upgrading and extension of a product or service feature, it is possible to establish a strong basic platform on which derivatives can be added in future. These platforms can provide a basis for expansion across a number of sectors.

A paradigm or product (service) of the 4Ps that was successfully extended across sectors is that of lean thinking which was primarily focused on the car manufacturing industry, but extended later into hospitals, banks, and even supermarkets, etc. If one looks at the model of position innovation of the 4Ps of innovation space, brands can provide an enterprise with a strong platform on which to build across market segments. For instance, Richard Branson's Virgin brand which extended from low-cost flights to financial services, telecommunications, and even food. Therefore, platform innovation is a significant contributor to increasing an enterprise's potential for attaining growth.

9.4.2.3 DISCONTINUOUS INNOVATION

Discontinuous innovation is apt for when the rules of the game change. Most of the time the rules are fixed, and clearly understood by enterprises as they innovate as usual, with some enterprises outperforming others (Phillips, Noke, Bessant & Lamming, 2006). However, this state of equilibrium is sometimes disturbed by different rules coming into effect or old rules being abolished, resulting in a redefinition of the boundaries within which the enterprise may innovate.

This opens up the field to discontinuous innovations which are presented by new opportunities, and simultaneously challenge existing players to reframe their old pursuits in light of the new developments (Leifer, McDermott, O'Conner, Peters, Rice & Veryzer, 2000; O'Connor, Leifer, Paulson & Peters, 2008). The rules of the game can be rewritten via a number of triggers of discontinuity which must be responded to promptly if the enterprise is to remain in business, including:

- **New market formation:** when new markets emerge, which cannot be predicted in advance. The developers of the new market may not fully recognise the potential therein and this opens up opportunities for quick to respond innovative enterprises (Christensen, 1997)
- **New technology emergence:** either a single breakthrough or the converging and maturing of several streams of ideas cause a step change in product or process technology. These advances may not be within the enterprise's scope of search, or be completely unforeseen, requiring prompt realignment of the enterprise's strategic objectives (Utterback, 1994)

- **Different political rule development:** conditions shaping economic and social rules can change abruptly, changing the appropriate approach of businesses (Barnes, Bessant, Dunne & Morris, 2001)
- **Running out of opportunities:** mature industries may not present enterprises with much space to develop due to overabundance of competition or industry structures which quell any chance to innovate. Managers need to change the steady-state innovation system to go outside the safe confines of what is familiar (Evans & Wurster, 2000)
- **Market behaviour or sentiment changes:** change of public opinion or behavioural shifts slowly move the industry into a new model, which if not determined as the root cause of the change, may waste enterprise resources through pursuit of alternate explanations (Prahalad, 2004)
- **Regulatory changes:** when the regulatory framework within which the enterprise operates is changed due to market trends or political pressures, enterprises may remain stuck in their ways and not see new opportunities opening up (Hamel, 2000)
- **Fault line fractures:** long-held beliefs regarding a particular concern in minority groups cause a sudden change in attitudes of the market. This requires adaptation so as to remain socially correct, by developing parallels to the new conditions (smoking)
- **Unthinkable events:** events which cannot be predicted, but which have catastrophic impacts on often a global scale, which may disempower existing players, causing a redistribution of the influence of competitors (e.g. the 9/11 attacks)
- **Business model innovations:** through reframing and challenging of existing business models, new entrants reframe the problem and pursue opportunities making the old business models redundant. This is where managers must develop an entirely new business model (Evans & Wurster, 2000; Day & Schoemaker, 2004)

All in all, managers must be aware of the *sailing ship effect*. The sailing ship effect comes from the period when steamship technology came into existence (Gilfillan, 1935), effectively rewriting the rules of the game, to which sailing ship manufacturers responded by trying to accelerate their rate of improvement, ultimately to no avail. Managers cannot underestimate the potential of these triggers for discontinuity.

9.4.2.4 Component versus architectural level of innovation

Fundamental to innovation is knowledge management, creating new possibilities by combining different knowledge sets into a cohesive whole. Henderson and Clark (1990) look at the kinds of knowledge involved in different kinds of innovation. Their argument is that very rarely does innovation focus on dealing with a single technology or market, but that it is more often than not about bringing a bundle of knowledge into a specific configuration. Thus, successful innovation management is not only a question of finding the right components, but also learning how to put these components together in what is termed the *architecture* of an innovation. Innovation can therefore occur at either the component level or architectural level.

Innovation architecture is strong reason for why incumbent enterprises trying to respond to or imitate discontinuous changes may find it nearly impossible. Architecturally, innovative products and services require new channels and flows of knowledge, combining a number of channels and flows of knowledge from various component level innovations. Unless competitors in the industry have the same separate sources of expertise, it is unlikely that they will be able to break down the architecture correctly so as to reverse engineer it.

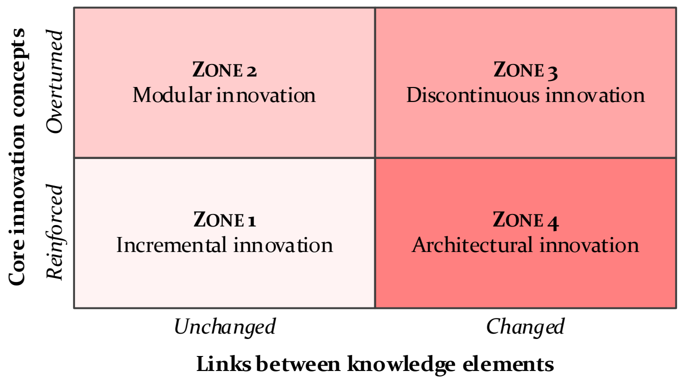


Figure 9-4 Component versus architectural innovation, adapted from Abernathy and Utterback (1978)

Each zone in Figure 9-4 portrays a different combination of knowledge elements and their influence on the core innovative concepts. It is crucial to understand wherein the required innovative action lies so that the enterprise might react accordingly.

Zone 1 has clear rules, requiring the enterprise to pursue steady-state improvement of products (services) and processes. Knowledge used is that surrounding core competencies already understood clearly by the enterprise. In zone 2, one element is changed, however the overall architecture of the system stays the same. Herein there is a need for learning new knowledge, although in a well-established and clear framework of both sources and users. Zone 3 pertains to discontinuous innovations, whereby both the desired end state and the ways to get there are unknown. In this zone, new entrants are likely. Lastly, in zone 4, new combinations of knowledge elements are needed so as to satisfy different groups of users. The managerial challenge is one of reconfiguring existing knowledge in new ways.

9.4.2.5 Timing

Innovative opportunities change over time, and therefore the innovation life cycle must be understood. Newer industries usually have lots of scope for new product and service concepts, whereas more mature industries tend to focus more on process or position innovation. Enterprises in mature markets look for better ways of delivering their offerings (more flexibly or cheaply) or look to new market segments in which to sell them.

The way in which different aspects of innovation require a different emphasis over time was covered by Utterback and Abernathy (1975) in their pioneering model of three distinct phases of the innovation life cycle.

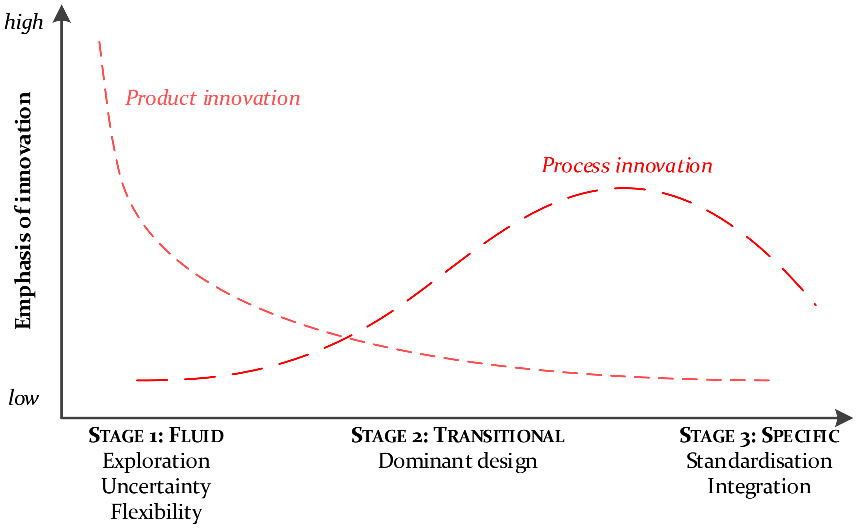


Figure 9-5 The innovation life cycle (Utterback & Abernathy, 1975)

Figure 9-5 shows the three phases of the innovation life cycle. The first phase, known as the fluid phase, is so called due to the high uncertainty common in the initial discontinuous conditions. This uncertainty can be seen along two dimensions, namely the target and technical dimensions. The target refers to what the new configuration will be as well as who will want it, and the technical refers to how the enterprise will harness the new technological knowledge so as to create and deliver the target. Of course, it is impossible to just know what exactly the correct configuration of technological means and market needs is, for which reason in this stage it is important to experiment extensively as other enterprises will be learning as quickly as possible.

After time, the experiments will converge around a dominant design, which resets the rules of the game so to speak. Note that this dominant design is not necessarily the most technologically sophisticated or elegant looking. Hereafter, innovation options begin to become increasingly channelled towards a specific set of possibilities, known as a technological trajectory (Dosi, 1982). The longer this phase lasts, the more difficult it will become to look outside this solution space as entrepreneurial interest and resources increasingly focus on only possibilities within this dominant design corridor (Tidd & Bessant, 2014:43).

This process occurs for both products and services, with key characteristics becoming stabilised and focus turning to how to remove bugs in the design, rather than searching for alternate opportunities per se. In this second stage, the transitional stage, the dominant design emerges and the emphasis shifts more towards imitation and development. Instead of looking at radical concept development, the entrepreneur focuses more on delivering reliability, differentiation, higher quality, greater functionality, etc.

Still further along the innovation life cycle, the concept matures to the point where incremental innovation is most significant, and the ultimate focus is cutting costs. In this time, the enterprise turns to rationalisation to reorganise the enterprise in order to increase its efficiency (e.g. change in size, policy, strategy, etc.), scale of economies to minimise the impacts of fixed costs, and on process innovation to increase productivity. This third stage, known as the specific stage, is so called due to the way in which products and services are increasingly customised to meet particular needs of different market segments.

Hereafter, the playing field returns to one of seeking disruptive innovations which can rewrite the rules of the game, whilst continuous innovation on the side-lines ensures that existing products and services remain as advantageous to the enterprise as possible. The secret is to never remain in the specific stage, but to branch out and seek new opportunities to remain a leader in new industries by forming new markets with no initial competition. Due to the cyclic nature of innovation, it is in the initial fluid phase where the sailing ship effect is often observed, with the coexistence of old and new innovations competing. Tidd and Bessant (2014:45) argue for the importance of small entrepreneurial enterprises in playing a strong role in the initial stage of the innovation life cycle.

Managers must be careful to not remain stuck in the steady-state which opposes movement into the fluid stage (Bessant & Francis, 2005). Key organisational behaviour attributes which are able to increase the likelihood of handling highly uncertain conditions include agility, flexibility, the ability to learn fast, and the lack of preconceptions regarding the ways in which products, processes, and services might evolve. It must be understood, however, that discontinuous changes often come from outside the particular industry the enterprise is operating in, and this means one probably will not see changes coming. Therefore, developing a rapidly responsive enterprise is often more useful than developing an expensive search mechanism or routine, although closely aligned industries should be monitored.

9.4.2.6 CONTEXTUAL INFLUENCES

There exist a wide range of contextual influences which enterprises must take into account when configuring their innovation process. These key contextual influences on innovation management are shown in Table 9-3 along with example references which support the contextual variables.

Table 9-3 The influence of context on innovation management

Contextual variable	**Note for managers**	**Example references**
Degree of novelty	Improvement innovation requires different approaches to organisation and management than more radical forms. If both have to be simultaneously managed, it is possible for enterprises to employ dual structures, or even split the enterprise or spin-off so as to best exploit opportunities	Perez (2002); Christensen (1997); Oakey (1991); Bessant, Lamming, Noke and Phillips (2005)
Life cycle stage	Different stages of life cycles (technology, market, or industry) emphasise different aspects of innovation	Pavitt (1999); Utterback and Abernathy (1975); Tushman and Anderson (1986); Utterback (1996)
National systems of innovation	Different countries exhibit varying degrees of support for innovative pursuits, regarding institutions, and policies	Hoffman, Parejo, Bessant and Perren (1998); Lundvall (2010); Nelson (1993)
Sector	Different sectors focus on different priorities and have different characteristics influencing the innovative direction, e.g. scale-intensive versus science-intensive	Tidd and Hull (2003); Pavitt (1984)
Size	Smaller enterprises have a higher need to develop linkages with other enterprises due to limited access to resources	Hoffman *et al.* (1998); Rothwell (1978); Rothwell (1983); Oakey (1991); Rothwell and Dodgson (1993)
Role of external agencies (regulators)	Certain sectors, like utilities, telecommunications, electricity, etc., are greatly influenced by external regimes, shaping the rate and direction of opportunities for innovative pursuits	Christensen, Anthony and Roth (2013); Leone and Hemmelskamp (1998)

9.5 The innovation process

In order to make sense of the innovation process, and understand how managers can put it into a logical and repeatable, structured process, it is sufficient to look at the model described by Tidd and Bessant (2014:89), which provides a generally applicable procedure (not dependent on any sector per se) that distributes four key activities over time. An adapted version of this process is shown in Figure 9-6. It is congruent with the findings of many other models of innovation (Johne & Snelson, 1988; Chiesa, Coughlan & Voss, 1996).

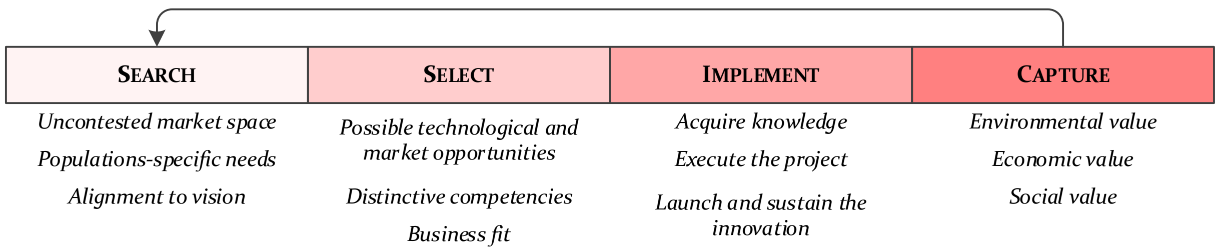


Figure 9-6 Process model of innovation

Consistent with the definitions of innovation covered at the start of the chapter, this model of the innovation process takes into account that innovation is not only the development of a new offering from an idea, but that it goes further to also include the means by which that offering is brought to the market and how it creates value for the enterprise and the target market. The discriminate steps include search, select, implement, and capture, which take place in an iterative fashion throughout the life of the enterprise.

The search phase of the innovation process involves the detection of signals in the environment indicating a potential for change, e.g. new technologies develop, market requirements change, regulations change, etc. For successful innovation management, it is important that managers foster the development of mechanisms for identifying, processing, and selecting key information regarding changes in the environment. The sources of innovation are numerous and will be discussed in the next section.

The selection phase is the riskiest as it sets the course of the rest of the process, limiting the focus for development, and resolving which fundamental inputs are needed for the final offering. This is where an understanding of the market's needs is key to success. Managers need to be able to know their limits, or scope for action, and answer what needs they are best equipped to try answer with regards to their key competencies, as the likelihood of failure rapidly increases when pursued directions are not in line with the competencies of the enterprise (Francis & Bessant, 2005).

The implementation phase brings ideas to reality, through acquiring knowledge from within and without the enterprise. It requires effective project management in order to execute the innovative project, whereby the idea is turned into a sustainable offering for the target market. This phase requires managers to manage resources effectively and responsibly, and will be touched on in more detail later.

The final phase of the innovation process pertains to capturing value from the innovation. This requires that the innovation is adopted and diffused as quickly as possible. Factors influencing the rate of adoption and diffusion will be discussed near the end of this chapter. Value comes in many forms, for both the enterprise and the target market. The enterprise gains economic value as well as knowledge of the target market, whilst the market gains value through utility of the innovation.

In the next few sections each of these phases are touched on and discussed in light of the BOP.

9.6 The innovation search space

Understanding the importance of innovation, as well as the types of innovation which an enterprise can pursue is all well and proper, but the crux of innovation is the seeking and finding of good ideas from numerous sources. For an enterprise to correctly conduct the search phase of the innovation process, it is imperative that management know what ways exist for searches to be conducted, as well as when to search for what, or at least know in which domain to look.

9.6.1 SOURCES OF INNOVATION

Beyond the few and far between *eureka* moments, there exists a plethora of innovation sources, each of which gives a different view of potential value offerings, as shown in Table 9-4.

Table 9-4 Sources of innovation

Source	**Description**	**Example**
Knowledge push	One source is the possibilities which emerge as a result of scientific research. In the 20th century, modern large corporations brought with them the emergence of the research laboratory as a key instrument of progress. For both products and processes, the key characteristics become stabilised and experimentation moves to getting the bugs out and refining the dominant design	Polythene: consumption of roughly 60 million tonnes/year; used for films, plastic bags, packaging, etc.; discovered accidentally by chemists working at ICI in the UK in 1933
Need pull	We must recognise that another key driver of innovation is need, the complementary pull to the knowledge push. Knowledge push creates a field of possibilities though not every idea finds successful application, and one of the key lessons is that innovation requires some form of demand if it is to take root. Necessity is the mother of invention, innovation is often the response to a real or perceived need for change	Low energy lightbulbs
Users as innovators	Users aren't always passive recipients, their ideas and frustrations with existing solutions lead to experiment and prototyping which create early versions of what eventually become mainstream innovations. User-led innovations in communities create and use innovative solutions on a continuing basis. To ensure the range of applications for innovative ideas is consistently growing, a state of perpetual beta needs to be reached, i.e. testing new product/services across a community to get feedback and development ideas	According to the Harvard Business Review, "*innovations developed by individuals who give them away increasingly compete with patent-protected, for-profit innovations in many parts of the economy*" (Von Hippel, 2011)
Extreme users	Extreme environments are a source of innovation. Users in the toughest environments may have needs which by definition are at the edge, so any innovative solution which meets those needs has possible applications back into the mainstream	Continued funding, coupled with its collective innovations in robotics and shock-absorption/comfort materials are inspiring and enabling the private sector to create new and better solutions for animal and human prostheses
Watching others	New/different solutions can be found through learning from others, imitation is not only the sincerest form of flattery but also a viable and successful strategy for sourcing innovation. Reverse engineering of products or processes, and development of imitations is a good way to find ideas. Benchmarking can be used for an enterprise to make structured comparisons with others to try and identify new ways of carrying out particular processes or to explore new product or service concepts	When *The North Face* sued the parody company, they essentially brought attention to the small-scale store and boosted its opponent's sales
Recombinant innovation	There is plenty of scope for crossover, ideas or applications which are commonplace in one world may be perceived as new or exciting in another. This is also possible within large organisations where opportunities to use knowledge created in one area and apply in another can be exploited. This occurs by *bisociation* which is the bringing together of seemingly unrelated things which can in some way be connected and yield an interesting insight. The key here to managing innovation is to look to diversity to provide the raw material which might be combined in interesting ways, and realising this makes the search for unlikely bedfellows a useful strategy	Fixed wing aircraft with floatation devices allowing for water landing

Source	Description	Example
Design-led innovation	This is basically a design process which seeks to give meaning, shape, and form to products, features, and characteristics previously unheard of. People do not buy things only to meet their needs, there are important psychological and cultural factors at work as well. Design-led innovation creates major new concepts which have significance in people's lives	Apple's iPod
Regulation	Changes in rules and regulations which define the various *games* for business and society stimulates innovation. Regulation both restricts certain things (closes off avenues for innovation) and opens up new ones along which change is mandated to happen. This also occurs via deregulation, the slackening off of controls which may open up new innovation space. Regulation can also trigger counter innovation. Solutions designed to get around existing rules or at least bend them to advantage	Speed cameras came about and then GPS devices incorporated a warning system for the fixed cameras to help drivers avoid fines
Futures and forecasting	Imagining and exploring alternative trajectories to the dominant version in everyday use	The Shell *GameChanger* programme pursues unproven ideas that have the potential to impact the future of energy
Accidents	Accidents may on occasion trigger innovation, opening up surprisingly new lines of attack; however, as Louis Pasteur claimed, "*chance favours the prepared mind!*" Therefore, entrepreneurs must create the conditions under which these openings/ideas can be noticed and acted upon	When a polymer chemist mixed an experimental batch of what should have been a good adhesive but turned out to have rather weak properties; this became a billion-dollar product platform for 3M in the form of *Post-it* notes

9.6.2 EXPLORATION VERSUS EXPLOITATION

One of the core themes of innovation search literature pertains to the balancing of exploration versus exploitation search activities (March, 1991; Benner & Tushman, 2003). Enterprises are required to deploy both knowledge resources and other assets in an effort to secure returns in a safe manner, often derived from a steady flow of benefits due to incremental innovations. This approach is termed exploitation, as it in essence involves "*the use and development of things already known*" (Levinthal & March, 1993). Through knowledge leveraging activities (Rothaermel, 2002), exploitation builds on what exists, resulting in a high degree of path dependency due to the way in which the enterprise's "*accumulated exploitation experience reinforces established routines within domains*" (Lavie & Rosenkopf, 2006).

The confusion arises when enterprises must operate in an uncertain environment whereby the ability to secure a competitive position necessitates that the enterprise does something altogether new and different, i.e. a radical innovation (McGrath, 2001). The required form of search in this instance is known as exploration, due to the unknown element which requires long jumps and reorientations for the enterprise to adopt altogether new knowledge outside its normal routines or domains (Levinthal, 1997; Rosenkopf & Nerkar, 2001).

Tension arises due to the different approaches managers need for each. One is precise, structured, and predictable, whereas the other is occasional, high risk, and cross-functional as it looks across different domains. Some researchers advocate the use of a portfolio approach to combine the two approaches (Tushman & O'Reilly, 2006; Birkinshaw & Gibson, 2004), with partial focus on peripheral and emergent areas around the currently existing market segments and technologies (Kotler, Keller, Ancarani & Costabile, 2014; Roussel, Saad & Erickson, 1991; Baker, 1983).

9.6.3 SEARCH TOOLS AND MECHANISMS

Searching for alternative innovation sources is a dynamic process, due to the *moving frontier* nature of the problem. No single tool or mechanism provides every solution all of the time, therefore they need to be used in unison, to some or other degree. The following tools and mechanisms however provide managers with a good point of departure:

- **Partnering with other organisations:** this provides enterprises with a controlled (and budgeted) approach to developing new ideas, making it the conjoint purpose of a dedicated strategic alliance, ideally formed with organisations that are often active in the field for an extended period of time
- **Deep diving:** this is basically getting into the habitat of the end user and understanding his or her needs from the front line. Interviews and focus groups have been shown to not always be so reliable, making it imperative that this empathic design route, otherwise known as ethnographic method, is used (Kelley, Littman & Peters, 2001)
- **Exploring multiple futures:** studying trends and looking to how the market may be in the future can help guide the enterprise in new directions. One practical way of determining which approaches are worthwhile pursuing is to develop concepts which potential users can critique, giving the enterprise more ideas as to what might be feasible one day
- **Extending external connections:** it is clear that spreading the net widely remains a top manner of finding new and different ways of doing things, or generating ideas. This is synonymous with open innovation as will be discussed in the next section
- **Managing internal knowledge connections:** often the answer to many of our problems is staring us right in the face. Enterprises become blasé about the knowledge they possess, sometimes due to the sheer magnitude of it. Furthermore, many solutions can be found through looking to the average employee, not necessarily only the specialists. The usefulness of internal knowledge can be intensified through intrapreneurship (Pinchot, 1999)
- **Sending out scouts:** this requires personnel to be deployed into the field (other businesses, markets, specialists) and collect new ideas through observing and interacting with them

- **Using the web:** the internet is probably the most expansive and immediate (right at your fingertips) way to find new ideas, through making use of keyword searches and gathering data via polls or surveys regarding market trends and other concepts further afield
- **Working with active users:** as seen in previous chapters, the user can also take part in the innovative design process, helping not only to test or buy the offering, but also to add to what its scope may be, actually taking part in the idea generation phase. This is a great approach in that it is right at the heart of what existing customers or users want

These approaches are but a few of the existing approaches to searching for innovative ideas, but to know when to use which is the key, as different approaches are likely to find different types of innovative ideas, i.e. incremental versus radical, within the knowledge domains of the enterprise versus external knowledge domains.

9.6.4 THE SEARCH SPACE

To provide some direction when managers enlist employees' help in searching for innovative ideas, the search space of Figure 9-7 provides a good map for explaining to employees where they should look.

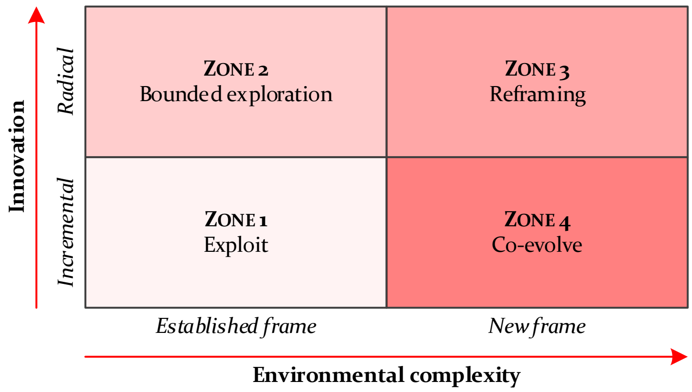


Figure 9-7 A map of innovation search space (Tidd & Bessant, 2014:286)

The term *frame* pertains to the dominant logic or trajectory a particular sector is likely to operate within under typical conditions. Hand in hand with a change of frame is a change of innovation architecture, especially in terms of paradigms and positions. Therefore, each of the different zones indicated requires a different take on innovation management. These zones are described and discussed in Table 9-5, and applicable search tools are included as guidelines.

Table 9-5 The challenges and appropriate tools for innovation search

Zone definition	**Search challenges**	**Appropriate tools and mechanisms**
Exploit: *business may continue as usual, new innovations should be pursued around the existing business model*	For exploitation, the technological and market boundaries need to be incrementally extended, refined, and	Good practice new product and service development, get close to the customer, use technology platforms and systematic exploitation tools

Zone definition	**Search challenges**	**Appropriate tools and mechanisms**
	improved. Key players play a large role in the search process	
Bounded exploration: *the business model won't need to change however new and different innovative components will need to be searched for*	For exploration, the technological and market frontiers must be pushed by the searched for innovative idea, using advanced techniques. Key strategic knowledge sources are necessary	Utilise advanced tools in R&D, market research, focus more on open innovation approaches to amplify strategic knowledge search sources
Co-evolve: *as with the change in paradigm of seeing the BOP as a market, new or different elements of the environment must be looked to, mixing and matching different architectures*	To reframe the enterprise, alternative options must be explored via the introduction of new elements. Experimentation, open ended research, and market and technological periphery breadth are important to focus on	Look to alternate futures, work with active users, look to extreme and fringe users, use prototypes to probe and learn, utilise creativity techniques
Reframing: *these innovations are completely new but incremental, occurring within the enterprise and must have the capacity to change the architectural paradigm of the sector*	Herein it is important to co-evolve with stakeholders as the innovation emerges	Probe and learn, use prototyping, external facilitators, specialists

With this knowledge managers can assess their enterprise's position and the subsequent necessary direction in which further searches for innovations should be conducted.

9.7 Innovation strategies suitable for the BOP

A number of innovative strategies have been developed for enterprises targeting the BOP in order to increase their likelihood of success, each with its own advantages. These will each be discussed in this section so as to best position the enterprise in approaching the BOP market.

9.7.1 Strategic innovation

Strategic innovation has become vital to enterprise success nowadays, whereby enterprises develop radical new strategies to attack entrenched competitors and create new markets in the process, an example of which is BOS. There are a number of authorities on strategic innovation which include but are not limited to Bower and Christensen (1995), Hamel (1996), Kim and Mauborgne (1997a), Markides (1997), and Govindarajan and Trimble (2009a).

Strategic innovation provides enterprises with multiple sources of strategic advantage via the following mechanisms:

- **Complexity:** developing and offering something that is difficult to imitate or master
- **Extended range of competitive factors:** shifting the competitive basis from product to price and quality, or choice, etc.

- **Legal protection of intellectual property:** offering a product that others cannot unless they pay a license or fee
- **Platform design:** developing a product which allows later products to build upon further
- **Process novelty:** offering services in ways that others cannot match due to speed, cost, customisability, etc.
- **Product or service offering novelty:** offering something new which nobody else can
- **Reconfiguring the process:** rethinking how parts of a system relate to one another and work together to bring about a more effective way
- **Rewriting the rules:** in line with BOS, offering a completely new product or service, or developing a new process, which makes the way in which things are done different, often making older ways redundant
- **Timing:** first-mover advantages resulting in greater market share when developing new products. Being quick to follow may be strategically advantageous to avoid so called teething problems, learning from the mistakes of others
- **Transferring across different application contexts:** recombining pre-established products and services for different markets

Organisations utilise strategic innovation to move beyond industry norms or sustaining innovation to attain architectural or business model innovation, thus disrupting their competitors and generating value for themselves, their shareholders, and their customers (Christensen, 1997; Markides, 1997).

Abell (1980) proposed in his seminal work on the subject that all enterprises should develop their strategies on the basis of their answers to the following three questions:

- Who should we target as customers?
- What products/services (value propositions) do we offer the chosen customers?
- How do we offer these products/services in a cost-efficient way?

In order for strategic innovation to take place in an enterprise it needs to identify gaps in an industry and pursue them until they grow to become big markets. According to Hamel and Prahalad (1991), early and consistent investment in core competencies is one prerequisite for creating new markets (such as at the BOP) and this must be followed by a new *who*, *what* and *how*:

- **New who:** emerging customer segments or existing customer segments that other competitors have neglected
- **New what:** emerging customer needs or existing customer needs not served well by other competitors

- **New how:** ways of promoting, producing, delivering, or distributing existing (or new) products and services to existing (or new) customer segments

Anderson and Markides (2006) reveal that strategic innovation in developing markets is dissimilar in three significant ways. Firstly, strategic innovation in developing/undeveloped markets is not really concerned with developing new *whos* as there are numerous under-consuming and non-consuming customers at the BOP. These people are largely served by the informal economy.

Secondly, whereas strategic innovation in developed markets focuses on the new *what* by discovering new or different benefits for the customer, in developing markets the new *what* is generally arrived at by offering or adapting products designed for the first, second and third tiers of the economic pyramid to the BOP (the fourth and fifth tiers). This requires a cognisance of cultural and cost reduction aspects so that products and services may be offered and adapted successfully to the BOP market. Means of achieving this include: changing the price-performance ratio in a considerable way, modifying products and services to be culturally acceptable, reducing or completely eliminating unnecessary features from the product or service to reduce prices, and changing the scale, size, or capacity of the product so it can be shared or conversely personalised. At the end, the new offering must be affordable and acceptable.

The third difference is that entirely new *hows* must be formulated which are sufficiently beyond the capabilities of competitors. Examples of enterprises with such an approach are Dell Computer, Enterprise Rent-a-Car and Zara, all of which have built highly differentiated business models using strategic innovation principles in what may be termed architectural innovation. Once again, developing worlds are slightly different in that they require more often the development of new and appropriate distribution channels in order to create demand for a product or service. Local transportation methods, direct sales organisations, digitisation of products (e.g. tickets, banking), and education are all examples of new *hows*. Education is of importance in that it may also be a good driver of demand creation for a new product. Alternative media channels for advertising may be necessary in the BOP where television, radio, and press (newspaper or magazine) access is limited or non-existent. Thus, the development of new *how* formulation in the BOP builds on the two dimensions of availability and awareness. These four 4As, namely affordability, acceptability, availability, and awareness will be further investigated in the next chapter which focuses on marketing to the BOP.

Thus, strategic innovation is vital to increasing the likelihood of sustained market advantage. To start the discussion on innovation strategies open to BOP targeting SMMEs, it is most useful to look at the form of innovation which is the backbone of BOS, and for this one must look to value innovation.

9.7.2 VALUE INNOVATION

According to Kim and Mauborgne (1997a), "*what separates high growth companies from the pack is the way managers make sense of how they do business*." They believe that what distinguishes sustained high-growth (both in revenues and in profits) enterprises from their short-lived rivals is basically their fundamental implicit assumptions about strategy. Less successful enterprises who approach strategy conventionally have a thinking that is dominated by the idea of staying ahead of competitors. However, high-growth enterprises pay little attention to beating or matching competitors but rather cut their competitors out of the picture by making them irrelevant, basically through a strategic logic called value innovation.

Kim and Mauborgne (1997a) found the basic differences in logic illustrated in Table 9-6 to be of high importance after studying 30 enterprises across a range of sectors over a period of five years. The study compared both high-growth and low-growth enterprises. High growth was found to be achieved by both small and large organisations, also by enterprises in both low and high technology industries, by both new entrants and incumbents, by both private and public enterprises, and by enterprises originating all over the world. None of these factors had any influence on the ability to attain high-growth, but what did make all the difference was the way in which managers from the two types of enterprises viewed strategy.

Table 9-6 Two strategic logics: conventional vs value innovation (Kim & Mauborgne, 1997a)

The five dimensions of strategy	**Conventional logic**	**Value innovation logic**
Industry assumptions	Industry's conditions are given	Industry's conditions can be shaped
Strategic focus	An enterprise should build competitive advantages. The aim is to beat the competition	Competition is not the benchmark. An enterprise should pursue a quantum leap in value to dominate the market
Customers	An enterprise should retain and expand its customer base through further segmentation and customisation. It should focus on the differences in what customers value	A value innovator targets the mass of buyers and willingly lets some existing customers go. It focuses on the key commonalities in what customers value
Assets and capabilities	An enterprise should leverage its existing assets and capabilities	An enterprise must not be constrained by what it already has. It must ask, what would we do if we were starting anew?
Product and service offerings	An industry's traditional boundaries determine the products and services an enterprise offers. The goal is to maximise the value of those offerings	A value innovator thinks in terms of the total solution customers seek, even if that takes the enterprise beyond its industry's traditional offerings

In many industries, value innovators do not face challengers for years, however there comes a point in time when competition brews and the value innovator finds his/her high growth and profits under attack. It is important in this period for high growth enterprises to not get trapped in the conventional response of competing, but rather to repeat its value innovation measures and cut its competition out of the picture again. Thus, value innovation is the simultaneous pursuit of radically superior value for buyers and lower costs for enterprises.

What consummates value for customers may be determined through generating knowledge of users' needs. However, as Leonard-Barton, Wilson and Doyle (1995) noted, empathic design is necessary which implies an "*understanding of user needs through empathy with the user world rather than from user articulation of needs*." For this to happen, innovators will need to actually enter into the living world of end users.

Table 9-7 Shifting strategic focus (Kim & Mauborgne, 1999)

Building blocks	**Conventional focus**	**Value innovation focus**
Competition	Outperforming the competition	Seeking radically superior value to make the competition irrelevant
Customers	Retaining and better satisfying existing customers	Targeting the mass of buyers by following noncustomers closely and willingly losing some existing customers
Enterprise capabilities	Leveraging and extending the current capabilities of the enterprise	Willing to combine with other enterprises' capabilities

In order for management to shift the focus of strategy from the traditional realm to a value innovation realm, they must readdress the three basic building blocks of strategy as shown in Table 9-7.

Basically, as Kim and Mauborgne (1999) put it, "*strategy must focus on expanding existing markets or creating new ones – not beating the competition*." An emphasis on the value offering puts the focus on the customer at the centre of strategic thinking. This is necessary although unnatural in this competitive age where enterprises are tempted to focus on beating competition in order to stay at the top.

9.7.3 Disruptive innovation

Strategic innovation is synonymous with disruptive innovation which, as Christensen (1997) established, are value offerings which bring to the market a very different value proposition than has been available previously. Christensen (2009) articulates that "*each disruption is composed of three enabling building blocks: a technology (or service), a business model, and a disruptive value network*." Pursuing strategic innovation in developed markets is well documented, however as for developing markets this is not the case.

Knowing why strategic innovators are successful is a difficult question to answer, however it is easier to understand the reasons for pre-existing enterprises being unsuccessful in targeting the BOP and go from there. For this Christensen (1997) developed a preliminary *failure framework* that explains why the best and largest enterprises in the early generations of an industry failed when they tried developing disruptive products and services. Of concern to this study is the last element of the failure framework, namely the conclusion by established enterprises that investing aggressively in disruptive technologies is not a rational financial decision for them to make. This element has three bases.

Firstly, disruptive products are generally simpler and cheaper, thus they normally yield lower margins as opposed to greater profits. Secondly, disruptive technologies are typically commercialised in emerging or insignificant markets before entering the developed market. Then thirdly, that a leading enterprise's most profitable customers generally do not want nor can they initially use products based on disruptive technologies.

Christensen (1997) thus deduced that by and large, a disruptive technology is initially embraced by the least profitable customers in a market, i.e. those at the BOP. Hence, most enterprises with a practiced discipline of listening to their best customers and identifying new products that promise greater profitability and growth are rarely able to build a case for investing in disruptive technologies until it is too late. For the plain and simple reason that enterprises generally test their disruptive technologies out on BOP markets lends organisations to the idea that pursuing the BOP as a separate market may indeed help the enterprise in sustaining its position in the more developed markets it targets.

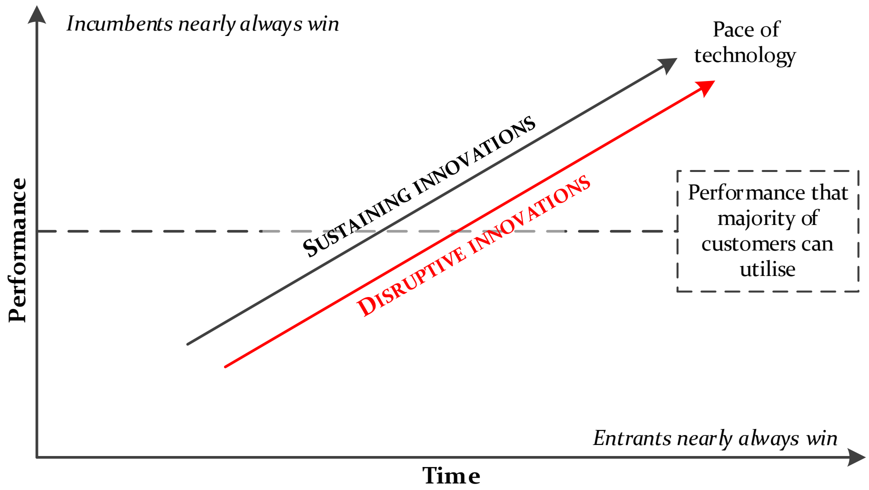


Figure 9-8 The Disruptive innovation model (Christensen & Raynor, 2003)

Figure 9-8 graphically portrays the disruptive innovation process. Because enterprises generally innovate faster than customers' needs evolve, they end up with products too sophisticated, expensive or complicated for the vast majority of their customer base. These innovations are called sustaining innovations as they have typically been the innovations which kept the enterprise successful (i.e. incremental innovation). This way of charging highest prices to the few sophisticated, high demanding customers helps the enterprise achieve its greatest profitability, however this opens the door to disruptive innovations which target the low-end of the market. Disruptive innovations attract a whole new consumer population by granting them access to products and services once only accessible to the high-end consumers with lots of money or skill necessary to utilise the offering.

Some common characteristics of the initial stages of disruptive businesses include lower gross margins, smaller target markets, and simpler products or services. Products and services might not appear as attractive as the high-end market's existing solutions according to traditional performance metrics. However, the BOP market tiers offer lower gross margins by nature and are therefore less attractive to organisations moving up in the market, which is exactly how space is created at the bottom of the market. This space provides a perfect fit for disruptive innovators.

9.7.4 BOTTOM-UP INNOVATION

Sustainable job creation is just one of many problems faced by developing countries, but it is imperative to reducing poverty and promoting economic growth. Entrepreneurship has long been recognised by governments and scholars as important for targeting BOP markets successfully, however the BOP is seen mainly as a potential future market and not as a source of knowledge with the ability to participate in innovative and entrepreneurial activities.

Table 9-8 Bottom-up versus top-down innovation (Science Progress, 2012)

Top-down *Industrial policy*	Picks winners: invests in specific enterprises, specific technologies
	Linear model of innovation with research and production in separate silos
	National focus, blind to regional strengths and needs
	Makes heavy use of tax expenditures
Bottom-up *Innovation policy*	Forms the league, paints the lines: invests in cross-cutting platforms, shared resources, and encourages competition among many technologies to accomplish the same goal
	Network life cycle approach to innovation, encourages collaboration among interdependent stakeholders
	Regional focus, leverages and builds on existing technological, industrial, human capital assets of regional economies and business ecosystems
	Targeted, strategic investments from agencies

However, Prahalad and Hart (1999) promote the idea that strategies for the base of the pyramid must be built from the bottom-up and state that "*effective strategies for the bottom of the pyramid cannot be realized without active engagement of people at the local level… local solutions are a critical part of developing an effective basis for serving tier four markets*." There are numerous occurrences of failed efforts by tier one organisations to solve problems in tier four and five. Knowledge and practices rooted in local conditions are both key to success in sustainable development ventures towards solutions for the BOP. It is now understood that creativity in effectively merging decentralised local capabilities with global best practices has a higher probability of success within the total value chain. The typical differences between bottom-up and top-down innovation policy are portrayed in Table 9-8.

An example of bottom up innovation is provided by Amul Dairy (2015), the brand name of the *Kaira District Milk Cooperative* which is now one of the best recognised in India. Over two decades ago milk was in short supply across India which is now the world-leading country in terms of volume of milk produced. Milk is obtained on a daily basis from many decentralised villagers at village collection centres, with each villager owning only a handful of buffalo. The quality of the milk is assessed based on fat content and volume and paid for accordingly. Hereafter, it is sent to a central processing plant in refrigerated vehicles for pasteurisation and then transported via railroad to major urban centres. The cooperative not only collects the milk but also provides veterinary services to the local farmers as well as cattle feed to maintain the quality of milk. Thus, the entire value chain is carefully managed. The uniqueness of *Amul* cooperative is in the blending of multiple origin milk from decentralised locations working efficiently with modern processing facilities and distribution channels. Village farmers have been transformed into active market participants with a steady income. Prasad and Satsangi (2013) who recently reviewed Amul cooperative link its success to the appropriate blend of management, professionals, and farming personnel, bringing high-end technology to rural producers and providing a support system to the farmers (even ones without their agro-economic system). Meanwhile Amul cooperative invests profits back into the farming community and remains with even the smallest of producers.

In the Eastern Cape town of Hertzog in South Africa, success has been seen on a much smaller scale with local farmers selling their produce to urban traders who come in to the town from as far afield as 300 kilometres. This development strategy began with the government forming the Hertzog Agricultural Cooperative after which the land provided by the state was divided into one-hectare irrigated plots and managed by local farmers. Nel, Hill and Binns (1997) say that "*many of these development strategies have been implemented from the top-down and, in so doing, have often alienated and marginalized the very people whom such strategies were meant to help*." The success of the local farmers was mainly attributed to strong feelings of ownership and empowerment in the development process. Nel *et al.* (1997) propose that the role of government is not to dominate, but rather to facilitate the development process and offer advice and limited support where appropriate. Thus, enterprises provide jobs and government aids in facilitating this process.

As bringing in local help is out of the norm for the typical enterprise it will require a shift in thinking for management who will have to provide high level support. Borins (2002) gives a description of the type of support that is necessary for successful bottom up innovation with local innovators:

- Establishing awards for innovation
- Establishing clear organisational goals so as to encourage staff to succeed innovatively
- Meetings or consultations with staff
- Providing informal recognition for innovators
- Providing innovators with a fair chance to demonstrate the workings of their innovative idea
- Providing resources for innovators, especially:
    - Time for innovators to work on their own projects

- With necessary reduction in other responsibilities
- An adequate budget to pay for their projects' running costs
- Relaxing constraints on innovators

In developing strategies for the BOP, it is therefore imperative that new business models are created which take cognisance of the life styles of locals. A repetition of what works for tier one and two is not going to suffice, rather an effective combination of local and foreign knowledge is required. Crowdsourcing and co-creation are two tools that may well be used to solve problems by aggregating talent and leveraging ingenuity whilst reducing the cost and time formerly needed to solve such problems (Brabham, 2009). These tools resemble the features of open innovation which is also useful to bear in mind when growing an SMME as will be shown in the next section.

9.7.5 OPEN INNOVATION

Building rich and extensive linkages with potential sources of innovation has always been important for organisations, along with spreading the net as widely as possible and mobilising multiple channels (Tidd & Bessant, 2014). Carter and Williams (1957) identified back in the 1950's one important key differentiator between successful and less successful innovating enterprises as being the degree to which they were cosmopolitan (familiar with and at ease in many different countries and cultures) as opposed to parochial (having a limited or narrow outlook or scope) in their approach towards sources of innovation. This finding ties in closely with open innovation, a term coined by Chesbrough (2003), wherein organisations have moved to a more permeable view of knowledge in which they recognise the importance of external sources and also make their own knowledge more widely available.

Keeping a more closed approach is advantageous in that information collected is more easily exploited in ways the enterprise can completely control. The enterprise can then push certain ideas and hold back on others. In reality however, innovation is triggered in multiple ways and a sensible strategy is to cast the net as widely as possible (Tidd & Bessant, 2014).

The principles of open innovation as stated by Chesbrough (2003) include:

- External ideas can help create value, but it takes internal R&D to claim a portion of that value
- If you make the best use of internal and external ideas, you will win
- It is better to build a better business model than to get to market first
- Not all the smart people work for you
- Not only should you profit from others' use of your intellectual property (IP), you should also buy other's IP whenever it advances your own business model
- You should expand R&D's role to include not only knowledge generation, but knowledge brokering as well

Tapping into external knowledge is beneficial in that it increases the enterprise's pool of knowledge, and reduces reliance on limited internal knowledge streams. External R&D is of significant value to the enterprise as it not only reduces the cost and uncertainty that is associated with internal R&D, but it also increases both the breadth and depth of R&D activities. The focus of internal R&D activities can then shift more to external search strategies, and forming new relationships.

Although counterintuitive, being the first to market is not as important as developing a better business model, one which has a greater emphasis placed on capturing value rather than creating it (as external R&D will help create value). Due to the very sensitive nature of IP to complementary capabilities (e.g. brand, sales network, production, logistics, and other products and services), its value is only increased, not diminished by working alongside other enterprises and sharing IP.

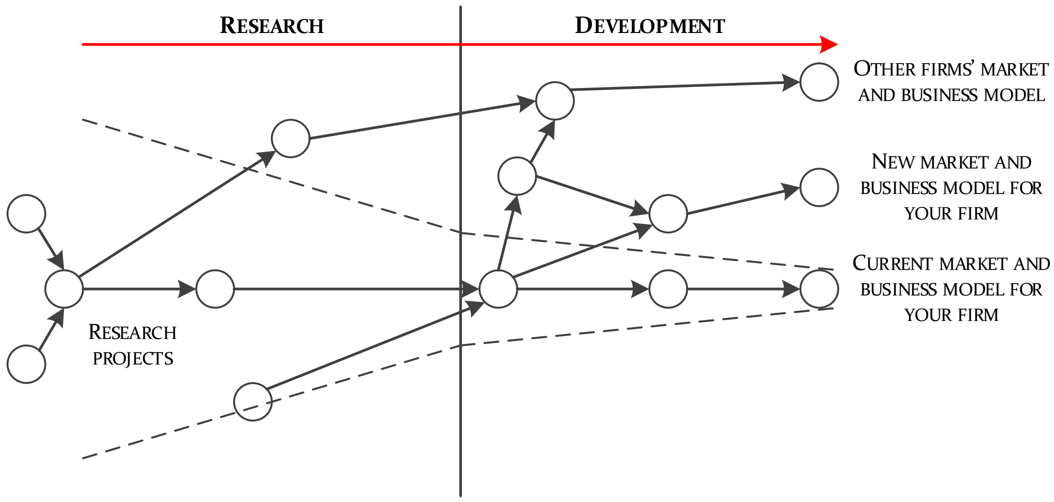


Figure 9-9 The open innovation model (Chesbrough, 2003)

Figure 9-9 is a graphical representation of the open innovation model. It basically depicts how an organisation may grow new businesses whilst profiting from others' use of the organisation's technology. An enterprise requires new research breakthroughs periodically so as to sustain the flow of ideas and thus fuel the current or new business. However, with open innovation it is possible to continue to innovate for some time through recombining other enterprises' ideas into new and useful products and services.

Large R&D spenders such as Procter & Gamble (with roughly a US$3 billion annual R&D budget supporting around 7,000 scientists and engineers globally) have radically rethought their business models which now operate according to a *connect and develop* slogan as opposed to the traditional view of *research and develop*. Their strategic aim of sourcing innovation has shifted from a closed one to sourcing 50% from outside the organisation. There are however difficulties in an open approach such as tensions around intellectual property, appropriability (ensuring returns on creating knowledge investment), and designing mechanisms to make use of knowledge gained. Thus, according to Bessant and Venables (2008), managing innovation moves from the creation of knowledge to the trading and managing of knowledge flow.

Van de Vrande, De Jong, Vanhaverbeke and De Rochemont (2008) assessed more than 600 Dutch innovating SMEs to determine statistical trends in open innovation measures and determined that "*open innovation is as relevant for service firms as it is for manufacturing firms and research about open innovation should not be limited only to SMEs that are involved in formal R&D activities*." The survey also showed that for SMEs the greatest barriers to effective implementation of open innovation included organisational and cultural differences, administrative burdens, financing, and knowledge transfer difficulties.

Table 9-9 Innovation barriers SMEs vs large enterprises (Lee *et al.*, 2010)

	Ranking	
Innovation barriers	SMEs	Large enterprises
Difficulties in finding suitable manpower in a labour market	1	3
Short of suitable manpower within the enterprise	2	11
Market uncertainty in innovative products	3	18
Imitation possibilities of technology innovation	4	16
Short of ability in R&D planning and management	5	23
Lack of technological information	6	9
Funding difficulties due to high risk from technological uncertainty	7	26
Funding difficulties due to high innovation and commercialisation costs	8	2
Lack of market information	9	7
Frequent turnover human resources (usually for R&D)	10	5
Difficulties in using external services (technology and business services)	14	10
R&D department without power	16	8
Monopolistic or oligopolistic market structure	18	1
Funding difficulties due to delayed payment by customers	23	6
Needlessness of additional innovation	25	4

Table 9-9 relates the top ten (out of 26) barriers to innovation resulting from a survey on 817 SMEs who actively participate in strategic alliance collaborations with other large organisations, as conducted by Lee *et al.* (2010).

In order to overcome these and other barriers to successful implementation of open innovation, Chesbrough and Appleyard (2007) provide what is termed an *open strategy* for businesses. The idea of an open strategy balances the value creation forces (found in creative people, innovative communities, and collaborations) with the capturing of value that is vital to sustain continued participation and also support of those activities. With the decline in communication costs around the world, it is becoming easier to facilitate open innovation and coordination, leaving no excuse for the vast majority of SMMEs. Open innovation is particularly valuable to SMMEs as they typically do not have the initial ability to pay for highly skilled employees and this makes open innovation attractive for gaining insight.

Chesbrough (2010a) puts forward that open innovation is fundamentally about the greater infusion of markets into the innovation process and believes that there are benefits for SMEs in the way of significant business opportunity creation. SMMEs are more often able to specialise to a greater degree than larger enterprises, which is very helpful if they have a large market at their fingertips. This is where collaborative efforts of open innovation come into the picture. Open innovation activities aim to cultivate multiple customers in multiple markets which spread the costs and risks of adoption whilst simultaneously identifying new service applications that an SMME may have missed without collaboration with a larger enterprise.

Worthwhile mentioning is the notion of polycentric innovation which is an extended form of open innovation, which leverages knowledge and information across the globe, combining knowledge from other countries. This is ideal if an enterprise expands into an MNC.

9.7.6 Reverse innovation

Also known as trickle-up, or frugal innovation, reverse innovation is "*any innovation likely to be adopted first in the developing world*" (Govindarajan & Trimble, 2009b). It is so called because historically almost all innovations have come first from rich developed countries. In the bestseller book *Reverse innovation, create far from home, win everywhere* by Govindarajan (2012), he promotes the need for *clean-slate* product design whereby new products are developed for developing markets as opposed to relying on previously developed products that have been slightly modified, when trying to satisfy the new target market. This requires starting on a clean page and aiming at closing the developing market's specific need gaps. Govindarajan (2012) shows the importance of starting afresh by stating "*reverse innovation is what we call clean-slate innovation*."

Immelt, Govindarajan and Trimble (2009) claim that large goods manufacturers which supply the western world have now turned to reverse innovation, which is in essence the opposite of *glocalisation*, the approach that many industrial goods manufacturers based in developed countries have employed for decades. With glocalisation, enterprises develop products for use in their developed markets at home and afterwards distribute them worldwide with some adaptations to make them suitable for local conditions abroad. This global scale allows enterprises to minimise costs whilst local customisation maximises market share.

There are two core tenets of glocalisation which wrongly assume similarity of developed and developing markets. Firstly, emerging economies do not show evidence of evolving in the same manner that wealthy economies did. In actual fact, according to Immelt *et al.* (2009), the reality is that developing countries do not follow the same path and they may in actuality jump ahead of developed countries due to their high acceptance and willingness to adopt breakthrough innovations (i.e.

leapfrogging as mentioned in Chapter 3). Secondly, products that address the special needs of developing countries can be sold in developed countries even though glocalisation would infer this is not so. In reality, products developed for developing worlds have the ability to create brand new markets in the developed world by establishing much lower prices and new leading-edge applications.

Glocalisation was an adequate business approach in the past when rich developed countries accounted for most of the market, but in modern times other developing countries offer much opportunity thanks largely to rapid development of populous countries such as China and India, coupled with the slowing growth of wealthy nations. Glocalisation and reverse innovation have to cooperate as globalisation will still be the dominant approach for the foreseeable future, but it must arguably be coupled with reverse innovation for a sustainable future. This however is not so easy, "*since the centralised product-focused structures and practices that have made multinationals so successful at globalisation actually get in the way of reverse innovation, which requires a decentralised, local-market focus*" (Immelt *et al.*, 2009). This promotes the greater need for local SMME action instead of looking to MNCs in reducing poverty.

Enterprises need to recognise the opportunity of reversing the flow of innovation by means of introducing products from emerging economies in markets of the developed world and this requires a very different way of thinking. Radical change must be generated from below via local teams at a project-level and from above through the act of management orchestrating enterprise wide changes at a top-level, both of which are necessary to bypass traditional thinking. To aid in reverse innovation efforts through means of a *Reverse Engineering Playbook*, Govindarajan (2012) has developed a number of key points to bring organisations to this level of thinking, as shown in Table 9-10.

Table 9-10 Project-level and top-level actions for reverse innovation

Project-level actions	Establishing radical goals: aggressive goals and the daunting constraints can spark success in novel ways
	Practice clean-slate organisational design: a new organisational structure is necessary for clean-slate design
	Leveraging global resources: if part of a multinational, innovation teams must not isolate themselves but rather make extensive use of the enterprise's assets
	Choosing team leaders without conflicting interests: the team leader's highest, if not only, priority should be the project to avoid traditional revenue based thinking for short-term goals
Top-level actions	Rebranding the enterprise's future: denial and resistance of employees flourish in situations without clear direction and relation of goals from leaders
	Shifting people and power to emerging markets: a change of people and hierarchy is necessary to change the dominant logic
	Increasing R&D spending in emerging markets and focusing it on local needs: the focus of innovators and engineers is best able to accommodate locals' needs when they are surrounded by the local atmosphere
	Bulking up on emerging-market knowledge and expertise: this is necessary for leaders to have the info they need to believe in the potential of emerging markets and continue to pursue them by shattering the glocalisation mind set and fostering the reverse innovation view
	Ensuring that large businesses continue to thrive whilst calming fears of product cannibalization: for effective management of glocalisation and reverse engineering within one enterprise management will have to see it as a central organisational issue

Thus, it can be seen that products invented in developing markets do not only enable enterprises to better tackle local markets (with their restricted environmental conditions), but they may also become appropriate and better alternatives in developed markets themselves. However, when trying to address the harsh living conditions and unsatisfied needs of the poorest population segments in emerging markets through innovative measures, it is necessary to find partners from the poverty-stricken areas due to the fact that local employees might be as far removed from this socioeconomic segment as the organisation's colleagues located in developed markets, as mentioned earlier. Govindarajan and Trimble (2012) do indeed state that enterprises should "*call on outside experts that can help fully research the market*." However, this important aspect is not integrated into the *Reverse Innovation Playbook*. The nine recommendations above all fall into the wrong assumption that only resources within the organisational boundaries of the corporation are necessary to successfully reach the needs of the developing world's market.

9.7.7 INCLUSIVE INNOVATION

Inclusive innovation can be broadly defined as "*any innovation that leads to affordable access of quality goods and services creating livelihood opportunities for [and or by] the excluded population, primarily at the base of the pyramid, and on a long term sustainable basis with a significant outreach*" (Mashelkar, 2014). Essentially, inclusive innovation efforts (regarding knowledge creation, acquisition, absorption, and distribution) must primarily aim to meet the needs of BOP persons and communities by creating innovations within an inclusive frame of discourse and knowledge (Heeks *et al.*, 2014; Utz & Dahlman, 2007; Altenburg & Lundvall, 2009; Cozzens & Sutz, 2014).

A few of the pillars that this type of innovation lean on include (Mashelkar, 2014): affordable access (innovative solutions require an extreme reduction in costs of production and distribution), financial sustainability (to provide lasting improvements, affordable access is key and must not be government subsidy dependent, but rather aligned with private sector marketing principles), quality goods and services (it should result in the creation of quality value offerings that are in keeping with the same human rights that exist in upper tier markets, getting more from less by harnessing a sophisticated and creative approach to developing innovations), access to excluded population (by effectively providing the value offering to excluded population groups), and significant outreach (it should reach a significant portion of the BOP target population).

By focusing more on the structures and processes required to develop and deliver products and services to the poor via inclusive innovation approaches, it is more likely that enterprises operating in the BOP will achieve growth (Foster & Heeks, 2015, 2014). This being said, according to Swaans *et al.* (2014), with respect to inclusive innovation approaches there is "*still a question [of] how best to operationalize this*." In order to minimise the chances of innovation purposefully or inadvertently contributing to inequality and exclusion, it is worthwhile incorporating the tenets of inclusive innovation in the framework to be developed.

Non-traditional innovation models are useful for stimulating economic growth and inclusion when operating at the BOP (Foster & Heeks, 2013b; Prahalad, 2012). Two routes exist to developing these models:

- **Appropriate technology models:** innovative products and services are developed for the BOP who is viewed as a customer. Success is ideally brought about by decreasing costs to ensure affordability to the market, and is congruous with strategies such as pro-poor and BOP innovation (Kaplinsky & Morris, 2001; Cozzens & Kaplinsky, 2009)
- **Developmental models:** innovations that "*create or enhance opportunities to improve the wellbeing of those at the BOP*" (George, Mcgahan & Prabhu, 2012). Success is brought about by regarding the BOP not only as customers but as partners involved directly in the innovation process, and it is these approaches that are termed inclusive innovation, innovation for inclusive growth, and innovation for inclusive development (George *et al.*, 2012; Paunov, 2013). Various new models of inclusive innovation have been developed in recent times (Heeks *et al.*, 2014), including:
    - *Innovation platforms:* which are the mechanisms used to draw together (establish linkages between) stakeholders focusing on a particular issue of common interest (Swaans *et al.*, 2014; Cullen *et al.*, 2014)
    - *Cluster innovation:* which takes place within a co-located group, wherein each individual plays a crucial role in providing knowledge for developing the innovation (Voeten & Naudé, 2014)
    - *User-producer interaction:* which focuses on producer-consumer related learning and innovation (Foster & Heeks, 2014)
    - *Grassroots innovation:* originating within emerging low-income communities (Fressoli *et al.*, 2014; Papaioannou, 2014)
    - *Frugal innovation:* which aims to minimise resource usage, cost, and complexity in the production, make-up, and operation of new products and services (Papaioannou, 2014)

Biggs and Underwood (2001) argue that pursuing an achieving the status quo approach is flawed, and that a more holistic, inclusive approach is ideal which emphasises learning over problem solving. As such, inclusive innovation focuses on the components needed to develop and diffuse innovations for the poor, ensuring a greater contribution to living standards and empowerment in the BOP (George *et al.*, 2012; Blanchard, Benjamin & Fabrycky, 1998).

Although the highly context-dependent nature of inclusive innovation efforts makes it impossible for an optimal state to be compared against in other innovative efforts (Shih & Chang, 2009), a key factor for successfully innovating inclusively is the degree to which the approach "*[actively includes] those who are excluded from the mainstream of development*" (Heeks, Foster & Nugroho, 2014). Incorporating the views and contributions of marginalised groups somewhere in each of the steps of the innovation process is therefore seen as a key component in bringing about lasting positive change (Foster & Heeks, 2013b).

Botha, Grobbelaar and Bam (2016) put forward a number of key criteria that ensure the framework for evaluating inclusive innovation approaches is applicable in a BOP context. The criteria include that is must:

- **Be actor-oriented:** by identifying actors/stakeholders (or groups of them) within the systems, defining their roles (especially as an informant, to act as a primary source of information), and deciding on an actor from the excluded group that will be involved (demand-side actors, supply-side actors, intermediaries) (Heeks, Amalia, Kintu & Shah, 2013)
- **Focus on complex relations between actors**: by identifying "*informal, loose but socialised relations*" that exist in the inclusive innovation system (Foster & Heeks, 2013a), and focusing on the means by which these relationships with the BOP result in diffusion, learning and capability transfer, and retention (Heeks *et al.*, 2013; Ansari *et al.*, 2012)
- **Consider the context of the system:** the system must enable the capturing of qualitative data (Van der Hilst, 2012)
- **Be able to analyse the processes within the system:** so as to improve it with time through learning (Bergek, Jacobsson, Carlsson, Lindmark & Rickne, 2008; Foster-Fishman, Nowell & Yang, 2007)

In this way, inclusive innovation can be promoted, developing long-term relationships with and solutions for, the BOP.

9.7.8 BOP INNOVATION

Prahalad (2009) defines 12 principles of innovation that he specifically tailored for the BOP. He states that when taken together, these principles "*constitute the building blocks of a philosophy of innovation for BOP markets*." The 12 principles, each of which are crucial to success at the BOP are as follows:

1. **Focus on quantum jumps in price performance of products and services:** serving a BOP market requires more than just lower prices. It requires a new price–performance envelope

2. **Innovation requires hybrid solutions**: old technologies will not solve BOP consumers' problems. Advanced and emerging technologies need to blend with existing and swiftly developing infrastructures to arrive at scalable, price-performance improving solutions
3. **Developed solutions must be scalable and transportable across countries, cultures, and languages**: this is important as BOP markets are generally large. Solutions must be easily adaptable to similar BOP markets in order to gain scale (if moving from an SME to an MNC, for instance)
4. **Reduce resource wastage in developed markets:** targeting the BOP will force organisations developing innovations to focus on conserving resources: eliminate, reduce, and recycle. Reducing resource intensity must be a critical principle in developing products
5. **Product development must be radically redesigned beginning with an understanding of both form and functionality:** marginal changes to developed countries' products are insufficient as the infrastructure of BOP markets necessitates a rethinking of functionality, because the demands of their lives and work are so radically different
6. **Process innovations and product innovations are equally important in BOP markets:** organisations need to build logistics and manufacturing infrastructure that is sensitive to the prevailing conditions of the BOP unlike in developed markets where only minor changes need to be made to the organisation's infrastructure for specific products
7. **Deskilling of work is critical:** typically BOP markets are poor in skills. When products and services are designed, the skill levels, poor infrastructure, and difficulty of service access in remote areas must be accounted for
8. **Educating customers on product usage is key:** organisations need to come up with new and creative approaches to reach media dark zones where the BOP do not have access to radio or TV. Enterprises need to be creative with educating their potential customers on the use of their products
9. **Products must work in hostile environments:** products must be developed to withstand environmental factors common at the BOP such as noise, dust, unsanitary conditions, and rough handling. Products need to be developed so as to accommodate the low quality of infrastructure prevalent in BOP areas such as electricity faults and water pollution
10. **For BOP consumers research on interfaces is critical:** most BOP consumers are first time users of innovations designed for the BOP and it is important that the interfaces do not require too steep a learning curve. The heterogeneity of the consumer base in terms of culture, language, skill level, and prior familiarity with the function or feature is a constant challenge to innovators

11. **Innovations must reach the consumer:** targeting highly dispersed rural and highly dense urban market places requires innovative efforts in distribution methods. Low cost access to the poor is a vital concern for design teams
12. **Focus on the broad architecture of the system:** the feature and function evolution in BOP markets can be very rapid therefore a platform must be used which allows for new features to be incorporated easily. Existing paradigms must be challenged e.g. why use a grid-based supply of electricity, maybe there is a better way in isolated, poor BOP markets

By adhering to the twelve principles it is likely that the constraints faced by organisations operating at the BOP will be more naturally overcome.

9.7.9 A SUMMARY OF INNOVATION STRATEGIES AT THE BOP

From the studied innovation strategies, a number of common themes emerge. Firstly, the BOP has vast potential for change, with government pushing for action at the BOP and offering incentives for enterprises to do so through funding and grants. Due to the overabundance of need in the BOP, competition among social entrepreneurs is minimal in comparison to that exhibited in conventional markets where competition is rife.

Secondly, the BOP provides a huge market for innovative enterprises to search for customer segments in, giving social entrepreneurs a huge field for social change. It provides enterprises with a platform to develop innovations which could later be brought to upper tier markets through the process of reverse innovation. To find innovative solutions to real problems which will help alleviate the poor, it is necessary to go into the BOP itself. Only from inside the BOP market itself can the true scope of potential opportunities for innovation be understood. Sitting in an office just will not do.

Thirdly, knowledge can be acquired in a manner of ways, through networking with other organisations via open innovation, and furthermore knowledge of the BOP market can be assimilated from NFPOs which have been operating in the BOP for decades. This information can be used to kick-start any ideas for implementation. Executing BOP projects has been seen to be very different to conventional upper tier market approaches, with multiple factors as shown by BOP innovation's twelve principles. Sustainable innovation requires co-partnering with the BOP in what was earlier referred to with the BOP 2.0 and BOP 3.0, as well as taking part in value innovation efforts so as to continually be rewriting the rules of the game and opening up new markets, so that competitors don't destroy the profitability of the enterprise.

Fourthly, in terms of the values of the BOP, the preceding innovation strategies each ascertain that the BOP requires new products and services, arrived at through innovative pursuits from the bottom up. Without a focus on the BOP context, the social value added will be minimal, if any value is added at all. This stresses the need for an inclusive approach that involves actors from the BOP in the innovation process on an ongoing basis.

9.8 Arriving at the innovative enterprise

Without a clear understanding of the end result of innovative efforts it is difficult for entrepreneurs and managers to assess their efforts. This section acts so as to provide managers with an idea of what a desirable outcome may look like, both in terms of the organisation, and the arrived at innovation.

9.8.1 Components of the innovative organisation

Innovative organisations exhibit certain similarities across a number of factors. These factors are addressed in Table 9-11 along with their key features, and supporting articles' references. Of particular concern to social entrepreneurs targeting the BOP market through SMME action, is the structure of the organisation, and the shared vision. The other factors have already been addressed in previous chapters.

Table 9-11 Factors commonly exhibited by innovative organisations

Factor	**Key features**	**Supporting references**
Appropriate structure	The organisation must be designed so that its structure enables creativity, interaction, and learning. This does not mean an altogether absence of control but rather a loosening of certain formal structures and attaining a good balance between organic and mechanistic options for particular contingencies	Pinchot (1999); Financial Times (1995:7); Moody (1995); Cooper (2001); Bowman and Helfat (2001); Clark and Clark (1990); Mann (1959)
Creative climate	The approach to creative ideas must be supportive and positive, and make use of motivation systems	Isaksen and Tidd (2006); Leonard-Barton and Swap (1999); Kanter, Kao and Wiersema (1997); Cook (1998)
Effective team work	Teams must be used in an appropriate manner (at a local, cross-functional, and inter-organisational level) when solving problems. Team selection and team building strategies must be employed	Thamhain and Wilemon (1987); Bixby (1987); Belbin (2011)
External focus	An internal and external customer orientation must exist. Extensive networking must be utilised	Bozdogan, Deyst, Hoult and Lucas (1998); Best (2001); Lamming (1993)
High-involvement innovation	Organisation-wide continuous improvement participation must take place	Lillrank and Kanō (1989); Bessant (2003)
Key individuals	Key actors with important roles must be put in place, such as promoters, champions, and gatekeepers	Pinchot (1999); Rothwell (1992); Allen (1977)
Shared vision, leadership, and will to innovate	Sense of purpose must be clearly articulated and shared throughout the enterprise. Top management must appear committed to the vision too. The strategic intent must be stretched	Hesselbein, Goldsmith and Beckhard (1997); Champy and Nohria (1996); Isaksen and Tidd (2006); Kanter, Kao and Wiersema (1997)

The argument for which organisational structure best suits particular enterprises has long been a topic of debate, with a contingency model being agreed upon in the end which argues that there is no single best structure, but rather that successful enterprises are those which develop the most suitable fit between structure and operating contingencies (Tidd & Bessant, 2014:117).

Mintzberg (1979) gathered much of the work on structure and proposed a series of archetypes which cover most enterprises, and have differing implications for their managers. The archetypes most suitable to the needs of the social entrepreneur of a start-up is that of the *simple structure*, and *mission-oriented*.

Simple structure is a centralised organic type of organisational structure. The simple structure for enterprises is centrally controlled, but has the ability to respond rapidly to environmental changes. It is usually small and therefore controlled directly by one person, giving the entrepreneur the ability to maintain all authority, and design and control the enterprise. Thus, there is a speed of response not often exhibited in larger enterprises, and a clarity of purpose as the entrepreneur must interact directly with employees on a daily basis. However, the weakness of this organisational structure lies in the entrepreneur's individual misjudgements and prejudices, as well as resource limits of the enterprise which negatively affect growth. Simple structured enterprises are therefore often more innovative, although less stable in the long-term due to overdependence on key people who may not always be moving in the right direction, so to speak.

Mission-oriented organisational structures are based on emergent models which are associated with shared common values. The force which holds such an organisation together can be attributed to a shared common, and often altruistic purpose. An advantage of this archetype can be seen in the high commitment and ability of individuals to take initiative without being coerced, due to their shared common goals. A weakness is the lower degree of control exhibited by the enterprise owner due to employees wanting to act in manners which they deem likely to best benefit the social group they are involved with (i.e. wanting to be the hero). Mission-driven innovation can be highly successful, although it requires energy and a clearly articulated purpose which is shared. Aspects such as total quality management and similar value generating principles are commonplace in these enterprises. Continuous improvement is furthermore often driven from within these enterprises, and not due to external stimuli. The shared common purpose along with the empowerment of individuals to pursue initiatives in that direction make for a strong goal-oriented enterprise. The weaknesses of these enterprises can be seen in their overdependence on key visionaries who provide clear purpose, and the difficulty of creating buy-in to a vision of profitable growth instead of just acting as a charity.

9.8.2 PRACTICAL RESOURCE MANAGEMENT TIPS FOR INNOVATION MANAGERS

Of course, with a proper business model in hand, and after much has been done in the way of understanding the target market and developing a value proposition in line with their needs, it is easy for enterprise owners to assume the battle is won, and that all that is necessary is for the innovation to be produced and marketed. This thinking is dangerous and allocation of scarce resources towards an idea is something which cannot be undone duly. For this reason, Tidd and Bessant (2014:395) developed a few points regarding how to be prudent in choice of direction and resource allocation for innovative activities:

- **Incrementalism:** encourage step-by-step modification of objectives and resources when new evidence arises (innovating incrementally, focusing on diffusion, local needs, demand, and customer suitability (Foster & Heeks, 2013a))
- **Sensitivity analysis:** use sensitivity analysis to explore how robust (unchanging) a potential outcome is to a range of assumptions (e.g. if the project takes twice as much money or time, or the target market is smaller than anticipated)
- **Simple rules:** use simple models for allocation of resources so it is easy to understand the implications of changes in terms of their impact on resources
- **Stopping criteria:** understand from the get-go what criteria, if not met, would necessitate that the project be terminated to avoid resources being depleted without any returns
- **Evaluating different types of innovation:** the evaluation of different innovation types requires different criteria, and it is the responsibility of management to make sure this evaluation is accurate
- **Reduce key uncertainties:** if possible, reduce key market or technological uncertainties long before any commitment to full-scale costly commercialisation procedures

It is ultimately up to top management just what level of resources go into any radical innovation being pursued, and although high risk has greater consequences, it also has greater rewards sometimes. It is therefore imperative to manage these risks intelligently.

9.8.3 Innovations promoting diffusion and adoption

Innovative ideas which have been developed into saleable product and service offerings have different rates of diffusion and adoption in the market. Those offerings which both diffuse and get adopted more quickly, according to Geroski (2000), are those which exhibit the following five characteristics: compatibility, complexity, observability, relative advantage, and trialability.

9.8.3.1 Compatibility

Compatibility is the degree to which an innovation is perceived to be consistent with the existing experiences, needs, and values of potential adopters. Two aspects of compatibility which affect the likelihood of adoption include *existing skills and practices*, and *values and norms*.

Compatibility with existing practices is however not as important as compatibility with existing values and norms (Leonard-Barton & Sinha, 1993). The extent to which the innovation fits existing skills, equipment, procedures, and performance criteria of the potential adopter is critical to adoption.

9.8.3.2 COMPLEXITY

Complexity is the degree to which an innovation is perceived by the adopter as being difficult to use or understand. Oftentimes, innovations that are simpler to use will be adopted much faster than those innovations which require the potential adopter to develop new skills and knowledge.

Complexity also influences the direction in which the innovation diffuses. Diffusion is largely dependent on network externalities, whereby the influence of consumption, technical, and pecuniary factors shape the process of diffusion. More practically, it can be seen by how dependent on the regional location, aside from the cost of purchase, the cost of adoption and use may be dependent on: the availability of information regarding the technology from other users, the availability of trained or skilled users, the ease with which technical assistance or maintenance can be accessed, and the availability of complementary products or services.

9.8.3.3 OBSERVABILITY

Observability is the degree to which the outcomes or results of an innovation are visible to others. The easier the benefits associated with an innovation can be seen by other potential adopters, the more likely its adoption rate will increase. Simple epidemic models of diffusion assume that innovations spread as potential adopters and existing users come into contact with one another.

If the peers of a potential adopter have adopted the innovation, it is more likely that potential adopters will also adopt it, due to what communication researchers term *safety credibility*. This is due to the potential adopters' belief that their peers really know what's most important and whether the offering is worthwhile or not. Selling innovations in a population can thus be promoted by initially targeting highly regarded members of the population group at hand.

9.8.3.4 RELATIVE ADVANTAGE

Relative advantage is the degree to which an innovation is perceived to be better than the product or service it supersedes. It is typically measured by economic value, e.g. cost or revenue generated, however non-economic factors such as convenience, user satisfaction, and social prestige may be as important. Theoretically, the greater the perceived advantage, the more quickly the innovation will be adopted.

To understand what generates the relative advantage in the eyes of the buyer, it is important to distinguish between primary and secondary attributes of the specific innovation in question. Primary attributes include things like size and cost, which are invariant and inherent attributes irrespective of who the adopter is. Secondary attributes include relative advantage and compatibility. These attributes are dependent on the adopters, in terms of contingent factors such as their preferences, perceptions, and context. Of importance in determining the sufficiency of a new innovation is the question of how much of an attribute gap exists in the product or service, as perceived by the typical adopter. The attribute gap is a quantification of the potential user's perception of attributes or characteristics he or she was expecting to experience in comparison to what he or she did experience. For this reason, it is imperative to test the new product or service in the field so as to determine how best to minimise these attribute gaps. This pre-testing acts so as to enhance the value of the new knowledge for the intended market segment.

9.8.3.5 TRIALABILITY

Trialability is the degree to which an experiment can be tested or experimented with by the potential adopter on a limited basis. Trialability decreases the perceived risks of uncertain potential adopters, by allowing them to experience and use the innovation without them having to commit to it. If the desirability exceeds the undesirability after a trial, the innovation will likely be adopted more rapidly. However, if the potential buyer is unable to clearly discern that the innovation is functional and desirable the rate of adoption will likely decline due to trials.

Trialability is advantageous to the designer or developer of the product or service in that it broadens the knowledge of the potential customer base, allowing developers to ensure the usability and value to the potential adopter is maximised (ensuring innovations are used by BOP is imperative, teaching the BOP via doing, using, and interacting (DUI) approaches (Foster & Heeks, 2013a; Heeks *et al.*, 2014; Utz & Dahlman, 2007; Altenburg & Lundvall, 2009; Cozzens & Sutz, 2014)). It also creates buy-in buy increasing user acceptance, whereby users may more likely make a greater investment in some or other product or service which they have positive associations with from experiences they would likely never have been able to take part in without buying the innovation.

With regards to diffusion however, it is impossible to give all potential users the chance to experience the innovation first hand before they invest in it, and therefore it is more important to use the interactions with potential adopters beforehand to develop a better product before bringing it to markets abroad. However, it must be understood that the average person interested in trying out the innovation is not necessarily a good reflection of the typical potential adopter, in that they may already have higher technical skills or knowledge. The time that a potential adopter has with the developers may also shape his or her final views, making that potential user a bad representation of the market which hasn't had the same input from the developers offering the trials.

9.9 Root definition of innovation

In developing a full understanding of innovation pertaining to the BOP targeting SMME, which is the focus system of this study, it is necessary to fully incorporate the aspects shown in Table 9-12 in that definition for a full understanding.

Table 9-12 Root definition components of innovation

CATWOE Element	**Disambiguation**
Clients	The beneficiaries of this system include strategic alliance partners, the owner (entrepreneur) and/or managers of the SMME, and the BOP consumers
Actors	Those responsible for conducting the activities which make this system work include the consultants, the strategic alliance partners (to a limited degree), the owner (entrepreneur) and/or managers of the SMME, and the staff or employees of the SMME
Transformation	The inputs to this system pertain to resources, knowledge (of the market, and of the core competencies and key capabilities of strategic alliance partners, consumers, and competitors), and a preliminary value offering/idea. These inputs are transformed into the output which is an ever-improving value offering suitable/relevant to the BOP target market. The purposeful activity which transforms the input to the output is the use of innovation approaches ranging from incremental to radical, ideally conducted under the guidance of a consultant for maximum effectiveness
Worldview	The relevant perception which justifies the existence of this system is that the value offering to customers always needs to be innovated (improved) to keep the blue ocean market from being tainted by other offerings which competing enterprises may utilise to match or beat the offering of the SMME
Owners	The people who have the authority to change the measures of performance of this system or abolish it altogether include the owner (entrepreneur) and/or managers of the SMME
Environment	External constraints this system takes as a given include the ever-improving nature of technological development brought about by competition for profits, as well as the constraints which exist in way of cultural differences exhibited in the BOP market that require high quality low cost innovative solutions to specific needs

The root definition of innovation in the context of this study is therefore: a system which acts so as to transform resources, knowledge (of the market, and of the core competencies and key capabilities of strategic alliance partners, consumers, and competitors), and a preliminary value offering/idea via research and development activities into ever improving value offerings for the BOP by way of innovation, justified by the perception that innovation is necessary to keep a blue ocean alive as long as possible, and also to develop new and improved ideas for the beneficiaries of the system which include the strategic alliance partners, the owner and/or managers of the SMME, and the BOP consumers, through action of strategic partners, and the staff or employees under the direction and control of the owner (entrepreneur) and/or managers of the SMME ideally under guidance of a consultant, whilst taking into account the external constraints which include the fast rate at which competitors or imitators learn from the SMME's developed offerings as well as BOP specific constraints to innovation.

The list of requirements pertaining to innovation which must be incorporated in the framework design process of Chapter 12 are listed in Table G-5 of Appendix G. They will ensure that the value offering is continuously improved upon, and sustain the blue ocean of uncontested market space for as long as possible.

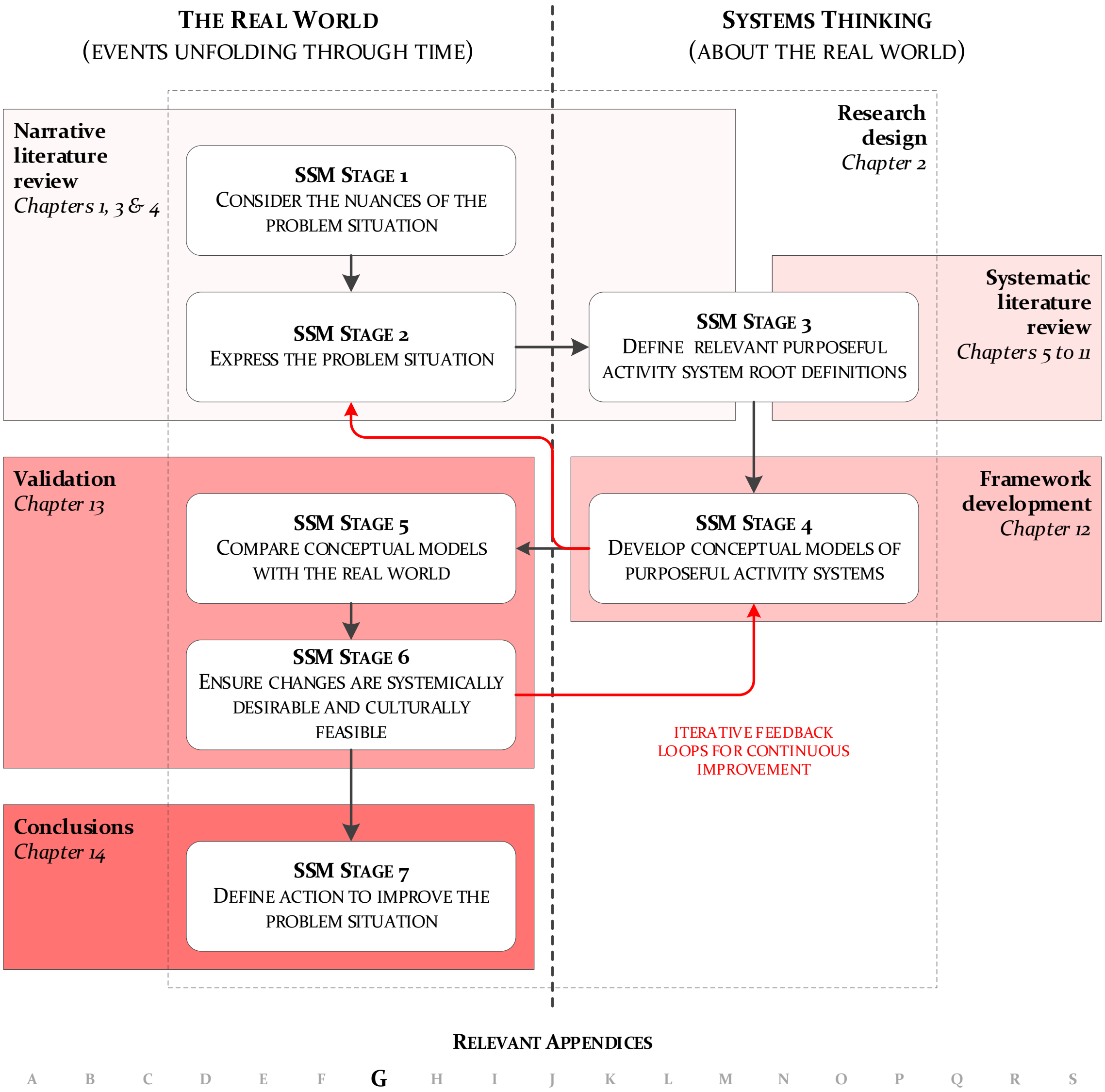
9.10Conclusion

Innovation has been shown to play an important role in the development of new ideas, both at an incremental and radical level. Although the two vary in their frequency of use, both are vital to sustained profitability in any market environment. Innovation answers the question of how to come up with new ideas, in a structured manner, so that value is captured for the enterprise and the user of the innovations.

However, what still remains to be fully understood is the mechanism by which these innovative offerings might be brought to the BOP most effectively, to increase the likelihood of successful market penetration above and beyond just promoting diffusion and adoption. The understanding of what factors promote the adoption and diffusion of innovations in a market are very important, although insufficient in the BOP context where infrastructure is sorely lacking. For a full understanding of how to get the innovations to the BOP market, it is necessary to look at the marketing approaches applicable to the BOP context.

CHAPTER 10

MARKETING



"As pioneering automaker Henry Ford once said, "If I had asked my customers what they wanted, they would have told me 'a faster horse.'""

Osterwalder and Pigneur (2010:129)

10.1 Introduction

In this chapter, the role of marketing to the BOP is looked at. To begin with, marketing is defined and expanded on in terms of what constitutes the marketing environment, and what it encompasses. Hereafter, the importance of marketing is focused on in terms of its relevance to making sure a value proposition is correctly brought to the customer. This involves looking at the difference between needs and wants of the customer, and the importance of having a customer orientated approach to marketing. Once this is done, the BOP market is broken down into its segments so as to give managers an idea of who they may target with their value propositions. Hereafter the importance of branding is covered. Then the various channels at the BOP are discussed. Due to the often-inadequate channels present at the BOP, understanding the alternate routes to those common in conventional markets is an important consideration when entering the BOP. Of equal importance is the development of forms of exchange through which the BOP can interact with the SMME, and therefore this is also discussed. To bring it all together, the 4Ps and the 4As of marketing are then described. This chapter, as with the previous four chapters, ends with the development of a root definition and list of requirements which will be used later to develop the framework.

As portrayed in Figure 2-1 of Chapter 2.2, this chapter contributes to stage three of the SSM approach used throughout this study (Checkland & Scholes, 1990:211).

10.2 Marketing defined

Marketing is fundamentally about identifying and meeting human and social needs in a profitable manner. More precisely, "*marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large*" (Keefe, 2013). Marketing management occurs when at least one party of a potential exchange acts so as to pursue desired responses from other parties. Therefore, according to Kotler *et al.* (2014:5), marketing management is "*the art and science of choosing target markets and getting, keeping, and growing customers through creating, delivering, and communicating superior customer value*." A model of a simple marketing system is shown in Figure 10-1.

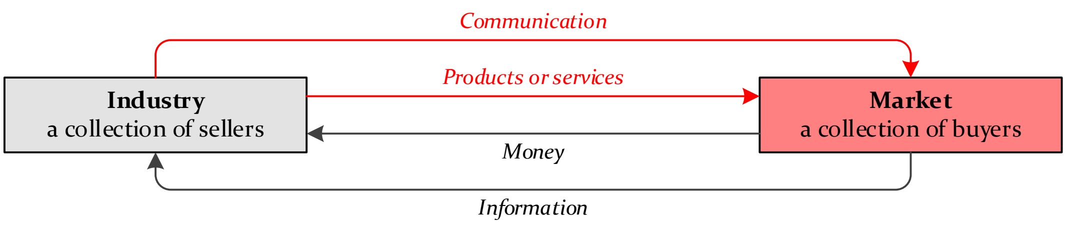


Figure 10-1 Model of a simple marketing system (Kotler *et al.*, 2014:9)

Selling a value offering is therefore not the primary goal of a marketer, it is only the tip of the iceberg so to speak. Levitt (1960) provides an insightful contrast between selling and marketing:

> *Selling focuses on the needs of the seller; marketing on the needs of the buyer. Selling is preoccupied with the seller's need to convert his product into cash; marketing with the idea of satisfying the needs of the customer by means of the product and the whole cluster of things associated with creating, delivering, and finally consuming it.*

According to a leader in management theory, Drucker (1973):

> *There will always, one can assume, be need for some selling. But the aim of marketing is to make selling superfluous. The aim of marketing is to know and understand the customer so well that the product or service fits him and sells itself. Ideally, marketing should result in a customer who is ready to buy. All that should be needed then is to make the product or service available.*

10.2.1 The Marketing Environment

In understanding how to bring value to the customer, it is important to have a good understanding of the market environment the enterprise is operating in. Kotler *et al.* (2014:11) put forward that the marketing environment comprises of the task environment, and the broad environment.

The task environment comprises of the different actors taking part in the production, distribution, and promotion of the value offering, including the enterprise itself, suppliers (material and service), distributors, dealers, and of course the target customers.

The broad environment is made up of six parts, namely the demographic environment, economic environment, natural environment, political-legal environment, social-cultural environment, and technological environment. Marketing strategies need to be adjusted accordingly through paying close attention to developments and trends in these areas. As noted earlier, change is itself a source of opportunity for the entrepreneur.

10.2.2 A Holistic View of Marketing (Social Marketing)

To get a full picture of the marketing concept, it is worthwhile looking back to the late 1950s (Keith, 1960), whereby it emerged as a *sense-and-respond* philosophy which resulted in superior performance all round by those enterprises employing it (Deshpandé & Farley, 1998). Instead of focusing on finding the right customers for the designed products, enterprises began to find the right products for their customers.

This approach is consistent with BOS as discussed earlier, as it holds that the key to attaining success is through the effective creating, delivering, and communicating of superior value to the target market.

According to Kotler *et al.* (2014:18), the breadth of and interdependencies between the various marketing programs, processes, and activities is better understood through a holistic marketing concept as shown in Figure 10-2.

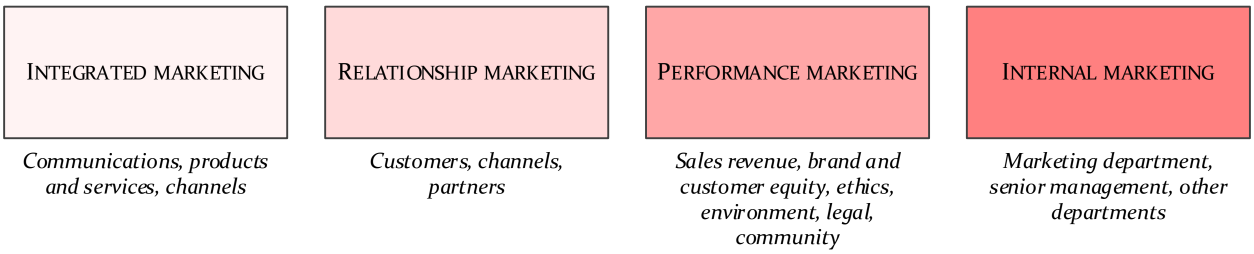


Figure 10-2 The dimensions of holistic marketing (Kotler *et al.*, 2014:19)

Thus, holistic marketing looks at all the facets of relationship, integrated, internal, and performance marketing, by recognising and reconciling the scope and complexity of marketing activities.

10.2.2.1 INTEGRATED MARKETING

Integrated marketing takes place when a marketer devises the enterprise's marketing activities and programs such that value is created, communicated, and delivered to the consumers in a way which makes the whole greater than the sum of its parts.

For this to happen, marketing activities must be chosen such that when the many different marketing activities which create, communicate, and deliver value to the customer are selected, the design and implementation of any single activity must occur with a full understanding of all the other activities in mind.

The importance of product and service integration is evident in how many consumers nowadays expect good installation, maintenance, and even training services when they receive their purchases. This is of course a sorely omitted aspect of marketing to the BOP, but worthwhile considering. Integrated communication strategies require communication options to be chosen such that they reinforce and complement one another. For instance, when advertising via billboards, posters, and radio services in an area, they can complement one another in the way they relate to each other yet still deliver the core brand message independently. Developing an integrated channel strategy is the final step of an integrated marketing approach. An integrated channel strategy requires that each channel is addressed independently, and assessed so as to ascertain its direct effect on sales and brand equity. Hereafter the indirect effects of interactions between channels must be understood too, so as to arrive at an optimal choice of channels in the trade-off between too many channels (conflict among channel members) and too few (resulting in overlooked market opportunities).

10.2.2.2 RELATIONSHIP MARKETING

With customer-oriented enterprises becoming more popular than ever before, a key goal of marketing pertains to the development of rich, lasting relationships with all involved parties, whether they directly or indirectly influence the success of the marketing activities employed by the enterprise. The aim of relationship marketing can thus be said to be the building of mutually satisfying long-term relationships with key constituents, so as to earn and retain their business (Gummesson, 1999; Christopher, Payne, Ballantyne & Pelton, 1995).

The key constituents can be listed as customers, employees, marketing partners (agencies, channels, dealers, distributors, suppliers), and the financial community's members (analysts, investors, shareholders). Developing strong relationships can only be done through understanding each constituent's capabilities, desires, goals, needs, and resources. This will ultimately result in an effective marketing network, which if well managed can lead to mutual attainment of goals among constituents, including profits for the enterprise (Anderson, Håkansson & Johanson, 1994).

10.2.2.3 PERFORMANCE MARKETING

Performance marketing touches on alternate forms of success, namely legal, ethical, social, and environmental effects in addition to the financial aspects of marketing activities. This theme is becoming increasingly important in business. Financial performance measures are still the leading way in which to assess different marketing routes' viabilities (Shaw & Merrick, 2005). However, due to the extensive range of marketing effects it is now important for marketers to look beyond the enterprises and customers, towards society as a whole, by taking note of the environmental, ethical, legal, and social context of marketing activities (Sheth, Sisodia & Wolfe, 2003).

10.2.2.4 INTERNAL MARKETING

Internal marketing refers to the task of hiring, training, and motivating capable employees that have a desire to serve customers well. It works by ensuring that everyone in the enterprise embraces suitable marketing principles. This type of marketing is imperative as promises of excellent service are misplaced without an enterprise whose staff are ready to deliver it.

In start-ups, there exists little hierarchy to deal with, making quick training and full understanding more easily attainable. Due to the small number of employees inherent in typical start-ups, cross departmental relations are not so important as different departments do not exist physically, as the same set of people that help develop the strategy, pursue innovation, and market the offering are directly involved with one another most of the time.

10.3 The importance of marketing

As shown in the previous chapter, strategic innovation in BOP markets is the same as that for developed markets in that an enterprise identifies a gap in the market and targets it until it is a substantially sized market. The differences lie in the fact that the BOP market require emphasis to be placed less on developing new *whos*, as there are indeed many in the BOP who don't partake in the formal economy, and instead focus more on developing new *whats* and *hows* to serve these customers effectively.

For the purposes of this study, the BOP is viewed as the only prospective market. The role of the marketer is to seek a response from the prospect (i.e. the BOP), through capturing their attention and promoting purchases to be made.

According to Drucker (1958:252), "*marketing is the most effective engine of economic development, particularly in its ability to rapidly develop entrepreneurs and managers. And it contributes what is the greatest need of an 'underdeveloped' country: a systematic discipline in a vital area of economic activity … a discipline which is based on generalized, theoretical concepts and which can, therefore, be both taught and learned.*" Therefore, it is imperative for marketing success to understand the marketing concept in how it applies to the enterprise, by gaining market insight (Kotler, Keller, Ancarani & Costabile, 2014).

An example of how important market insight is can be seen with the Tropicana case, whereby the iconic orange skewered by a straw image on the packaging was changed without testing customer reactions. A few months later Tropicana had to go back to their original design as sales dropped by 20% (Zmuda, 2009). Marketing research is therefore imperative not only for getting new customers, but for keeping old ones too.

Kotler *et al.* (2014:98) define marketing research as "*the systematic design, collection, analysis, and reporting of data and findings relevant to a specific marketing situation facing the company.*" This is synonymous with the innovative search idea of the previous chapter, albeit with an added twist: the possible opportunities must be screened before and after development to ensure it will be BOP savvy. For this reason, a goal of this chapter is to determine what factors must be adhered to in order to make a value proposition for the BOP marketable.

The BOP market is as diverse as the other tiers of the economic pyramid, however in a rather different fashion. The specific constraints pertaining to the BOP will be discussed later, but it is worthwhile looking at those factors which are generic and common to all tiers of the economic pyramid first. For this it is crucial to look at customer-centricity, customer needs versus wants, and a means of ranking these needs.

10.3.1 BUILDING CUSTOMER VALUE, SATISFACTION, AND LOYALTY

The creation of customer loyalty is at the heart of every enterprise (Schieffer, 2005). As Peppers and Rogers (2005), the experts in marketing say:

> *The only value your company will ever create is the value that comes from customers – the ones you have now and the ones you will have in the future. Businesses succeed by getting, keeping, and growing customers. Customers are the only reason you build factories, hire employees, schedule meetings… or engage in any business activity. Without customers, you don't have a business.*

Mangers that believe the customer is the true profit centre of the enterprise consider the traditional organisation obsolete (Urban, 2005), arguing that success is attained through focusing on the customers. Enterprises that are more successful in their marketing approach are ones which view the hierarchy of relative importance as shown in the right-hand side of Figure 10-3.

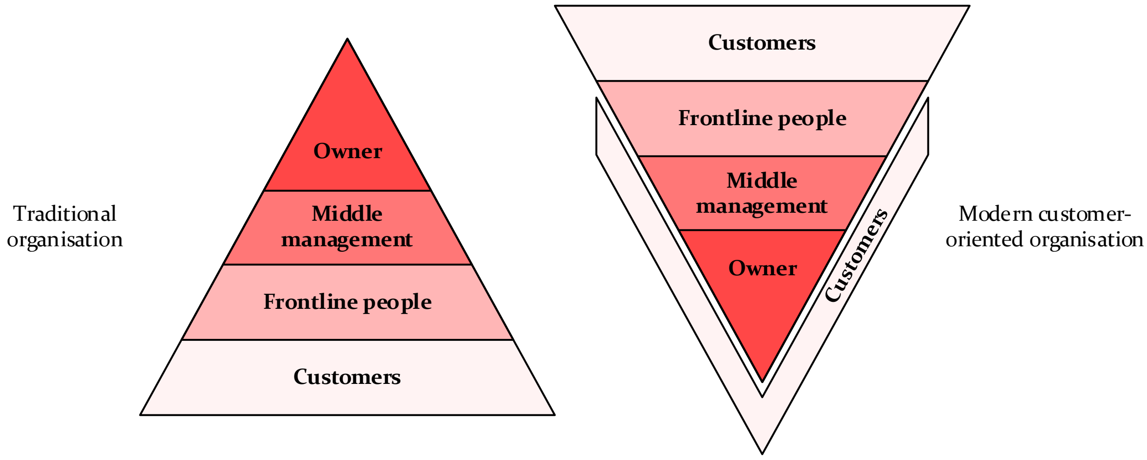


Figure 10-3 Traditional versus customer-oriented organisation

In this modern customer-oriented enterprise the customer reigns supreme, with those in direct contact with the customers who meet, serve, and satisfy customers, i.e. the frontline people, coming directly after. Management acts so as to enable and support frontline people in their efforts, with the heads of the enterprise making sure good middle managers are hired and supported. In a start-up, this hierarchy is less specific due to human resource constraints, as managers and the owner often need to take part in front line activities. Customer loyalty is best captured when enterprises listen and respond to customers (Urban & Hauser, 2004). This reiterates the need for approaching the BOP from the bottom up.

10.3.2 Needs versus wants

In understanding which directions to pursue, so as to promote sales and impact the target market optimally, it is important to understand the differences which exist between their types of needs and wants. Primary needs correspond to basic human requirements, e.g. air, food, water, clothing, shelter. Secondary needs which are less strong than primary ones include such things as education, entertainment, and recreation. The line between needs and wants is crossed when the need is directed towards a specific object which might satisfy the said need. Wants are to a large extent shaped by the society one lives in (Kotler *et al.*, 2014:10). Demands on the other hand are specific wants which are backed by the customer's ability to pay.

To avoid running the risk of falling prey to the criticisms of marketers who develop products which get people to buy things which they don't need, and thus exploit the customers, an understanding of the different needs is imperative, especially for the BOP market. The importance of this cannot be understated as exacerbating poverty must be avoided at all costs for sustainable poverty alleviation to be realised.

Needs pre-exist marketers, and therefore it is imperative to go to the prospective customer to understand their needs, which can be categorised into the following types:

- Stated needs, e.g. a label mobile phone
- Real needs, e.g. ability to communicate
- Unstated needs, e.g. low operating costs regarding data consumption
- Delight needs, e.g. inclusion of entertainment in the form of games on the phone
- Secret needs, e.g. social status

Each of these needs should be addressed in a strong offering, as responding only to the stated needs will short-change the customer (Franke, Keinz & Steger, 2009). The customer may not fully understand their own needs, and it is the role of the marketer to help customers understand what they really need and want.

10.3.3 Maslow's hierarchy of needs

The BOP market, as with every market, is dynamic in nature. According to Abraham Maslow, different needs are more sought after in certain situations and times than other needs (Maslow, Frager & Cox, 1970; Conley, 2007).

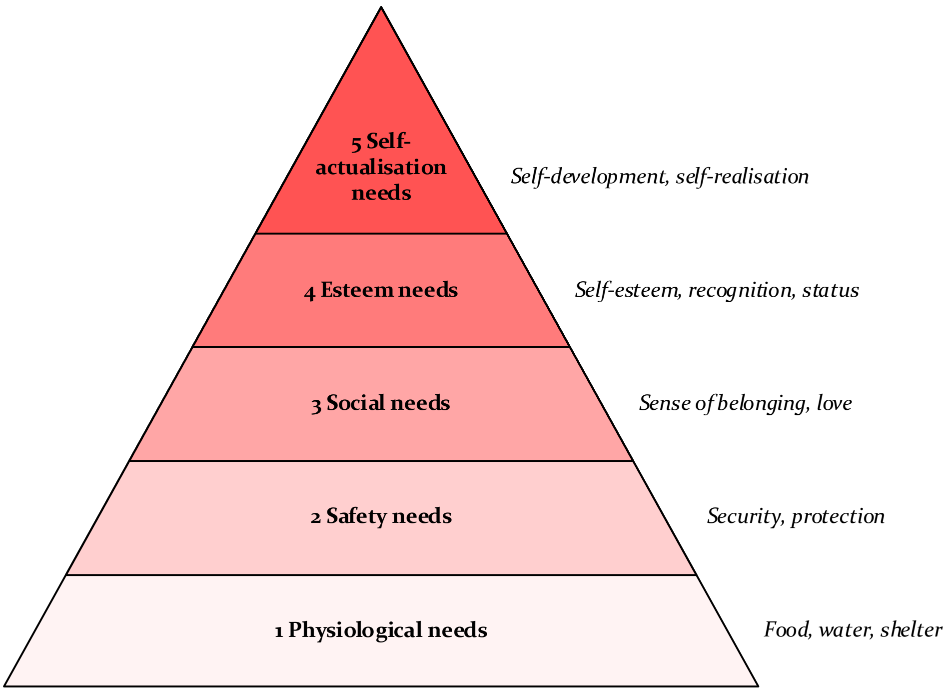


Figure 10-4 Maslow's hierarchy of needs

Maslow's hierarchical ranking of needs from least to most pressing is displayed in Figure 10-4. He argues that people first try to attain their most pressing basic needs, and thereafter move to the next important in the listing.

The purpose of Maslow's hierarchy is not to act as a rule when enterprises develop offerings for the BOP, but rather to guide the enterprise in doing so. For instance, offering products which may benefit the BOP in terms of recreational purposes when the family is still deprived of basic amenities may exacerbate the suffering of the people in that household. However, an offering which may require relatively substantial financial expenditure on part of the BOP household leader that however empowers that household by increasing their earning potential, is advantageous. In essence, the said household can lift itself out of poverty. Thus, fully addressing level one needs before addressing higher level needs, is not always the best way forward.

10.4Market targeting

Multiple statistical techniques exist which enable the enterprise to develop market segments (Dillon & Mukherjee, 2006; Wedel & Kamakura, 2012). After identifying the opportunities that exist for the market segments, the decision must naturally be made as to how many and which ones should be targeted.

10.4.1 EFFECTIVE SEGMENTATION CRITERIA

Not every segmentation structure is useful. For instance, when considering female customers, dividing brunettes and redheads according to their choice of table salt is useless, as hair colour is an irrelevant consideration in purchasing salt. Beyond this, some market segments are only minimally segmentable. For instance, if all salt consumers eat roughly the same amount each month, believe all salt is equal, and would only pay one price for salt, then the salt consumer market is minimally segmentable in any way relevant to marketing.

Kotler *et al.* (2014:231) provides good guidelines as to what features market segments must exhibit in order to be deemed favourable to the marketer:

- **Measurable:** the market segment size, purchasing power, and characteristics should be measurable
- **Substantial:** the segments should each be large enough and also profitable enough to serve. They should ideally be the largest homogeneous group of people worth pursuing with a specific marketing program
- **Accessible:** segments should be able to be effectively reached and served

- **Differentiable:** the segments should each be conceptually distinguishable, and have different responses when different marketing mix elements (which will be discussed later) and activities are applied to them
- **Actionable:** effective programs should be able to be formulated for attracting and serving the segments

10.4.2 Market segmentation (evaluating and selecting)

In understanding which segments are more attractive to the enterprise, the marketer must look at both the market segment's overall attractiveness and the enterprise's objectives and available resources. If the enterprise scores well on exhibiting the abovementioned features, it is worth pursuing further. For instance, if the segment is big, shows potential for growth, is going to be profitable, exhibits scale economies, and is low risk, then it is sufficient as a market segment only if it still makes sense in light of the enterprise's objectives, competencies, and resources also.

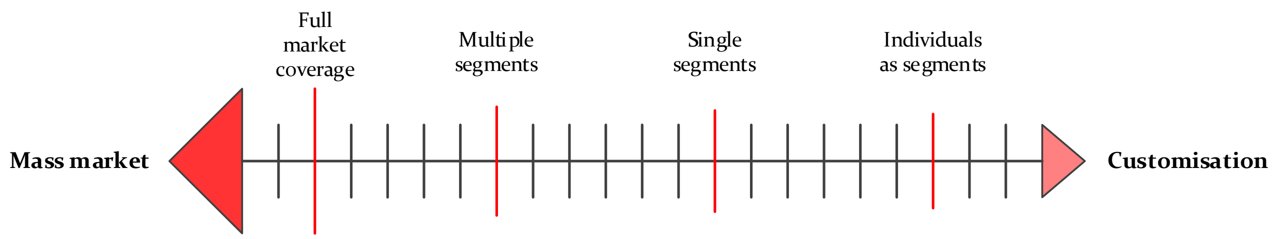


Figure 10-5 Possible levels of segmentation (Kotler *et al.*, 2014:233)

The full range of market segments, according to their range or size is worth noting in determining the potential for a market segment's success, and thus guiding the marketers in their target market determination. Figure 10-5 relates the spectrum of possible levels of market segmentation, ranging from a mass market (essentially one segment) at one extreme to individuals (markets of one person) at the other extreme. Within these extremes lie all the possible segment levels, which will be discussed next.

10.4.2.1 Full market coverage

Full market coverage by an enterprise relates the enterprise's attempt to serve all customer groups with all the products they could possibly need. Only extremely large enterprises can undertake full market coverage strategies, e.g. Coca-Cola, Unilever, etc.

Large enterprises adopt either an undifferentiated (or mass marketing) approach whereby they ignore customer segments altogether by offering one superior and broad ranging offering, or they adopt differentiated marketing whereby they cover all the segments of the entire market, but with multiple and varied offerings to each. As this approach is well beyond the scope of a start-up it will be abandoned from here on out.

10.4.2.2 MULTIPLE SEGMENT SPECIALISATION

Selective specialisation occurs when an enterprise selects a subset of the multiple segments available, with each segment in the subset being attractive and appropriate, however not necessarily similar or related to one another. The deciding factor on market segments is the profitability of each. Multi-segment strategies minimise the enterprise's risk through increasing the diversity of its market portfolio. This being said, enterprises may also operate in *supersegments* rather than isolated ones. A supersegment consists of a set of segments within which, some exploitable similarity is common.

This synergy can be achieved more specifically through product or market specialisation. Product specialisation is an approach which the enterprise can use to sell the same product to several different market segments, however the risk involved with this is evident in how a dominant new technology may replace the enterprise's offering, destroying its footing in all market segments. In market specialisation the enterprise concentrates on serving the many needs of a particular customer group (e.g. the BOP), by selling an assortment of products and services only to that group. The advantage with this approach is that the enterprise develops a strong reputation and this helps it expand its offerings in that group.

10.4.2.3 SINGLE SEGMENT CONCENTRATION

The third level of segmentation is called single segment concentration, as the enterprise markets to only one segment in particular. The advantage of concentrated marketing of this nature is that it enables the enterprise to gain deep knowledge of the segment's needs, therefore generally attaining a strong market presence. By specialised production, distribution, and promotion, this approach exhibits operating economies, and if segment leadership is attained can lead to high returns on investment. This form of market segmentation is therefore most attractive to the typical start-up SMME.

A niche exists within a segment itself, whereby a small number of users seek a distinctive mix of benefits, effectively dividing segments into sub-segments. Creating a low cost and convenient product or service offering for a niche market is sometimes highly profitable (Kotler *et al.*, 2014:233). However, niche markets generally require unique processes to bring about the desired product or service, rapidly increasing the costs and making the price rise steeply. Thus, niche markets (i.e. the long tail of marketing) are not ideal for SMMEs targeting the BOP market which, as a market, are incapable of paying premiums for unique offerings of this nature.

10.4.2.4 INDIVIDUAL MARKETING

The highest level of segmentation is seen in individual marketing, whereby customers are served through one-to-one marketing in a highly customisable setting. It gives the individual customers the ability to customise their products and services towards what maximises the value for them as individuals, often resulting in the enterprise exhibiting much growth (Peppers & Rogers, 2009).

However, customisation only works well in certain situations, and for certain products, but definitely not for all (Wind & Rangaswamy, 2001). Customisation is inherently expensive, and tends to answer the needs of a relatively small segment of well-off individuals. Hence this is not an approach likely to be of much value to the BOP targeting enterprise.

10.4.3 BOP MARKET SEGMENTS

Beyond segmenting the BOP into the five LSM groups as discussed in Chapter 3, there are further means of specifying the target market more succinctly, independent of the nature of the value proposition to the market. Just such an approach is provided by Rangan *et al.* (2011). However, before delving into their means of categorising the BOP it is important to understand their underlying assumptions regarding what a successful marketing strategy must deliver to the BOP.

On this note, Rangan *et al.* (2011) have experienced that lasting profits can be made at the BOP only if the enterprises in question link their success with the success of their constituencies. More plainly put, they argue that in order to be increasingly profitable, the goods or services developed for the BOP communities must enable them to grow more affluent, so that their increased income as a result of the use of the product or service will trigger more demand in the communities.

To achieve value creation for the specific segments of the BOP, Rangan *et al.* (2011) claim that the enterprises must understand what their constituencies (the BOP) values in each of the various components that the BOP population consists of. The two overarching segments (each with three sub-segments) they have devised include segmenting by living standard, and segmenting by value creation role. Each will now be discussed in turn, and it will become evident that according to the BOP segmentation criteria, the ideality or suitability of the different segments are very different to one another.

10.4.3.1 SEGMENTATION BY LIVING STANDARD

Three levels of living standard which work in conjunction with the LSM segments include:

- **Low income:** the low-income group of the BOP constitutes the majority of the BOP in South Africa (SAARF, 2014:1). They typically have a couple of years of high school education at least, and are sometimes able to attain regular or semi-regular income through working in menial jobs. Their business is conducted in both formal and semi-formal markets. This segment pertains mainly to the upper LSM groups four and five population, which is near enough to LSM group five. Rangan *et al.* (2011:114) state that these people often own items such as bicycles, televisions, and mobile phones. Common needs among this segment include higher education, steadier and higher paying jobs, good housing, and improved access to healthcare specialists, and credit providers. This segment also has a higher hope for their children increasing their standard of living above that of their parents

- **Subsistence:** According to Rangan *et al.* (2011:114), the BOP population living in this segment are poorly educated, and low skilled, with sporadic earnings, as they operate often as temporary workers on projects. They make up the majority of LSM group two and three. Requirements herein include better sanitation, healthcare, education, and nutrition value in their meals. They are found in both urban and rural areas, using informal trading to barter goods. They generally have no access to financial institutions beyond moneylenders and middlemen to access or store money, often leading to exploitation. This is where low-cost is a crucial component in a valid value offering
- **Extreme poverty:** these BOP people are the lowest of the low in terms of being able to access basic necessities, such as food, water, and shelter. They typically are categorised as the bottom of LSM group one. Their limited education, poor health, malnourished, and financially vulnerable position often causes them to have to leave even urban or rural slums, negating them from taking part as consumers or producers in the BOP market. If lucky they may receive aid from NPOs, or government relief programs. Though the level of extreme poverty in South Africa has declined substantially over the last decade, there are still people stuck in this position of the socio-economic pyramid

The view that Rangan *et al.* (2011) hold of the BOP seeking more than just the basic necessities has been confirmed by Subrahmanyan and Gomez-Arias (2008:402) who claim that from their studies, BOP consumers are "*motivated not just by survival and physiological needs but seek to fulfil higher order needs either to build social capital, for cultural reasons or as a compensatory mechanism*," and furthermore that "*when firms offer products that also fulfil these higher order needs, especially through linkages to education and job offerings, there is a greater chance of their success*."

Of course, it becomes more difficult for profit generation as an enterprise moves from low income to subsistence and finally to extremely poor consumers, as increasing market penetration and greater scale is necessary to generate the same profits. In targeting the extreme poverty segment, it is likely that without partnerships (with NPOs or government), opportunities for profits are few, as the needs of this segment are considered fundamental human rights by society.

10.4.3.2 SEGMENTATION BY VALUE-CREATION ROLE

As mentioned earlier, the BOP market may itself be best approached through partnering with the BOP in order to create value (i.e. BOP 2.0, BOP 3.0), and some of the BOP just do not have the resources to pay for anything substantial, necessitating what can be seen as handouts, which though not a viable market segment is definitely worth noting as a segment in its own right (so as to not overestimate the lucrativeness of a venture). This allows the BOP market to be further segmented as:

- **Consumers:** of course, the most conventional view of a target market is mainly as consumers, for which the enterprise can create value by addressing their needs directly. This is achieved through product or service offerings which are suitable to their needs (and financially feasible). Of course, improving existing services through innovative means can also generate profits for the enterprise. Viewing the market as consumers alone is best for the low-income segment, wherein consumers have the most resources the BOP population has to offer, for making purchases. The subsistence segment is less ideal as a consumer due to their inherently lower financial flexibility
- **Co-producers:** the advantage of the BOP being brought in as co-producers can be seen in that they are not only able to attain value, but they are presented with work and income. With a little training, this BOP market segment can help the enterprise in production, assembly, transportation, distribution, and retailing activities (Rangan *et al.*, 2011:115). In essence, this co-producing stance may be the vital means of traversing the last mile in reaching consumers at the BOP in more remote and fragmented regions. Viable co-producers are likely to be in either the low income or subsistence segments just discussed, often providing products to those just a little higher up in the economic pyramid. As the primary need of the subsistence segment of the BOP is increasing their income, the role of co-producer is especially suited to them. Once again however, the extremely poor are not ideal candidates. They are difficult to access, and lack the basic skills necessary to operate as a co-producer
- **Clients:** this segment is the least lucrative for profit seeking enterprises, as they are best and most often served by NPOs or government bodies providing subsidies so that they are able to access much needed basic amenities

Thus, it is easy to see that enterprises seeking high growth at the BOP are best suited to target the consumer and co-producer segments of the BOP. The client segment is mostly associated with the extremely poor people, which are generally the prerogative of NPOs and government organisations. Sridharan and Viswanathan (2008:455) similarly argue for the importance of a deep understanding of subsistence consumers, and entrepreneurial empowerment in segmenting the BOP market successfully.

In essence, segmenting the BOP market must be done in a manner which ensures both commercial and social value is created, with an accompanying large market penetration so as to have the greatest impact possible. This is well put by Rangan *et al.* (2011:117) who eloquently say that "*Commercial and* *social value are like the two blades of a pair of scissors, and scale is like the tailor's deft hand. You must have all three elements to slice through the knotty obstacles at the base of the pyramid.*" Commercial value is easy enough to understand, as it is basically profits. Social value on the other hand is more difficult to understand. Thus, determining what factors maximise the social value of the proposition to the BOP consumers, co-producers, or clients is crucial and reiterates the need for a full understanding of the various types of needs at the BOP.

Branding, which is the focus of the following section, is imperative for a start-up as it gives the enterprise's offerings recognition if suitably incorporated in the offering, raising awareness and even prestige if ideally suited to the BOP needs.

10.5 Branding

Branding plays a crucial role in the visibility and perceived quality of a value offering. A brand is defined as "*a name, term, sign, symbol, or design, or a combination of them, intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors*" (Kotler *et al.*, 2014:241).

In order to appreciate the value of the concept of branding to the enterprise, one must understand the term *brand equity*. Brand equity is the value added to a product or service due to its branding, and is reflected by the manner in which consumers think, feel, and act with respect towards the brand (Keller, Parameswaran & Jacob, 2011; Aaker & Joachimsthaler, 2012; Aaker, 2012; Aaker, 2009). One way in which brand equity is approached which is applicable to a consumer-oriented enterprise is the customer-based approach to brand equity. Customer-based brand equity determines the value of the brand from the point of view of the consumer, recognising that the strength and influence of the brand are proportional to what the customers have felt, heard, learned, read, seen, and thought about the brand over time (Aaker, 1997; Kapferer, 2012). In essence, customer-based brand equity is therefore the differential effect which brand knowledge has on the response exhibited by a consumer when a brand is marketed (Keller, Parameswaran & Jacob, 2011).

When compared to the situation in which no brand is identified by the consumer, positive brand equity distinguishes a favourable reaction from consumers when the branded offering is marketed to them, as opposed to negative equity wherein a less favourable impact on marketing activity is exhibited when the same branded offering is marketed.

If consumers do not respond differently to the brand's presence, the branded product is essentially a commodity, and the factor determining the consumer's choice of product is probably price-dependent (Levitt, 1980). The stronger a positive equity brand is, the greater the revenues generated from that offering exhibiting the brand name (Ailawadi, Lehmann & Neslin, 2003). Marketers must therefore play the role of ensuring the right experiences are attributed to the value offering by the target market. Thus, the brand equity can guide the marketers in determining a course of action so as to create the desired brand knowledge in the market (Miller & Muir, 2005).

In order to distinguish a possible good brand from a bad one, and actively increase the brand equity of a brand name for the enterprise's offering, it is useful to look at common attributes associated with successful enterprises' brands. These attributes are shown in Table 10-1.

Table 10-1 Six criteria for choosing brand elements (Kotler, Keller, Ancarani & Costabile, 2014)

Brand building elements	Memorable: how easy do customers recall and recognise the brand element, and furthermore when (ideally at both purchase and consumption)?
	Meaningful: how credible is the brand element, and does it suggest a specific type of product category or customer persona?
	Likable: how aesthetically pleasing is the brand element?
Defensive elements	Transferrable: would the brand element be able to represent (introduce) new products in the same or different categories?
	Adaptable: how adaptable and updatable is the brand element?
	Protectable: how legally and competitively protectable is the brand element?

These brand elements each build the brand in a number of ways (Wheeler, 2012). For instance, likability has been shown to increase awareness and associations of an offering (Fallon & Senn, 2006). Slogans perform a similar function to brands, and are an extremely efficient means of generating brand equity (Yorkston & Menon, 2004). However, slogans generally tend to corner the brand and decrease the chance of the brand being applicable over a broad range of offerings (Lowrey & Shrum, 2007).

Thus, utilising a strong brand is crucial to get customers at the BOP to differentiate the enterprise's offering from that of existing and potential competitors, and plays a key role in bringing about awareness of new offerings in future which build upon the already established presence in the market (i.e. platform innovations).

10.6Marketing channels

After addressing the various needs and wants of the BOP in the value offering, and incorporating a strong brand to help bring the offering to market, it is essential to look to the various channels through which the offering may be brought to the market. Three broad ranging channel types which enable an enterprise to reach a target market include communication channels, distribution channels, and service channels (Kotler *et al.*, 2014:11).

Formally, marketing channels are the set pathways which products or services follow after production, culminating in the purchasing of and consuming by the end user (Stern, El-Ansary & Coughlan, 1996). Communication channels act so as to deliver and receive messages from target buyers in both monologue and dialogue channels, e.g. newspapers, radio, billboards, posters, fliers, toll-free numbers, the internet, etc. Distribution channels display, deliver, and sell the value proposition to the buyers or users, e.g. distributors, wholesalers, etc. Service channels enable the enterprise to carry out transactions with potential buyers, e.g. transportation enterprises, banks, warehouses, etc. Choosing and designing the correct mix of channels is imperative for successful offerings to the market.

It is not always the case that enterprises sell their products directly to the customers. This is where intermediaries come into the picture, constituting a primary distribution channel for enterprises operating at the BOP. Certain intermediaries otherwise known as merchants, buy, take title to, and then resell merchandise (i.e. BOP 2.0). Other intermediaries, known as agents, search for and negotiate with customers on behalf of the enterprise but do not take title to the offerings (e.g. sales agents). Lastly, intermediaries called facilitators perform a slightly different function. Facilitators assist the enterprise in distributing products but neither negotiate purchases or sales, nor do they take title to goods (e.g. advertising agencies, transportation enterprises).

Marketers need to assess the different available channels and employ those best aligned with the enterprise's market position, in a unified marketing channel system. The marketing channel system is the particular set of marketing channels chosen by the enterprise. This system directly impacts the ability of an enterprise to not only convert potential customers into profitable buyers, but it also affects the enterprise's ability to create new markets (Stern & Weitz, 2002; Arnold & Quelch, 1998; Austin, 1990; Austin & Kohn, 1990; Banerjee & Duflo, 2006).

The chosen channels affect all other marketing decisions. For instance, the pricing depends largely on the cost of transport, and the skill of the distributors in reaching remote customers in the BOP. Different products require dealers to have varying skills depending on how well the product is advertised. Furthermore, channel choices often require commitments to various intermediaries over lengthy periods of time, forming contracts which can't be backed out of and therefore having long-lasting effects.

The choice of channels also depends on the enterprise's marketing strategy. Different target market segments are reached more or less easily (and effectively) by different channels. Two forms of marketing strategy are open to marketers with regards to how they manage their intermediaries, namely push and pull (Kotler *et al.*, 2014:416).

Push strategies induce the intermediaries to promote, carry, and sell the product to the end user through some or other means (e.g. using promotions, making products highly visible). Pull strategies aim at getting the intermediaries to persuade customers to demand the product from the intermediaries, thus inducing these intermediaries to order it from the enterprise (e.g. using advertising, strong branding).

Push strategies are primarily appropriate when the offering exhibits low brand loyalty, has a clearly understandable benefit, and the product is an impulse item. Pull strategies on the other hand are appropriate when there is high brand loyalty, high consumer involvement in the offering, it is easy to distinguish from other brands, and when the choice of brand is made before the customer goes looking for a product or service.

The best marketing enterprises (e.g. Coca-Cola, Unilever, etc.) are able to skilfully utilise both push and pull approaches to marketing strategy. Push strategies work optimally when a concurrently running pull strategy is in place, activating consumer demand (Kotler *et al.*, 2014:416). Customers must be aware of a value proposition before they will try it, and the proposition must also be available before they can test it, so a lack of push or pull to some extent is detrimental to marketing success.

10.7 Market exchange at the BOP

Once the necessary customer channels are in place, it is important that the customer has a means of purchasing the offering, for which market exchange is crucial. Interactions between the enterprise and consumers go beyond just facilitating the physical exchange of products, and include other marketing mix elements such as promotional activities and customer research activities, however the concept of exchange remains the core component of enterprise-consumer interaction (Viswanathan, 2007).

The primary types of exchange which might occur at the BOP include structured, networked, pure, and centralised (Layton, 2007). Each of these are now discussed.

10.7.1 STRUCTURED EXCHANGE

Structured exchange involves specialised and structured formal intermediaries or channels of distribution which provide standardised processes to facilitate the flow of transactions (Mahajan & Banga, 2007; Stern & El-Ansary, 1988; Viswanathan, 2007). Examples of this include neighbourhood retail stores, and wholesalers. Neighbourhood retail stores for instance are small, formal, and often family owned enterprises which buy products (generally staples) from wholesalers to resell in the community (Viswanathan, 2007). They are more common in urban BOP areas, wherein they constitute a key formal distribution channel, due to their close proximity and convenience to the BOP market (Sridharan & Viswanathan, 2008). Chikweche (2009) claims that though familiarity between shop owners and consumers in this setup allows for the consumers to sometimes buy on credit, it is common that in paying back they end up paying more than the value of the goods if obtained elsewhere.

Larger retailers and wholesalers are more commonly positioned further away from the BOP communities, and for the most part operate in cities. This distance results in extra costs being incurred for the BOP consumers due to transport costs if they wish to shop at these alternatives. Though the average prices of goods and services at these outlets are lower than those of the neighbourhood retailers, they do not offer the oft financially limited BOP consumer a credit route to paying.

In South Africa, large retailers and wholesalers have expanded into BOP residential areas exhibiting high numbers of BOP consumers, creating competition for neighbourhood retailers (Mahajan & Banga, 2007). An example of such an occurrence can be seen by how Shoprite has expanded into 15 countries across Africa and the Indian Ocean Islands with large BOP markets (Shoprite, 2014). Utilising structured exchange is therefore more ideal than ever before in the BOP market.

10.7.2 Networked exchange

Networked exchange involves making use of managed relationships between individuals and entities so as to accrue benefits based on their cultural, economic, or social links. These networks have developed into parallel distribution systems to the formal, structured channels just discussed.

In Zambia for example, *salaula* is a marketing system which facilitates the distribution of second-hand clothing via small-scale networks made up of African agents, and British and American merchants who all compete in local city markets (Layton, 2007:234). Similar networks have been aiding in exchange activities for decades in other parts of the world (Thorelli, 1986; Wilkinson, 2001).

10.7.3 Pure exchange

Pure exchange takes place when products or assortments are openly exchanged at defined trade centres operating within BOP communities, wherein bargaining is common and bartering is sometimes utilised instead of paying in cash when concluding deals (Swedburg, 2005).

An example of pure exchange can be seen in market stalls operated by vendors trading in a variety of products and services, from shoes to television sets, and mending clothes to cutting hair, at times reverting to bartering in making payments (Viswanathan, 2007).

10.7.4 Centralised exchange

Centralised exchange utilises political or economic power in a BOP community to direct transaction flows towards the entity that exercises this power in a manner that benefits that entity. Most popular utilisers of this form of exchange are government controlled exchanges, commonly seen in Sub-Saharan countries with large BOP markets, whereby the government takes control of distributing staples such as food (Thompson, Rindfleisch & Arsel, 2006; Fafchamps, 2001).

Due to infrastructural challenges faced at the BOP, the dominance of structured, formal distribution channels is constantly under threat of being taken over by the other forms of exchange (Ndulu *et al.*, 2007; Johnson, Ostry & Subramanian, 2007). Thus, when determining which channels to employ at the BOP, it is wise to incorporate various market exchange options into the final choice of channel mix, so as to broaden the enterprise's horizons in terms of market penetration. This being said, infrastructural challenges are not the only challenges faced at the BOP by the marketer, as will be seen in the next section.

10.8The BOP marketing mix strategy

Pioneering supporters of enterprise involvement at the BOP have applied the marketing mix framework to address the specific constraints common to the BOP market. The marketing mix paradigm was first introduced by Culliton (1948), after which Borden (1964) touched on it, leading to McCarthy (1964) who summarised the concept into the longstanding 4Ps framework.

10.8.1 THE 4PS FRAMEWORK

The 4Ps framework consists of the marketing mix elements of product, price, place, and promotion, each of which are broken down into their major components in Figure 10-6. The marketing mix is the combination of techniques used to market a brand. Since McCarthy (1964), the notion of the marketing mix paradigm has dominated marketing practice and research (Coviello, Brodie & Munro, 2000).

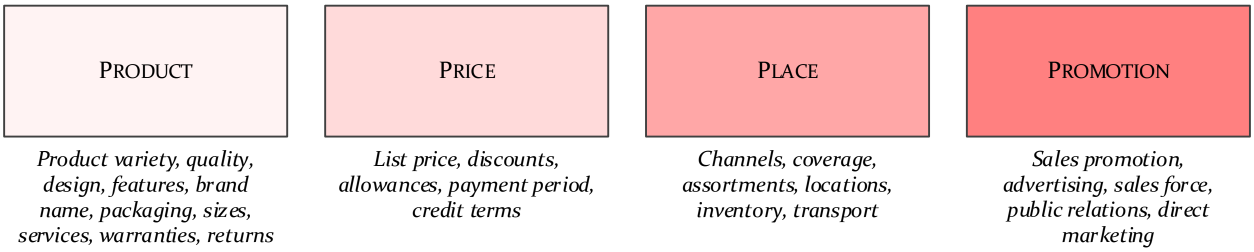


Figure 10-6 The four P components of marketing mix expanded (Kotler *et al.*, 2014:25)

The framework is not however without its criticisms, with a common limitation being its inability to address the importance of relationships and services marketing (Kotler, 1984; Constantinides, 2006; Schultz, 2001). Booms and Bitner (1981) expand the mix to a set of seven Ps, addressing the services side of marketing in addition to the product focus of the original four, long before the revised version of Kotler *et al.* (2014:25). However, in spite of its deficiencies, the 4Ps "*remain a staple of the marketing mix*" (Goi, 2009), and the subsequent Ps have yet to reach a consensus regarding their eligibility and agreement over the practical application amongst scholars (Kent & Brown, 2006). Therefore, only the original 4Ps will be studied in this section. Furthermore, the other Ps have by and large already been addressed throughout the chapter.

10.8.1.1 Product (service)

The product (or service can be seen as that output of the enterprise which satisfies the customer, be it a tangible good or intangible service. Key to understanding the validity of a product or service offering is an understanding of the entire life cycle of the offering, first of all to ensure it continues to meet the requirements of the BOP consumer for the greater part of its life, but also so that the different challenges which arrive over its life cycle may be accounted for in advance.

A primary concern of BOP consumers exists in way of accessing affordable products in environments which are often resource depleted, often lacking sufficient basic necessities (Mahajan & Banga, 2007; Prahalad, 2014), e.g. food, hygiene products, water. Furthermore, the available products do not always meet the needs of the BOP consumers and they have to utilise what they can get the best they can (Banerjee & Duflo, 2006). Understanding the drive behind these consumers' choices of products may help enterprises in determining which offerings are of priority for BOP consumers.

The macro-environmental constraints identified earlier may well have an impact on the necessary product strategy for enterprises operating in the BOP. Government may for example stipulate standard sizes of consumer-packaged products (Dunning, 1997), shaping the interactions that take place in determining a product offering to be advantageous to the BOP but also fulfil the legal requirements.

10.8.1.2 Price

Price is basically the amount of money a customer will pay for the product or service offering. Pricing is intricately linked with profit, and hence enterprise survival. The choice of price impacts the choice of marketing strategy to a great extent, due to the impact which pricing has on all the elements of the marketing mix. Pricing must therefore be chosen to complement the other elements.

For enterprises operating at the BOP, pricing is often ranked as the most challenging task for marketing managers to set (Chikweche, 2009). Too high a pricing strategy has been shown to result in failure of an offering (London & Hart, 2004). Prahalad (2014) and Viswanathan, Sridharan and Ritchie (2008) outline a number of alternative pricing strategies for BOP enterprises so as to avoid failure. Price controls may be set by government to ensure affordability of products or services at the BOP (Kauffman, Kraay & Mastruzzi, 2008; Ndulu *et al.*, 2007). Of course, price controls are founded on good principles, ensuring the customer is protected from exploitation, but this may make it unfeasible for an enterprise to develop a much-needed offering for the BOP due to an inability to turn over a profit. In the past, this has even caused some enterprises to close down altogether (UNCTAD, 2013). A slightly higher price may be of lesser importance to a BOP consumer in dire need of a product which is too expensive in the conventional market or not available in the BOP market.

10.8.1.3 PLACE (DISTRIBUTION)

Place refers to the provision of products and services in a place which is ideal in terms of convenience to customers. The various self-explanatory strategies available to the enterprise include intensive distribution, selective distribution, exclusive distribution, and lastly franchising. The choice of which should be made depending on the degree to which the choice complements the other marketing mix elements.

Physical proximity to products and services has long been a challenge to overcome for consumers and enterprises in BOP markets (Austin, 1990; Johnson, Ostry & Subramanian, 2007; Stern & El-Ansary, 1988). Weak distribution infrastructure common to BOP markets acts as a hindrance to consumers accessing products and services, and also to enterprises accessing consumers with the products and services (Nwanko, 2000; Fay & Morrison, 2006), e.g. poor storage facilities, limited telecommunications, and inadequate transportation services. Not only does this hinder distribution, it also makes the channels longer than need be, and costlier.

In the BOP, it is beneficial to use both formal and informal distribution channels to enhance customer-enterprise interactions (Mahajan & Banga, 2007; Viswanathan, 2007; Layton, 2007). Informal distribution systems are linked to social networks in the communities, making for a good way in which to spread knowledge of the offering to the market (Viswanathan, Sridharan & Ritchie, 2008). Formal and informal systems often co-exist with one another in a mutually beneficial way, complementing each other for the most part in serving consumer needs (Nkamnebe, 2006; Layton, 2007).

10.8.1.4 PROMOTION

Promotion pertains to all the methods of communication open to the marketer for providing information to the various constituents regarding the product or service offering. Word-of-mouth promotion is also valuable to the enterprise, wherein satisfied customers and sales staff informally communicate with other potential customers through disseminating information regarding the product or service.

Communication forms used by the enterprise effectively influence the purchasing decisions of BOP consumers (Viswanathan, 2007).

10.8.1.5 SUSTAINABILITY IN THE MARKETING MIX

Drucker (1958) is a believer in the purpose of markets being "*the process through which economy is integrated into society to serve human needs*." This necessitates a focus on sustainable environmental development.

One way of achieving this is by taking note of the position of the 4Ps of marketing, namely the product, price, place and promotion in determining their environmental impact. Kotler (2011) argues that in order to link good business practise to sustainability, the 4Ps need to be redefined as such:

- **Product**: enterprises will have to consider more questions in the course of developing new products. Designers will have to consider the materials more carefully, and their sources and carbon footprints. They will have to develop packaging more carefully in terms of being biodegradable and recyclable. Service enterprises that do not produce a physical product have a chance to compete better by demonstrating their environmental concerns in their use of energy and physical supplies, and to contribute to conservation causes
- **Price**: enterprises can create a menu of offerings that differ in their level of environmental friendliness and price them accordingly. Environmentally involved customers may be willing to pay more. Enterprises will also need to consider how their pricing will be affected by possible new regulations requiring them to cover more of the externality costs they create
- **Place**: enterprises will need to consider where to locate their production and distribution facilities. Environmentalists advocate more locally based production, which would call for more decentralised production. Marketers pursuing sustainability may want to rate the different potential distribution channels for their commitment to sustainable practices. Enterprises can make greater use of online selling of their products to reduce the number of consumers driving to outlets
- **Promotion**: enterprises will need to consider how much to shift their promotion from print to online, based on the notion that print uses up paper, ink, and other resources. They will want to communicate their commitment to sustainability (e.g. being a good citizen) in more of their advertisements. Their product labelling might need to be more specific about the ingredients and their carbon footprints. Virtually all enterprises seek growth, but they need to put more emphasis on sustainable paths to growth

Thus, by learning how to competently manage the 4Ps, smaller enterprises can "*develop a base on which to develop customer relationships, and also the capacity to compete as a larger organisation*," according to Coviello *et al.* (2000:524).

10.8.2 The 4As framework

There exists an overabundance of reasons why the business world has not seized the opportunity at the BOP, including but not limited to corruption, poor infrastructure, illiteracy, non-existent distribution channels, religious and racial conflict, lack of robust legal frameworks, and even violent insurgencies. These and many other factors deter enterprises from pursuing the high hanging and abundant fruit of the fourth and the fifth tiers of the BOP and rather focus on the first, second, and third tiers' low hanging fruit. According to Anderson and Billou (2007) many enterprises (also many who are not operating in their own countries) have however successfully developed strategies of experimentation and arrived at unique product and service propositions for the world's neediest consumers. They say that "*at the heart of virtually all of these organizations' success has been the development of an approach that delivers the 4As – availability, affordability, acceptability and awareness*."

Strategic innovators with the ability to deliver along the four dimensions of affordability, acceptability, availability and awareness (the 4As) have experienced strong market-share, growth, profit, and the ability to deliver life enhancing products and services to the world's neediest people in the BOP (Anderson & Markides, 2006). Each of the 4As will now be discussed.

10.8.2.1 AVAILABILITY

Availability is the extent to which customers are able to readily acquire and use a product or service. Distribution channels in base of the economic pyramid (BOP) markets can be fragmented or non-existent and the task of simply getting products to people can be a major hurdle to overcome. Enterprises need to explore alternative methods of delivering their products and services to even the most isolated BOP communities.

Ensuring availability of products and services is one of the chief challenges when targeting BOP markets as the distribution channels in the BOP can be fragmented or non-existent thus making it extremely difficult to get products to the potential customers. Furthermore, the decision to buy for a BOP consumer is based on the amount of cash they have on hand at that time eliminating their ability to defer buying decisions.

For instance, in India where there are roughly 627,000 villages which the BOP comprises of spread over 3.2 million square kilometres, there exists little more than dirt tracks, rivers and even snowy mountain passes that may need to be traversed in order to reach the majority of the BOP market. Hindustan Unilever Ltd (HUL) with annual sales of €49.8 billion in 2013 (HUL, 2014) is the giant of India's consumer goods market showing the potential at the BOP and has spent years developing a distribution system, enabling its products to reach even the most isolated consumers in the BOP. HUL distributors use auto rickshaws (motorised, three-wheeled passenger vehicle for public hire), bullock-carts and even canoes to access very remote towns and villages.

In the Philippines, Smart Communications Inc. (Anderson, Vedpuriswar & Khan, 2005; Anderson & Billou, 2006) developed an innovative over the air payment system for pre-paid airtime to eliminate the costs and difficulties of reaching all 7,000 islands that make up the Philippines thus enabling the poorest and most remote consumers to access their service outside a physical location and outside regular store hours through a decentralised sales and marketing approach. In his famous book *The Fortune at the Bottom of the Pyramid*, Prahalad (2009) uses another A quite similar to awareness. His A pertains to *access* wherein he calls for a "*geographical intensity of distribution,*" in order to reach remote BOP consumers.

10.8.2.2 AFFORDABILITY

Affordability is the degree to which an enterprise's goods or services are affordable to BOP consumers. Many low-income consumers in developing countries survive on daily wages, meaning that cash flow can be a significant problem. Enterprises need to be able to deliver offerings at a price point that enables consumption by even the poorest consumers.

The second challenge in serving BOP consumers is thus the issue of affordability, keeping products and services at an affordable level without sacrificing quality or efficacy. Naturally BOP consumers have low disposable incomes which generally operate on a daily as opposed to weekly or monthly cash flows.

As with the case of Smart Communications Inc. (Anderson *et al.*, 2005) it was recognised early on that competitive benchmarking alone would not help in reaching the vast majority of the population who could not afford mobile telephony, as there were very few mobile network operators who had successfully developed propositions for the low-income consumers. In order to be successful in entering the BOP market, Smart conducted its own market research on consumer buying behaviour.

Enterprises such as Procter & Gamble and HUL showed Smart that although they served fast moving consumer goods to the poorest segments, they had developed low-priced micro-packs to meet daily necessities even though it did not represent the most economical way to purchase these daily necessities. In short, Smart realised that they met the needs of the consumers in terms of low purchase price. After conducting further research on Filipinos, Smart deduced that the average low-income consumer made four or five trips per week to their local store. Thus, Smart became a market leader in the BOP of the Philippines by building its over-the-air recharge technology with pricing plans specifically developed to offer airtime in much smaller denominations than had previously been available. By the end of the same year Smart had amongst the highest profit margins of any network operator in the Asia-Pacific region in spite of having almost the lowest average monthly revenues per user.

10.8.2.3 ACCEPTABILITY

Acceptability is the extent to which consumers and others in the value chain are willing to consume, distribute or sell a product or service. In BOP markets, there is often a need to offer products and services that are adapted to the unique needs of both customers and distributors. Enterprises might need to respond to specific national or regional cultural or socio-economic aspects, or to address the unique requirements of local business practices.

The third challenge in serving BOP markets is therefore to reach acceptability of the product or service. This requires that products and services be adapted to the unique needs of not only the customers but also the distributors. For example, Coca-Cola has designed a simple ice box to help its distributors in developing world markets to keep the products cool as there is typically a lack of electricity and refrigerators in these countries. Similarly, Haier group in China are well known for being the first mainland Chinese company to feature in a Harvard Business School case study (Paine & Crawford, 1998) due to their ability to increase the acceptability of rural consumers who bought their washing machines. This acceptability was achieved by designing the washing machines with new wider pipes so as to allow the rural Chinese to wash their vegetables in the machines, thus stopping the machine from clogging up with vegetable peels as was the case for many Chinese. One machine even had the ability to churn goats' milk into cheese.

10.8.2.4 Awareness

Awareness is the degree to which customers are aware of a product or service. With many BOP customers largely inaccessible to conventional advertising media, building awareness can be a significant challenge for enterprises wishing to serve low-income consumers in the developing world. To overcome these constraints enterprises must explore alternative communication channels (modes and methods).

Due to the fact that many BOP customers have no access to conventional advertising media it is crucial to build awareness if an enterprise wishes to serve or reach low-income consumers in the developing world. Therefore, awareness is the fourth challenge for products and services successfully reaching the BOP. For example, Smart invested largely in billboards along roads in both urban and rural regions with point-of-sale marketing materials specially made for local stores as well as adverts which could be attached to the most pervasive modes of transport in the Philippines, namely *jeepneys* and three wheeled taxis. A key element to Smart's success was raising awareness with a series of workshops which promoted the idea to its seven largest national dealers, who then trained their own sub dealers and other distributors of the product. Smart acknowledges that the most powerful way in which the product was promoted was through micro entrepreneurs who marketed the over-the-air reloads directly to friends, family and their local community members. HUL also used a wide range of activities to raise awareness of its brands even including street performances with dancers, magicians and actors to promote products like soap and toothpaste (Balu, 2001).

Thus, by leveraging the 4As it is possible to realise the BOP market's potential.

10.9Root definition of marketing

In developing a full understanding of marketing pertaining to the BOP targeting SMME, which is the focus system of this study, it is necessary to fully incorporate the aspects shown in Table 10-2 in that definition for a full understanding.

Table 10-2 Root definition components of marketing

CATWOE Element	**Disambiguation**
Clients	The beneficiaries of this system include the owner (entrepreneur) and/or managers of the SMME, strategic alliance partners, and the BOP consumers
Actors	Those responsible for conducting the activities which make this system work include the consultants, the owner (entrepreneur) and/or managers of the SMME, strategic alliance partners, the staff or employees of the SMME, and potentially the BOP as intermediaries
Transformation	The inputs to this system pertain to knowledge (of the market and existing infrastructure at the BOP, as well as strategic alliance partners' marketing competencies and capabilities), and the potential value offerings of the SMME. These inputs are transformed into the output which is a viable poverty alleviating value offering suitable/relevant to the BOP target market with a higher likelihood of achieving market penetration. The purposeful activity which transforms the input to the output is the use of marketing activities tuned to the intricacies of the BOP market, ideally conducted under the guidance of a consultant for maximum effectiveness
Worldview	The relevant perception which justifies the existence of this system is that there exist specific needs and constraints particular to the BOP market which need to be addressed in order for a designed value offering to penetrate and capture a market
Owners	The people who have the authority to change the measures of performance of this system or abolish it altogether include the owner (entrepreneur) and/or managers of the SMME, and (to some degree) the strategic alliance partners
Environment	External constraints this system takes as a given include the BOP specific market constraints

The root definition of marketing in the context of this study is therefore: a system which operates so as to convert knowledge (of the market and existing infrastructure at the BOP, as well as strategic alliance partners' marketing competencies and capabilities), and the potential value offerings of the SMME into viable poverty alleviating value offerings suitable to the BOP target market through marketing activities which take into account the intricacies of the BOP market, ideally guided by a consultant, which is arguably relevant due to the perception that specific needs and constraints exist when approaching the BOP market that are not normally present in more established or developed markets, in an effort to maximise the added value to the owner (entrepreneur) and/or managers of the SMME, the strategic alliance partners, and the BOP intermediaries/consumers, with activities being conducted by strategic partners, the owner (entrepreneur) and/or managers, and the staff or employees of the SMME, under the authority of the owner (entrepreneur) and strategic partners who share control over how it is achieved, all being subject to the external constraints specific to the BOP market.

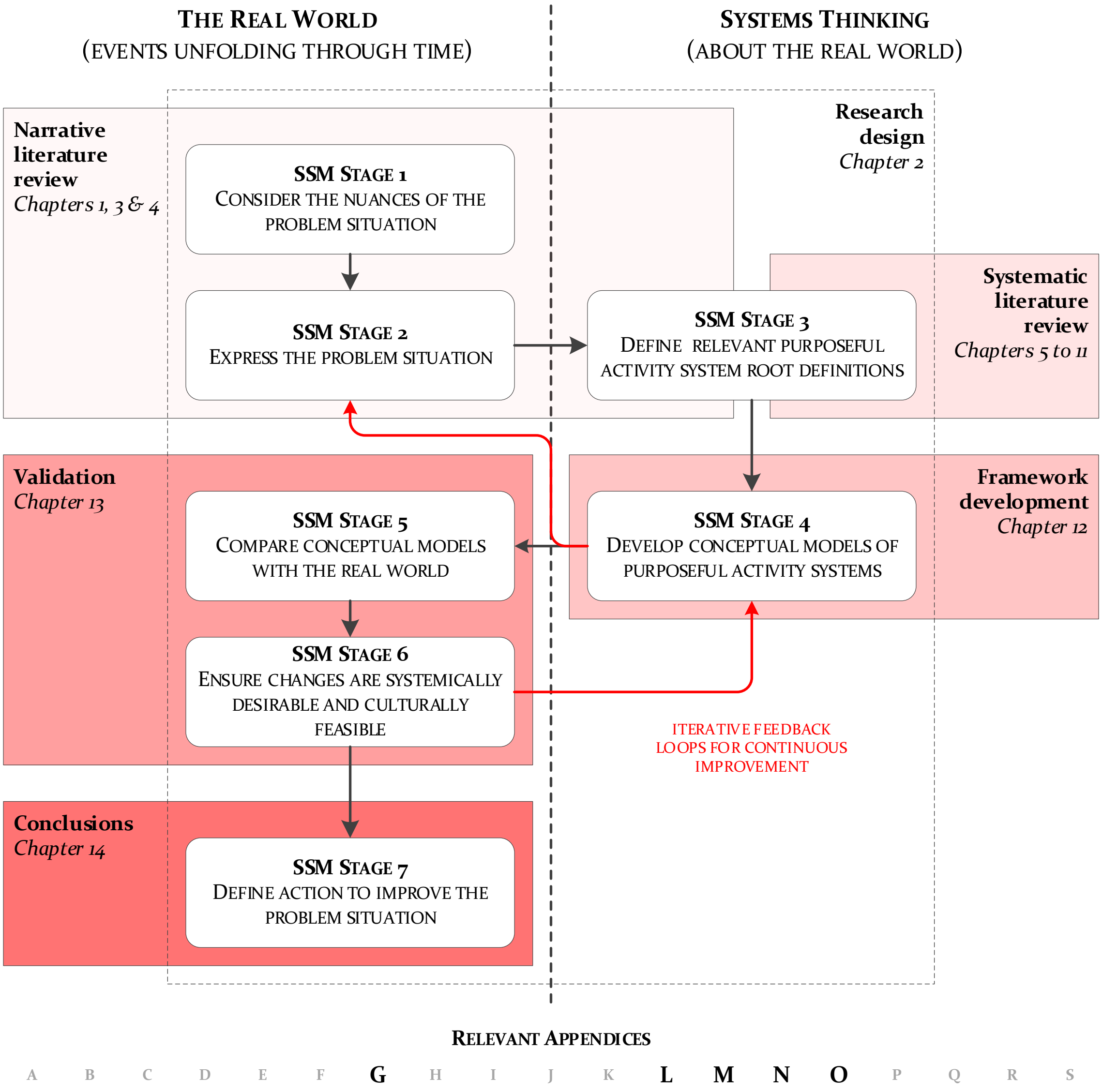
The list of requirements pertaining to marketing which must be incorporated in the framework design process of Chapter 12 are listed in Table G-6 of Appendix G. They will ensure that value offerings are ideally designed so as to effectively penetrate the BOP market and achieve scale.

10.10 Conclusion

Through understanding the role of marketing to the BOP, the enterprise is more likely to deliver a value proposition which is what the BOP consumer wants and needs. Segmenting the market helps to clarify who the product or service being designed must satisfy, in terms of social and commercial value. This allows specific markets to be targeted. Furthermore, it was shown that branding plays a large role in creating awareness and attracting customers. Channels which are taken for granted in upper tier markets are many times non-existent at the BOP, making the development of channels a key concern for SMMEs working in the BOP. There are however many forms of exchange, albeit non-traditional ones which can be used to make transactions with the market. Lastly, it became clear with the 4Ps and the 4As of marketing that it is a multidimensional process, requiring multiple factors to work in conjunction with one another to successfully penetrate and capture a BOP market segment. Marketing is therefore not a final consideration but a primary one, which has a huge impact on the likelihood of success in BOP ventures.

CHAPTER 11

STRATEGIC ALLIANCES



"If you do not seek out allies and helpers, then you will be isolated and weak."

Adapted from *The Art of War* by Sun Tzu (2011)

"The forces of a powerful ally can be useful and good to those who have recourse to them... but are perilous to those who become dependent on them."

From *The Prince* by Niccolo Machiavelli and Virolli (2008)

11.1 Introduction

In this chapter, the role of strategic alliances in light of the BOP is addressed. To begin with, strategic alliances are defined, providing guidance on how to assess if an alliance is necessarily the most ideal route to growth. Thereafter the way in which potential partners can be evaluated and chosen is touched on. The remainder of the chapter addresses how to form the alliance and manage the most important aspects. This is the last chapter devoted to a specific factor, and, as with the previous five chapters, it ends with the development of a root definition and list of requirements which will contribute to the development of the framework in the next chapter.

This chapter is the final contribution to stage three of the SSM approach used throughout this study, which is portrayed in Figure 2-1 of Chapter 2.2 (Checkland & Scholes, 1990:211).

11.2 Strategic alliances background

Interorganisational collaborations such as strategic alliances have become important business management instruments, promoting benefits such as improved competitiveness and stability in complex and turbulent environments, but only when successfully managed (Hoffmann & Schlosser, 2001). Other terms by which strategic alliances are referred to include: coalition, interfirm collaboration, strategic networks, interorganisational partnerships, cooperative strategy, cooperation, hybrid organisational arrangements, network alliances, inter-organisational encounters, and joint venture (depending on how it is defined) to name but a few.

Most research conducted on strategic alliances has been carried out within developed country contexts (Austin, 2000; Berger *et al.*, 2004). At the same time, there are many examples of commercially driven cross-sector collaborations approaching the BOP with the poor as consumers (Crawford-Mathis, Darr & Farmer, 2010; Dahan *et al.*, 2010; Johnson, 2007; London, Rondinelli & O'Neill, 2005; Perez-Aleman & Sandilands, 2008; Rashid & Rahman, 2009; Sánchez, Rodríguez & Ricart, 2007; Seelos & Mair, 2007; Singer, 2006; Webb, Kistruck, Ireland & Ketchen, 2010; Weiser, 2007; Whitney & Kelkar, 2004; Rivera-Santos, Rufín & Kolk, 2012; Vermeulen, Bertisen & Geurts, 2008), and although it is far less in depth than research on traditional market alliances, general consensus is that it is key to success at the BOP (Dahan *et al.*, 2010; Gifford, Kestler & Anand, 2010; London & Hart, 2004; Reficco & Márquez, 2012; Schrader, Freimann & Seuring, 2012).

Although the focus of this study lies on for-profit social enterprises, Austin (2010) links the two extremes by arguing that with regards to the relationship between NFPOs and socially oriented FPOs, "*collaborative relationships will increasingly migrate from the traditionally philanthropic, characterized by benevolent donor and grateful recipient, toward deeper, strategic alliances.*" Understanding the role of alliances in social enterprises is therefore a valid concern.

Interorganisational collaboration is driven by both macro- and micro-level forces. Macro-level forces include political forces, economic forces, and social forces (Austin, 2010:7-8). Politically, society has lost much of its trust in government the world over with regards to its ability to solve problems, resulting in institutions forming strategic partnerships to do so at a local level, shifting from the public to the private sector. Economically, funding restrictions for NFPOs promote strategic alliances so as to accrue benefits whilst cutting costs. Socially, the increasing magnitude and complexity of problems necessitates multi-disciplinary institutional and economic capabilities to be utilised. Micro-level factors promoting strategic alliance formation are numerous and will be discussed throughout the chapter.

Due to the proliferation of social enterprises the world over, sources of funding have fallen behind relative to the missions and magnitude of demand of social enterprises (Sakarya, Bodur, Yildirim-Öktem & Selekler-Göksen, 2012). This has resulted in social enterprises operating in an environment that is characterised by continual growth in the demand for donors and grants (Weerawardena & Mort, 2006). For this reason, social enterprises have been stimulated to look beyond traditional modes and sources of funding (Andreasen, Kotler & Parker, 2003; Austin, 2000; Berger, Cunningham & Drumwright, 2004). Strategic alliances and cross-sectoral collaborations enable social enterprises to access much needed resources and gain capabilities which would otherwise evade them (Millar, Choi & Chen, 2004). Cross-sectoral collaborations are useful to social enterprises in that they allow for social capital, institutional linkages and knowledge networks to be offered to partners for their support (financial or otherwise) in a structured and organised manner.

At first glance, alliances seem to be a very seductive concept as they often represent an apparent and simple solution to a wide range of strategic dilemmas. In reality however, the high dissolution rate proves this is typically not the case. Studies show that two thirds of all alliances experience severe problems in their first two years of existence and reported failure rates range as high as seventy percent (Das & Teng, 2000a). Arguably, it can be said that alliances "*should not be entered into lightly, [as] only relationships with full commitment on all sides endure long enough to create value for the partners*" (Kanter, 1994), and as such deserve thorough attention prior to formation. The focus in this chapter pertains to the formation and management of strategic alliances.

11.3 Strategic alliance definition

This chapter explores the topic of strategic alliances. In essence, a strategic alliance is an agreement for cooperation among two or more independent organisations to work together toward common objectives. They may be defined as "*purposive strategic relationships between independent firms that share compatible goals, strive for mutual benefits, and acknowledge a high level of mutual dependence*" (Kale, Singh and Perlmutter (2000), see also Mohr and Spekman (1994)).

Gulati (1995a) goes further to say an alliance is any interorganisational link independently initiated that involves co-development, exchange, or sharing. A more expanded definition would include that in addition to being a relationship between two or more parties to pursue a set of agreed upon goals whilst remaining as independent organisations, strategic alliances include the sharing of resources such as products, distribution channels, project funding, manufacturing capabilities, knowledge, expertise (human capital), and intellectual property to name but a few.

The aim of a strategic alliance is to achieve a synergy wherein each collaborating organisation accrues benefits from the alliance which would not be possible acting alone (inherent in the relationship is of course risk, which is also ideally shared equally). Interorganisational collaborations enable the solving/addressing of social problems which would otherwise be too complex for single organisations to cope with alone (Waddock, 1991). In comparison to typical strategic alliances, alliances with social enterprises often adopt non-economic goals/objectives that predominantly focus on improving social welfare of a select target group (Berger *et al.*, 2004; Brown, Vetterlein & Roemer-Mahler, 2010; Smith, 2003).

The terms strategic alliance, collaboration, cooperation, partnership, coalition, merger, joint venture, etc., all strike a similar chord. Due to their subtle but significant differences, disentangling these concepts is crucial before proceeding further. According to Merriam-Webster (2017), the term *collaboration* can be understood as the act of working jointly (i.e. together) with others. It is an integrated process whereby the parties involved arrive at an integrated solution. To differentiate it, cooperation can be described as joint operation. In contrast to a collaboration, solutions developed in cooperation are created in parallel as opposed to in an integrated way. Partnership on the other hand means essentially the same thing as collaboration, though it tends to emphasise the legal relation between the involved parties.

11.3.1 Mergers, acquisitions, and alliances as forms of governance

There are multiple yet interrelated mechanisms of which interorganisational relationship governance (i.e. their structural arrangements) comprises, all of which are either contract (Reuer & Ariño, 2007) or equity based (Brouthers & Hennart, 2007) in accordance with their purposes (Glaister & Buckley, 1996). Figure 11-1 relates the ideal interorganisational relationship options to be pursued in relation to the degree of similarity of objectives of the organisations in question. The focus of this chapter is placed strictly on the development and management of strategic alliances for social enterprises, and excludes both joint ventures (mergers, coalitions) and acquisitions (this is consistent with the well-argued definition of strategic alliances used by Yoshino and Rangan (1995)).

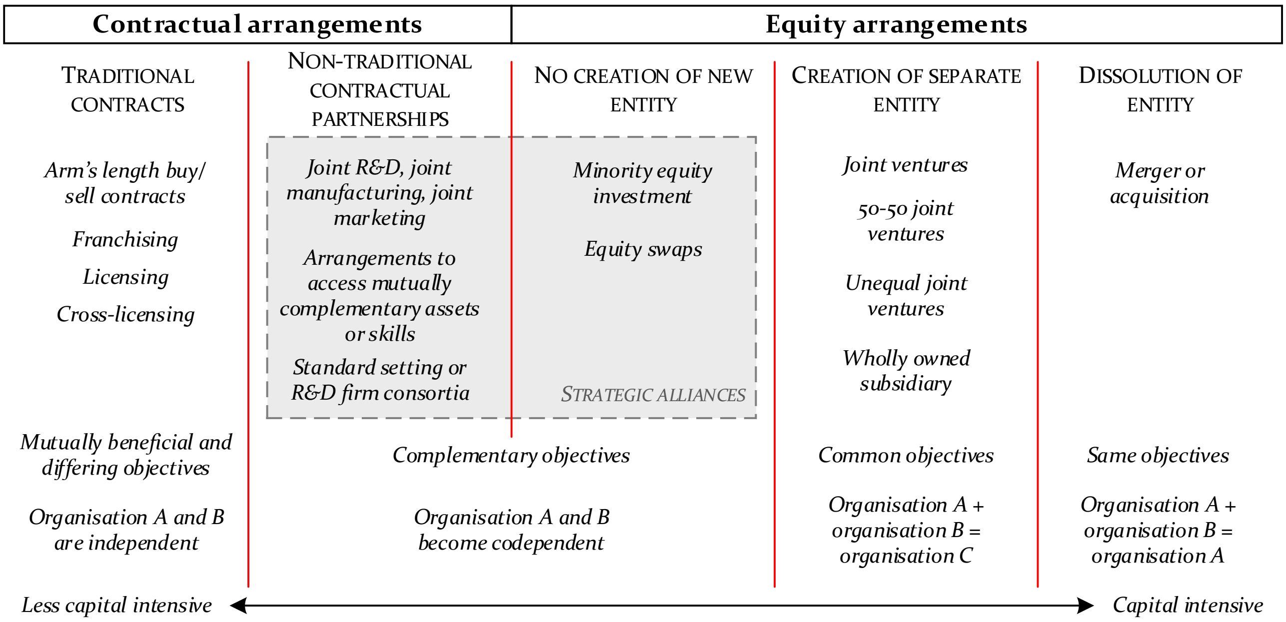


Figure 11-1 The scope of strategic alliances, adapted from Kale and Singh (2009)

Collaborating with other companies, institutions and organisations provides a more "*effective and efficient way to mobilize resources, gain complementary capabilities, and capture synergies*" (Volkmann, Tokarski & Ernst, 2012). With regards to social impact however, strategic alliances offer greater potential for impact "*far beyond what the individual contributors could achieve independently*" (Wei-Skillern, Austin, Leonard & Stevenson, 2007:191).

According to Das and Teng (2000b), in line with the resource based view of the organisation, enterprises should mainly seek alliances when they cannot efficiently get the resources from elsewhere. If we think about supply chains and their structure, not all of the parts of a supply chain are owned by a single company. And so, because you have various owners owning various components in the supply chain, more often than not these individuals have to come together in collaborative relationships. Thus, they form strategic alliances to allow the entire supply chain to function efficiently.

A number of factors are driving this (Devlin & Bleackley, 1988), including business eco-system complexity, resource scarcity, outsourcing prevalence, dependence on supply chains, pace of technology development, and concentration of competitors. Complexity in business environments is increasing the world over, e.g. ease of global supply and multi-national corporations now make it so that local suppliers are not always the most competitive. Resources required to manage are becoming increasingly scarce, e.g. human capital with necessary level of technical skills. Many functions need to be outsourced to achieve broad impact, e.g. inability to perform high level functions or cost of doing it by one's self makes it infeasible. Nowadays, organisations need to ensure that functions are performed by other organisations, e.g. the nature of the supply chain makes it such that oftentimes some other entity must be involved in bringing the product or service to the end buyer. Furthermore, technology is developing at such a rapid pace that innovation and the increasingly high costs of research and development need to be minimised somehow, further promoting formation of strategic alliances, e.g. typically, shorter product life cycles also add impetus to the need to develop new and innovative products and exploit them as widely and quickly as possible. Lastly, the high concentration of competitors in mature industries encourages collaborations between those organisations with access to capital and know-how to challenge traditional monopolies.

11.3.2 STATE OF THE FIELD

Though there exist multiple theoretical views of alliances, each with varying degrees of empirical evidence to back them up, no single perspective is strong enough or complete in its accounting of alliance success and failure to be relied upon solely, and numerous scholars have called for a more contextual, social, and process-friendly approach (De Rond, 2003; Das & Teng, 2000a; Child & Faulkner, 1998; Faulkner & De Rond, 2000; Gulati, 1998; Shenkar & Yan, 2002; Gray & Wood, 1991; Smith, Carroll & Ashford, 1995; Salk & Shenkar, 2001).

Though reproducing the various views is unnecessary here, arriving at a general understanding of the premises and limitations of each theoretical approach is fitting. Broadly, there are two camps in which the approaches can be classed, including economics and organisational theory (rooted in sociology). In the economics camp, there is of course market power theory, transaction cost theory, the resource-based view, agency theory, game theory, and real options theory. The organisational theory camp contains resource dependence theory, relational contract theory, organisational learning theory, social network theory, knowledge-based theory, skills based view, dynamic capabilities theory, institutional theory, and social exchange theory.

These theories have been unpacked in Appendix L for fullness of approach, to better grasp the basic premises behind successful strategic alliance management. Each is discussed in turn. Applying these theories to cross-sector collaborations is difficult in that each partner has contrasting features that require distinct approaches, due to their natural inclination to view collaborations from altogether different lenses (Di Domenico, Tracey & Haugh, 2009; Paton, 2003). With respect to strategic alliances, some other theories did not garner as much attention, including ecological theory (Aldrich & Pfeffer, 1976; Guetzkow, 1966), systems theory (Turk, 1973), sociometry (Anderson, 1967), contingency and contract theory (De Rond, 2003), and political theory (Shenkar & Yan, 2002). Due to the fact that none of the theories discussed thus far can be said to provide a comprehensive theoretical lens for strategic alliances, and none have been unequivocally adopted in practice (De Rond, 2003), it seems wise to rather combine the strengths of each into a holistic process specific to cross-sector collaborations which are the norm in BOP dealings.

Moving forward however, De Rond (2003) and Das and Teng (2000a) argue that an ideal view of strategic alliances should include:

- A focus on structure as well as process
- Take cognisance of creating and organising interorganisational networks
- Take the production of structure via action as much into account as the flow of action from structure
- Deal simultaneously with power, cognition, and legitimacy issues as interrelated aspects of the process through which economic effectiveness is constituted
- Be adequate in rendering explanations of alliance instability and failure

The aim of this chapter is therefore to arrive at a list of requirements that can in turn be used to develop a strategic alliance system that incorporates the abovementioned characteristics.

11.3.3 ALLIANCE RATIONALE

Before forming an alliance, it is the duty of the owner to ascertain the usefulness of an alliance, and this requires that both the potential advantages, and more importantly the likely costs and troubles, are recognised.

11.3.3.1 PROMOTING FACTORS FOR ALLIANCE FORMATION

According to Porter (1990:90), alliances should only be used selectively, and that although they can tremendously aid in achieving growth aims, they "*always exact significant costs: they involve coordinating two separate operations, reconciling goals with an independent entity, creating a competitor, and giving up profits... [Therefore] alliances are best used as a selective tool, employed on a temporary basis or involving noncore activities.*" Alliances are therefore by no means just another managerial fad or cure-all as they are often purported to be, and benefiting from their advantages requires the core competencies that are central to an organisation's competitive advantage not be compromised.

The underlying rationale for strategic alliance formation can be surmised from the aforementioned views of strategic alliances discussed in Appendix L and can be found in the benefits listed in Appendix M, each of which support the responsiveness of an enterprise to the prevailing conditions in BOP markets (Schuster & Holtbrügge, 2014). Although international expansion is another reason for which alliances are commonly sought, the focus of this chapter revolves around development within South Africa, and will therefore not specifically focus on the role of alliances which aim at growing SMMEs outside of South Africa. This does not however mean that the potential of partnerships with multinational enterprises (MNEs) in South Africa are unideal.

11.3.3.2 DETRACTING FACTORS AGAINST ALLIANCE FORMATION

Across the spectrum of alliance types there are a few recurring root causes of alliance failure. The first reason pertains to a failure to articulate and grasp the strategic intent of the alliance, including the failure to consider and recognise alternatives to entering into an alliance to begin with. The second major reason involves a lack of recognition of "*the close interplay between the overall strategy of the company and the role of an alliance in that strategy*" (Koza & Lewin, 2000).

Other reasons as to why alliances are dissolved or why they fail are as numerous as the advantages of alliances (Koza & Lewin, 2000), with managers often citing aspects such as lack of cooperation and trust, inadequate advance planning, too much detailed negotiations, too little managing of the actual alliance, lack of organisational capabilities and resources to manage cooperative relationships, strategic mismatch or change in strategy of one partner or wrong initial strategy, size mismatch, cultural mismatch, and wrong choice of partner.

As the strategy of an organisation evolves over time, it is only natural that the strategic intent of any alliance will also change. According to Koza and Lewin (2000), the most crucial and correct reason for forming an alliance is that it must augment and support the adaptation strategies of the participants. Only in this way will it be able to adapt in turbulent/uncertain environments. By weighing the advantages against the disadvantages, it is possible to gauge the risk associated with entering into an alliance and thereby make an informed decision regarding its viability.

11.3.4 PROCESS VIEWS OF STRATEGIC ALLIANCES

There exist four process views of strategic alliances, including, in order of creation: life cycle, teleological, evolutionary, and dialectical views. Each exhibits strengths and weaknesses, and as there is no universally agreed upon theoretical construct of strategic alliances, each must be addressed in coming to a full understanding of alliances.

11.3.4.1 LIFE CYCLE (LINEAR) APPROACHES

The first models relate to the progression of an alliance through a generic sequence of steps, i.e. life cycle stages, whereby an organisation progresses naturally from one to another. For example, see Achrol, Scheer and Stern (1990), D'Aunno and Zuckerman (1987), Murray and Mahon (1993), Hoffmann and Schlosser (2001), and Kale and Singh (2009) illustrated in Figure 11-2.

D'Aunno and Zuckerman (1987)

Emergence → *Transition* → *Maturity* → *Critical crossroads*

Achrol, Scheer, and Stern (1990)

Entrepreneurship → *Collectivity* → *Formalisation* → *Domain elaboration*

Murray and Mahon (1993)

Courtship → *Negotiation* → *Start-up* → *Maintenance* → *Ending*

528

Strategic analysis and decision to co-operate → *Search for a partner and partner selection* → *Designing the partnership - precise definition of rights and duties* → *Implementation and management of the partnership* → *Termination of the partnership*

421

Alliance planning → *Alliance formation* → *Alliance design* → *Post-formation alliance management* → *Alliance evaluation*

Figure 11-2 Life cycle models (De Rond, 2003)

Typically, there is a courtship period followed by formalisation of the alliance through negotiating, then a period of collaborating, followed by the terminating of the alliance. Life cycle approaches are probabilistic to an extent, in that they promote the idea that generic problems are faced as the organisation ages, and must be addressed with generic answers (Aldrich, 1999:197). In this view, progress is therefore driven primarily by actions of top level managers via internal processes. Though they may appear diverse, these process models tend to treat complex phenomenon as basic (Mathews, White & Long, 1999). Stages are thus mediated via "*the immanent logic, rules, or programmes that govern the entity's development*" (Van de Ven & Poole, 1995:515). De Rond (2003) argues the assumptions are often at variance with the experiences of people in the alliance. This is supported by empirical studies showing that, for instance, competitive forces are often a much greater cause for reaction than is a progression through life cycle stages (Dodge, Fullerton & Robbins, 1994).

11.3.4.2 Teleological (iterative) approaches

To deal with the shortcomings of the life cycle approach, the more open-minded teleological process models were developed. These process models are iterative in nature, making them more flexible in executing. Examples include those of Ring and Van de Ven (1994), Doz (1996), and Doz and Hamel (1998), as shown in Figure 11-3.

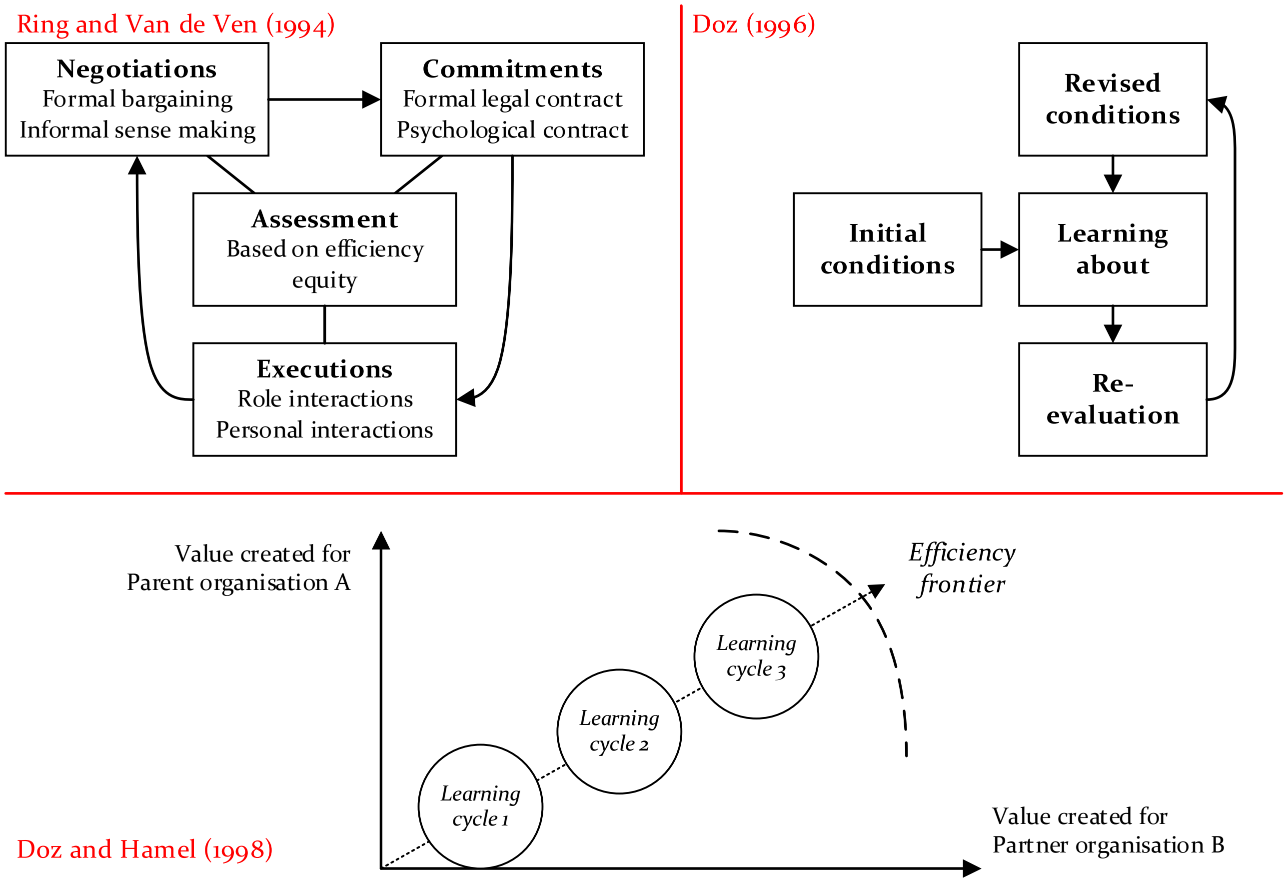


Figure 11-3 Teleological approaches (De Rond, 2003)

Ring and Van de Ven (1994) for instance see strategic alliances as a recurring cycle (not just one sequence) of negotiation, commitment, and execution, whereby each phase focuses on ensuring efficient and equitable outcomes by adhering to governing legal (formal) and socio psychological (informal) processes. Relationships, according to this view, last "*not because they achieve stability, but because they maintain balance: balance between formal and informal processes*" (Ring & Van de Ven 1994:112). The following steps recur cyclically:

- **Negotiate:** joint expectations of partners are developed via formal bargaining regarding terms and procedures
- **Commit:** agreement is arrived at and structure (formally codified in legal agreement, or informally understood in a psychological contract) is built on the terms and governance of the alliance
- **Execute:** commitments are acted upon, i.e. brought into effect

As expectations change, conflicts arise, or misunderstandings occur, the cycle repeats itself, starting at renegotiation. With time, the strategic alliance is institutionalised.

In a similar vein, Doz (1996) proposed another approach that sees alliance evolution as a cycle of three different sequential, yet interactive processes (as shown in Figure 11-3). Built on the findings of an inductive and longitudinal study of technology development alliances, Doz (1996:64) stated that:

> *Successful alliances ... evolve through a sequence of learning-re-evaluation-readjustment cycles over time, in which the impact of initial conditions quickly faded away. Unsuccessful alliances stumbled on the absence of learning, or on stunted learning, or, still, on successful re-evaluation leading to negative readjustments as partners concluded they would not work together successfully.*

The initial conditions, according to this model, are determined by learning along a number of dimensions, including the environment, goals, processes, skills, and tasks in cumulative and progressive cycles. As with the steps of Ring and Van de Ven (1994), the process is dependent on ongoing partner assessments of adaptability, efficiency, and equity. Furthermore, for teleological models, particularly middle management play a pivotal role, as Doz (1996:81) puts it: "*strategy content and outcomes are hard to understand without an understanding of how participants in the processes that generate these outcomes interact.*"

The downfall of this approach is that despite its realism and practical appeal, it attributes too much of an alliance's effectiveness to learning and managerial intervention (which is presumed voluntary) (De Rond, 2003). Thus, process views of strategic alliances like the teleological ones just seen are necessary but inadequate for understanding alliances.

11.3.4.3 Evolutionary (population level) approaches

The third approach to be developed is the evolutionary perspective, whereby entities exist in an environment of scarce resources subject to a series of blind (chance) variations, and as such must continuously compete for survival (De Rond, 2003). In stark comparison to the aforementioned approaches, the evolutionary approach places its focus squarely on the environment as the primary motor of change, retaining only those entities that are able to best fit its evolving structure. Various evolutionary process theories are applicable to different levels of analysis (Van de Ven & Poole, 1995), e.g. Koza and Lewin (1998) have a co-evolutionary approach that applies at an individual alliance level, whereas that of Gulati (1993, 1995b), Gulati and Gargiulo (1999), and Reuer, Zollo and Singh (2002) address processes at a population level. Implicit in most of these processes is the idea that alliance evolution is predominantly driven by population level forces. Thus, evolution is pretty deterministic according to this view, with the environment causing the majority of change in the alliance. This leaves little room for voluntarism or idiosyncrasy, which detracts from it as an all-encompassing theory of strategic alliances, as these factors do play at least a minor role.

11.3.4.4 Dialectical (internal tensions) approaches

The fourth approach to understanding strategic alliances is that of dialectics (see Das and Teng (2000a)), whereby alliance instability and failure is understood much better by looking at the internal tensions which they are subject to (De Rond, 2003), as expressed in Figure 11-4. Thus, alliances can be viewed as sites wherein conflicting forces continuously compete on three primary fronts: cooperation versus competition, rigidity versus flexibility, and short-term versus long-term orientation.

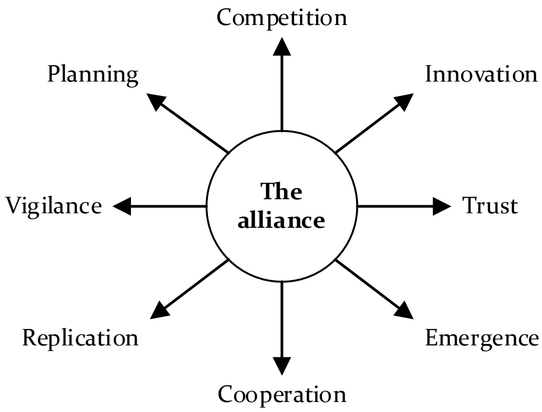


Figure 11-4 Dialectical tensions in alliances adapted from Bouchikhi (1998)

Judging by the instability and vulnerability of alliances, the internal tensions framework explains a lot. In essence, the forces compete until one overpowers the rest, at which point the alliance evolves into something that is new, or it conversely result in the termination of the alliance. The unique presence of these tensions in alliances as opposed to single entities provides good rationale for why they are so prone to fail (Das & Teng, 2000a).

According to De Rond (2003), the dialectical theory "*provide[s] a better explanation of alliance instability than do competing theories such as transaction cost theory, game theory, market power theory, and the resource-based view*." There is however room for improvement in this theory, in that it is limited regarding the virtues it takes into account, or more accurately the virtues it does not take into account, e.g. control and autonomy, exploration and exploitation, innovation and replication, justice and mercy, planning and emergence, and vigilance and trust, etc. Furthermore, it is possible that a state of imbalance, or tension, may indeed be ideal and desired (e.g. competition may secure efficiency where cooperation may fail to achieve it). However, they argue that instability is an inherently bad thing, even in this context. The last weakness that is evident is that at different levels (inter-organisational, organisational, departmental, or interpersonal levels) there may be different tensions, e.g. competition between organisations may be non-existent, but still exist between one or two employees in each organisation.

Having addressed each of the theoretical perspectives, it can still be said that alliances are defined by their purposes, and as such their success is a measure of how well they fulfil their purposes. Thus, due to the extremely dynamic and unstable contexts in which they operate, it is seemingly impossible to arrive at one single, holistic view of alliances. This being said, the focus of the remainder of this chapter will not be placed solely on any one perspective per se, but rather key factors will be looked into from each. In this way, a heterogeneous solution will be developed.

11.3.5 ALLIANCES AS A JOURNEY AS OPPOSED TO A DESTINATION

Formalising the various steps involved in choosing the right alliance partner, negotiating the alliance agreement and managing the alliance increases the prospects for a successful alliance (Devlin & Bleackley, 1988). The remainder of this chapter will address these concerns in that specific order by breaking them down into their key components.

Regardless of the process view that the organisation views alliances as following, strategic alliance development is much more akin to undertaking a journey than arriving at a destination (Gajda, 2004). This is seen in the varying types and degrees of linkages that develop between partners, which range from low to high levels of integration. This integration is dependent on the intensity of the alliance's process, structure, and purpose.

Peterson (1991) proposes that interorganisational interaction ranges along a continuum starting with cooperation, which moves to coordination, and ends at collaboration. Cooperation exists when fully independent organisations support one another's organisational outcomes, whilst coordination exists when independent organisations align their activities to support mutually beneficial goals, and collaboration exists when these organisations give up some degree of independence to help realise some shared goal. Hogue (1993) defines a similar five levels of linkage between organisations, including networking, cooperation/alliance, coordination/partnership, coalition, and lastly collaboration. Yet another continuum was proposed by Bailey and Koney (2000) wherein coadunation (instead of collaboration) is the highest level of integration. Coadunation tends towards the complete relinquishment of autonomy by at least one organisation to strengthen the remaining organisation (i.e. a merger or acquisition). A combination of these continuums is shown in Figure 11-5.

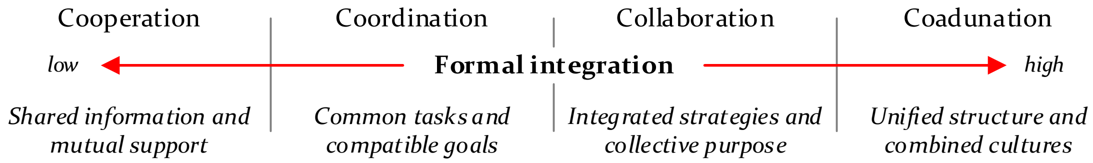


Figure 11-5 Integration continuum of strategic alliances, adapted from Gajda (2004)

As relational structures, networks and support groups would be ranked on the low end of the spectrum, as their process and structure is limited to exploring interests and communicating information. Towards the other end, a strategic alliance, partnership, coalition, or consortium is of moderately high integration as they exist to cooperate, meaning that mutual goals must exist yet individual identities remain in tact.

11.4 Decision to form an alliance

Alliance management tools for the alliance planning phase include a: value chain analysis form, needs analysis checklist, and partnering need versus do it alone analysis (Dyer, Kale & Singh, 2001; Prashant & Harbir, 2009).

As markets and industries change rapidly, alliances have emerged as a popular strategic route to growth, chosen due to their being less costly, less complex, and more easily reversible than either mergers or acquisitions. Simultaneously, as with organic growth, growth via alliances preserves a measure of flexibility and autonomy in the organisation (De Rond, 2003).

In order to ensure a successful alliance, it is crucial to first analyse it in light of the company's strategic alternatives (e.g. joint ventures, acquisitions) and secondly in light of its overall strategic objectives (Devlin & Bleackley, 1988). This requires identifying and deeming the potential risks and benefits acceptable. Although collaborations are sought due to their potential to aid social entrepreneurs in realising positive social change which is often impossible alone, these alliances come with a price. Risks and challenges are inherent to alliances, and may jeopardise social missions. Minimising these risks and facing these challenges up front is crucial to lasting and effective relationships between entities, and is addressed fully in Chapter 11.7.8.

According to Kanter (1994), too often managers:

> *Devote more time to screening potential partners in financial terms than to managing the partnership in human terms. They tout the future benefits of the alliance to their shareholders but don't help their managers create those benefits. They worry more about controlling the relationship than about nurturing it. In short, they fail to develop their company's collaborative advantage and thereby neglect a key resource.*

Though each theory (view) of strategic alliances outlined in Appendix L is undoubtedly beneficial to developing a better understanding of the field, two in particular stand out for their suitability to dealings at the BOP, including the resource based view and the transaction costs view. To recap, the logic for the transaction costs view (TCV) is "*minimizing the sum of production and transaction costs*" (Kogut, 1988a), and for the resource based view (RBV) it is maximising organisation value by gaining access to valuable resources of other organisations (Madhok, 1997; Ramanathan, Seth & Thomas, 1997). Each demonstrates qualities useful in BOP endeavours. Firstly, the TCV has relevance due to its promotion of cost cutting, which is a crucial consideration for achieving any measure in poor BOP markets. The TCV however does not assign a significant role to the resources of partner organisations which is indeed crucial to success at the BOP for two major reasons, namely that the BOP ecosystem is characterised by resource scarcity, and the typical SMME is often resource deficient due to capital constraints, etc. This leads to the second important view of strategic alliances, namely the resource based view of strategic alliances viewed as "*cooperative relationships driven by a logic of strategic resource needs and social resource opportunities*" (Eisenhardt & Schoonhoven, 1996:137).

Table 11-1 Ownership decisions based on transaction cost based and resource based rationales

Interaction	**Transaction cost based rationale**	**Resource based rationale**
Mergers, acquisitions, internal development	High transaction costs (i.e. high asset specificity, uncertainty, and frequency of the transactions, and high costs for controlling opportunistic behaviour) and/or low production costs (i.e. coordinating and learning) (Kogut, 1988a)	"*A firm will favour acquisitions over joint ventures when the assets it needs are not commingled with other unneeded assets within the firm that holds them, and hence can be acquired by buying the firm or a part of it*" (Hennart & Reddy, 1997:1)
		"*If the market is munificent or the firm is pursuing a strategy for which it has extensive resource capabilities, there is much less incentive to cooperate. Firms are more likely to continue alone*" (Eisenhardt & Schoonhoven, 1996:137)
Market transactions	When there are low transaction costs and/or high production costs (Das & Teng, 2000b)	When "*the purchase of the resource's service from the firm that possesses it*" (Chi, 1994:272) can be efficiently conducted through the market
Joint ventures	"*JVs are formed when transactional hazards suggest that internalization is efficient…, but constraints of various kinds prohibit full internalization…*" (Ramanathan *et al.*, 1997:57)	When alliances can provide a source of incremental revenue via the pooling of complementary resources neither partner would be interested in developing alone (Koza & Lewin, 1998; March, 1991)
	"*The situational characteristics best suited for a joint venture [rather than a contract] are high uncertainty over specifying and monitoring performance, in addition to a high degree of asset specificity*" (Kogut, 1988a:320)	
Strategic alliances	Medium transaction and production costs, i.e. "*when the transaction costs associated with an exchange are intermediate and not high enough to justify vertical integration…*" (Gulati, 1995a:87)	Alliances preferred "*when the critical inputs required to pursue the opportunity are owned by different parties and when these inputs are inseparable from the other assets of the owner firms*" (Ramanathan *et al.*, 1997:65)
		"*Collaborations are a useful vehicle for enhancing knowledge in critical areas of functioning where the requisite level of knowledge is lacking and cannot be developed within an acceptable timeframe or cost*" (Madhok, 1997:43)

In addition to their clear applicability to BOP dealings, they provide the social entrepreneur with a clear manner in which to decide whether a strategic alliance is necessary. Table 11-1 provides a better understanding of when each type of interaction with external parties (organisations) is most suitable.

At the end of the day, Badaracco (1991) argues that organisations should avoid undue dependence on alliances, seeing alliances only as "*ways of supplementing and improving a firm's embedded knowledge, not [as] substitutes for internal development.*"

11.5 Partner assessment and selection

Alliance management tools for the partner assessment and selection phase include a: partner screening form, technology and patent domain maps, cultural fit evaluation form, and due diligence team (Dyer, Kale & Singh, 2001; Prashant & Harbir, 2009).

Having established the need or desirability of an alliance, it is crucial to conduct an in-depth search for the right partner (Devlin & Bleackley, 1988). This search phase is necessary even if a potential alliance comes to the fore out of the blue, so as to evaluate how much value the proposed partner can bring to the alliance in comparison to others.

As important as it is to understand competitors in the market place for attaining enterprise growth, it is imperative to understand potential alliance partners prior to contract formation. Understanding their reasons for joining the alliance will help in negotiations and is also pivotal in managing risk introduced by the alliance. A few questions worth asking, so as to understand the potential partner include:

- What will their strategic position be as a result of the alliance, presently and in future?
- Why would the partner wish to enter into such an alliance?
- What weaknesses of the partner are likely to be strengthened by the alliance?

11.5.1 ENSURING STRATEGIC FIT

Formal alliances must be entered into wisely so as to mitigate adverse impacts that are not present in less intimate forms of interorganisational relationships. Berger, Cunningham and Drumwright (2004), Brouthers, Brouthers and Wilkinson (1995), and Badaracco (1991), among others as referenced, put forward that alliances should only be utilised when management determines that there exist appropriate levels of fit along each of the following dimensions:

- **Mission/goals fit:** prior to alliance formation, the organisation must ensure the alliance is particular to the organisation's pre-existing goals, mission, and vision, and not a spur of the moment decision. Furthermore, the goals of the potential partner must also be aligned to those of the organisation lest it give rise to differences that will lead to rapid dissolution and unnecessary risks
- **Compatibility:** in what can be seen as the courtship period, it is wise for potential partners to test their compatibility on the grounds of their history, philosophy, and strategy, looking at common experiences, values and principles, and hopes for the future (Kanter, 1994)
- **Comparability of values:** although seeking complementary resources and capabilities when searching for a collaboration partner is imperative, mission-driven ventures (i.e. social enterprises) require sufficient common ground in terms of value comparability. This requires that the values, missions and comparability thereof of each party are analysed beforehand (Wei-Skillern *et al.*, 2007:191). Furthermore, a significant amount of effort is required on a continual basis for the building and maintaining of collaborations and therefore the cost and

benefits of these investments must be "*analysed wisely with a view to overall alignment with the overall social mission*" (Volkmann *et al.*, 2012)

- **Complementary skills/capabilities:** alliances must only be formed with partners that have the potential to contribute to the strength of the alliance, with experience, know-how and skill that is specific and applicable to the value offering being developed. Specific needs must be met; hence the partner must provide new and beneficial skills. This requires a firm understanding of the enterprise's capabilities currently held and potentially needed in future
- **Resource fit:** each partner will depend on different resources to different extents, and at the same time have a degree of differential advantage over the other partner which incentivises the relationship. This needs to be balanced in such a way that the relationship creates differential advantage for each organisation, providing access to these needed resources
- **Chemistry:** sound financial and strategic analyses are of course fundamental to a rigorous analysis, however the importance of the personal side of business must not be ignored. Fostering rapport, by looking further to social and personal interests, showing respect, and commitment can be the difference between an atmosphere promoting collaboration and one fostering opportunism (Kanter, 1994). Management fit is crucial, whereby both sides engage and support one another, fostering strong personal bonds at multiple levels. Workforce fit is equally important, and the alliance must promote organisational identification to keep the loyalty of employees, whilst providing them with support so that they can effectively become involved in the alliance
- **Target market fit:** the commonly targeted market must create differential advantage for each organisation, which in the case of the BOP market requires a demographic, geographic, and psychographic fit between the alliance and members of the BOP, to effectively imbue an affinity for the cause and product in key influencers within the target market
- **Product/cause fit:** value should be created by combining branding power, to further endorse the offering in the eyes of stakeholders and the target market. This requires that both organisations have strong branding, that exhibit some degree of strategic similarity
- **Cooperative cultures:** this must exist between the organisations so that no single partner takes a lead role while the other follows, otherwise the learning will be disproportional. Furthermore, differing cultures exhibit unique timeframes, different priorities, and their own distinctive methods that may not be compatible with the organisation
- **Cycle fit:** different industries and organisations operate according to different time-scales and life cycles, the timing of which must be congruent for an effective partnership. This includes fund raising cycle length, schedule timing, and key tasks timing

- **Self-analysis:** understanding your own organisation and associated industry, assessing changes in the industry, and firmly deciding to seek an alliance prior to forming a relationship is key to success. Furthermore, jumping at the first opportunity that seems desirable is not recommended (Kanter, 1994)
- **Clarity of expectations/evaluations:** unclear expectations (perceptions of success) are often due to a lack of clear communication, which results in vague assignments of tasks and ultimately unsatisfactory performance. This challenge is amplified between not-for-profits, for-profits and the BOP who each have differing communication styles. According to Volkmann *et al.* (2012), the key to expectation clarity is "*being aware of cultural differences and ensuring written agreements with defined deadlines and deliverables, including clear expectation management.*" Each party must be able to show cognisance of the other's primary measures of success, creating mutual joint measures
- **Commensurate levels of risk:** risk, in all its various forms (opportunism, knowledge leaks, obsolescence), must be equally distributed, in a manner inversely commensurate with how much the respective organisation is contributing. Consequences of the allowed perceived risks must be catered for, entering into the alliance only after all risks have been ascertained and cordoned off
- **Potential for reputational damage:** with any partnership comes the risk of reputational damage (especially in the private sector), either due to a failed collaboration or due to partnering with an entity whose reputation becomes marred and having to cut ties with that entity. If a collaborator misuses or abuses vital information for their own gain it can adversely affect the social enterprise, leading to a failed alliance. Without careful regulating prior to alliance formation, key information (including network contacts) and knowhow may still be available to a terminated partner who may then become a competitor
- **Adequacy of legal form:** choosing which legal form is most suitable for a social enterprise is a challenge for social entrepreneurs, and which is correct is strongly circumstantial, however the chosen legal form has lasting implications for the organisation. Less favourable tax conditions exist for for-profits when contrasted with non-profits (Bertha Institute, 2015). Forming collaborations with certain organisations may impact these conditions adversely, resulting in a loss of tax benefits, e.g. when income is generated from collaborations with corporations. In order to receive donations from charities and/or foundations ideally, it is best to maintain a non-profit status

In order to distinguish between the various objectives that partners have, it is instructive to group them according to alliance-level objectives and partner-level objectives (Sakarya *et al.*, 2012):

- **Alliance-level objectives:** those objectives that are motivated by the need to create value jointly, to exchange core competencies and transfer resources, i.e. those objectives sought in establishing an alliance for addressing a specific social cause (Sakarya *et al.*, 2012; Austin, 2000; Berger *et al.*, 2004; Kanter, 1998; Pfeffer & Salancik, 2003)
- **Participant-level objectives:** those objectives that are motivated by needs specific to the partner alone, i.e. those objectives sought due to the nature of the sector a partner's organisation operates in (Sakarya *et al.*, 2012; Andreasen, 1995; Selsky & Parker, 2005)

Examples of alliance level objectives for both social enterprises and private enterprises include joint value creation (joint products/services derived from a combination of the competencies and resources of each organisation), and building community capacity (working with poor/marginalised communities so as to identify capacities needed for self-help and the building of those capacities). The idea of building community capacity is grounded in the notion that local actors can solve many of their own problems with their local capacities (Alvord, Brown & Letts, 2004).

Participant-level objectives for social enterprises tend to be altruistic (Austin, 2000; Berger *et al.*, 2004; Milne, Iyer & Gooding-Williams, 1996; Wymer & Samu, 2003). Examples of participant-level objectives for social enterprises include access to resources (e.g. funds, new technology), enhanced visibility and image, to learn from other sectors (Austin, 2000; Brown *et al.*, 2010; Doh & Teegen, 2002; Lister, 2000; Jane & Zadek, 2000). Participant-level objectives for actors from other sectors will however be extremely different and this will impact the manner in which the alliance must be managed. The types of partners and their motivations will now be discussed.

11.5.2 INSTITUTIONAL IMPACT ON PARTNERSHIPS

Alliance and management literature reveals that the nature of institutions play a pivotal role on the necessary partnership structures for success (Williamson, 1983). Partnerships within the BOP with barely sufficient resources for daily life operate within a unique institutional environment (Viswanathan, Sridharan & Ritchie, 2010). Three institutional archetypes exist (Scott, 2001), namely:

- **Regulative:** which encompasses "*rule-setting, monitoring, and sanctioning activities*"
- **Normative:** which "*introduce a prescriptive, evaluative, and obligatory dimension*"
- **Cognitive:** defined as the "*shared conceptions that constitute the nature of social reality and the frames through which meaning is made*"

Regulative institutions have to do with typical upper tier markets wherein formal mechanisms are in place which are commonly accepted and enforced, whereas normative and cognitive institutions are more prevalent in informal settings such as the BOP (where formal institutions have less of a role) (De Soto, 2000; North, 1990; Rivera-Santos & Rufín, 2010). As the BOP market develops both politically and economically, regulative institutions come to the fore (Cheater, 2003; Mair, 1962). However, the BOP is characterised by severe institutional gaps (Khanna & Palepu, 1997), low enforceability of laws and regulations (Ricart, Enright, Ghemawat, Hart & Khanna, 2004; Viswanathan *et al.*, 2010), as well as minimal legal protection (World Bank, 2000), making the regulative component mostly symbolic. Normative and cognitive institutions thus prevail at the BOP, making up for the weaknesses of regulative institutions to an extent (De Soto, 2000), and oftentimes simultaneously contradicting the regulative institutions (Arnould & Mohr, 2005; Johnson, 2007; Scott, 2005).

Normative and cognitive institutions at the BOP operate through traditional ties, including for example kinship, age-group, religious, and other intra-group ties which bind these communities (De Soto, 2000; London & Hart, 2004; Rivera-Santos & Rufín, 2010), and lead to localised structures with strong institutions within the communities with little overlap or bridges across communities (Arnould & Mohr, 2005). As a result, business interactions are governed by informal mechanisms (and not formal ones) which promote an ecosystem that is defined by structural holes and regulative institutional gaps that prevent industry development at the BOP (Rivera-Santos & Rufín, 2010; Viswanathan *et al.*, 2010; Wheeler *et al.*, 2005). For this reason, government, non-profits, and the community become crucial to fostering a growth oriented business ecosystem at the BOP as they act as substitutes for missing actors and supporting industries often found in the strong regulative institutions of upper tier markets (Rivera-Santos, Rufín & Kolk, 2012).

The degree of institutional distance, defined as "*the extent of similarity or dissimilarity between the regulatory, cognitive, and normative institutions,*" (Xu & Shenkar, 2002) is therefore a source of conflict in that the institutional norms of upper tier businesses and the BOP market are at odds with one another (Arnould & Mohr, 2005; Rivera-Santos & Rufín, 2010; Scott, 2005). The difference between regulative external institutions that the social entrepreneur operates in with upper tier partners and the normative and cognitive institutions prevalent at the BOP therefore influence the structure of any direct partnerships or dealings with the BOP, requiring the enterprise to adapt to cater for all institutions in how they govern relationships (Rivera-Santos *et al.*, 2012; Rivera-Santos & Rufín, 2010).

Therefore, governance mechanisms for social enterprises will depend on the institutional origin of partners and as such will have to use the appropriate institutions to govern partnerships in the BOP (normative and cognitive) and outside the BOP (regulative). Regulative institutions will naturally be preferred where possible due to their fuller and less costly protection against partner opportunism in comparison with cognitive and normative approaches (De Soto, 2000; North, 1990).

11.5.3 TYPES OF PARTNERSHIPS AND STRUCTURAL PREFERENCES

Alliances can be classified according to a number of dimensions which overlap yet focus on different characteristics. The following sections look at the sectoral, supply chain, knowledge orientation, and equity based characteristics of alliances.

11.5.3.1 A SECTORAL VIEW OF PARTNERS

Scholars have put forward that traditional collaboration theories are applicable to cross-sector partnerships (Selsky & Parker, 2005; Teegen, Doh & Vachani, 2004), however there are still clear differences between cooperation within a specific sector and that across different sectors that might impede the transfer of traditional theories to this context (Oetzel & Doh, 2009; Rivera-Santos & Rufín, 2010; Wymer & Samu, 2003). The major difference impacting collaborations across sectors relates to their underlying interests and goals (Bendell, Collins & Roper, 2010).

Schuster and Holtbrügge (2014) argue that "*responsiveness to customer needs, market conditions and the institutional environment supports the ability of firms to operate successfully in low-income markets.*" Others have also drawn this conclusion (Dahan *et al.*, 2010; London & Hart, 2004; Prahalad, 2009; Rivera-Santos *et al.*, 2012). Cross sector partnerships have been shown to be hugely advantageous to enterprises operating at the BOP (Hart & Sharma, 2004; London & Hart, 2004; Prahalad, 2009; Oetzel & Doh, 2009; Crawford-Mathis, Darr & Farmer, 2010; Dahan, Doh, Oetzel & Yaziji, 2010; Johnson, 2007; London, Rondinelli & O'Neill, 2005; Seelos & Mair, 2007; Simanis & Hart, 2008). Both partnerships with traditional partners (organisations that are relevant in established markets) and non-traditional partners (NGOs, local governments and local communities) are valuable (London & Hart, 2004; Rivera-Santos *et al.*, 2012). For the purposes of this study, the sectoral divisions will include private (business), public (government), and civil, all of which are in accordance with other studies on partnerships (Schuster & Holtbrügge, 2014; Anheier & Seibel, 1990; Smith, Gidron, Kramer & Salamon, 1993; Selsky & Parker, 2005; Sinh, 2002). Each provides different complementary experiences, knowledge, resources and skills into a partnership (Bryson, Crosby & Stone, 2006; Rein, Stott, Yambayamba, Hardman & Reid, 2005; Warner & Sullivan, 2004).

The sectors each have specific roles (Ghauri & Rao, 2009; Tennyson & Wilde, 2000), including:

- **Private:** creates products and services, guarantees profits for investors, and delivers employment opportunities, innovation and economic growth
- **Public:** creates the framework for economic, political, and social rights, as well as providing regulations and standard-setting mechanisms

- **Civil:** creates opportunities for individual creativity and growth, providing services and support for those in need or excluded from mainstream society

Alliances across all sectors are most beneficial (Kolk, 2013; Venn & Berg, 2013), as they surpass the benefits of any single isolated sector (Heuer, 2011:214) when entering challenging BOP markets (Schuster & Holtbrügge, 2014).

Although both commercial and social entrepreneurs can collaborate with partners from the same sector, the private sector (e.g. small start-ups and large corporations), or across sectors (i.e. with institutions from the public sector or the civil sector) the subtle difference for social entrepreneurs has to do with the oft unclear sectoral affiliation of social entrepreneurs (Volkmann *et al.*, 2012). What distinguishes the sector a social enterprise is most aligned with is largely dependent on the mission and approach of the enterprise, however for the most part social enterprises can be seen as acting between two sectors (Nicholls, 2008; Leadbeater, 1997).

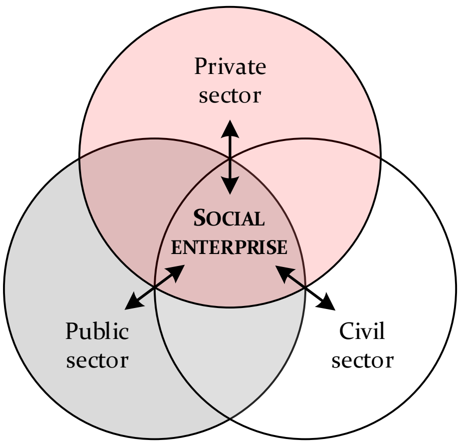


Figure 11-6 Social enterprise inter-sectoral positioning

Social entrepreneurs may of course collaborate with a various array of partners, as indicated in Figure 11-6. Sector logic, though useful, has a shortcoming in that it is sometimes difficult to define inter-sectoral boundaries. For instance, in the civil sector (oftentimes referred to as the third or non-profit sector) there is a range of definitions which are used in literature (Brandsen, Van de Donk & Putters, 2005; Evers & Ewert, 2010). Each of the sectors will now be discussed in light of their relationships with social enterprises.

i. Private sector

The interactions between social entrepreneurs and private sector actors range from purely philanthropic in nature, which is essentially a supplicant-benefactor relationship, to interactions which are integrative in nature, wherein the relationship is of greater strategic value to both sides (Austin, 2000). Examples of private (business) sector actors includes suppliers, logistic service providers, competitors, and financial institutions (Schuster & Holtbrügge, 2014). The advantage of integrated collaborations is well put by Bill Drayton (CEO and founder of Ashoka, a global organisation that identifies and invests in leading social entrepreneurs) when he said that "*businesses offer scale, expertise in manufacturing and operations, and financing [whilst] social entrepreneurs and organizations contribute lower costs, strong social networks, and deep insights into customers and communities*" (Drayton & Budinich, 2010:57). In terms of ability to access BOP markets, the enabling nature of relationships with social entrepreneurs is a strong promoting factor in alliance formation with corporations who don't have a keen local knowhow or deep understanding of locals in the BOP segment (Volkmann *et al.*, 2012). The benefit of such an alliance for social enterprises is evident in the increased ability to scale up social impact due to access to more resources (Drayton & Budinich, 2010).

The Social Enterprise Unit of the Department for Trade and Industry in the UK (SEU, 2005) clearly outlines both the drivers and challenges of collaboration between social enterprises and the private business sector. Reinforcing the idea that the nature of collaborations between the two sectors should ideally be more than just philanthropic, the following drivers show that successful collaborations are fundamentally driven by good business, oriented around win-win partnerships wherein the social enterprise is more than just a resource leech. First of all, social enterprises aid commercial business partners in developing their markets, through promoting business with the public sector and in gaining access to local communities. Secondly, social enterprises act as translators for the private sector businesses, helping them communicate more effectively with hard to reach audiences, particularly at a local community level. Thirdly, as benefits for the community are realised, relationships with social enterprises bring about additional CSR and public relations (PR) spin offs for their commercial enterprise counterparts. Fourthly, in terms employee motivation (including that of the managerial team) it has been shown that social enterprise fosters more motivated and loyal staff which results in improved morale, performance, and productivity.

Overcoming the challenges faced by social entrepreneurs seeking private sector alliances is key to alliance formation, which includes dealing with multiple challenges. Commercial and reputational risk needs to be mitigated when forging new relationships with the private sector, as well-established business partners may deem the oft small and growing social enterprises as too risky and young to accrue real benefits from a partnership. Generating acceptance and support for collaboration within both the social and commercial organisation is also a challenge, as each party has often opposing paradigms from which they view business. Teething troubles are common when there exist clashes in culture and approach, which is compounded by differences in size and scale between partners. Pitching a clear, concise, and persuasive collaboration proposition is also crucial to alliance formation, and requires a keen understanding of the business language used by the private sector enterprise.

Examples of participant-level objectives for private enterprises include enhanced reputation, addressing their corporate social responsibility, gaining favour with stakeholders, and showing loyalty to customers (Sakarya *et al.*, 2012). In line with the institutional perspective of strategic alliances, Sakarya *et al.* (2012) argues along with Alsop, 2004, Austin, 2000, Berger *et al.*, 2004, Friedman, 1970, Iyer, 2003, and Zammit, 2003 that the most significant participant-level objectives are stakeholder appreciation and enhanced reputation and image. With regards to stakeholders, organisations tend to pursue partnerships that bring about the best outcome for the enterprise and are therefore generally seen as favourable to stakeholders (Berman, Wicks, Kotha & Jones, 1999).

ii. Public sector

Social entrepreneurs likewise collaborate with the public sector. Examples of public (government) sector actors include national government, and local governments (Schuster & Holtbrügge, 2014). According to Volkmann *et al.* (2012), the principles of such collaborations are delineated by what are termed public-private-partnerships (P3). P3 are long-term contractual arrangements, governing collaborations between public sector authorities and private sector entities to deliver services, products, or projects traditionally provided by the public sector (Akintoye, Beck & Hardcastle, 2008). By combining resources across each sector, mutual benefits are pursued with operational risk being distributed equally. Whether social enterprises act as innovators for the public sector, essentially acting as an R&D department for government, or as developers of ideas wherein they establish proof of principle and then lobby for government support to achieve scale, success is dependent on the crafting of P3 partnerships. One strong advantage of partnering with government in particular, in addition to attaining better fiscal options, is the improved legislative environment which can make all the difference to a social enterprise traversing lots of costly red tape.

iii. Civil sector

Civil sector actors include non-profit organisations, non-governmental organisations, local communities (including the BOP), foundations, and charities (Schuster & Holtbrügge, 2014). Collaboration with this sector is mainly advantageous to social entrepreneurs in that the mission (intentions) of each are much more closely aligned than with the other sectors. Former Managing Director of the Schwab Foundation, Hartigan and Billimoria (2005) put it well by saying that "*these [foundations and philanthropists] are best placed to support social innovators, as they are free of the voting booth and the financial bottom line, the forces that dominate the decisions of government and business respectively.*" Of particular interest to the social entrepreneur are foundations and charities. Foundations are special in that they are non-governmental non-profit organisations with their own funds managed by their own trustees or directors, often founded by an individual, family, or corporation. Charities are different to foundations in that charities are non-profit organisations that derive a substantial percentage of their funding from the public. Foundations can play a vital role in initiating cross-sectoral involvement, as Markus Hipp, Executive Director of BMW Foundation Herbert Quandt argues that they are good at transferring impulses from the private sector into the public or the civil sector (given that they are independent, sovereign actors) (Hipp, 2009). Collaborating with foundations to address social challenges also increases the likelihood of bringing together international networks of leaders from different sectors, as foundations generally have strong ties with each sector. Similarly, charities often have dense networks and well-established structures, which could enable the social enterprise to effectively and efficiently scale the expansion of a social innovations. This being said, partnerships between social enterprises and charities are few and far between, potentially due to the fact that both are very similar in their mission which makes them appear more as competitors than potential collaboration partners (Volkmann *et al.*, 2012). This is also a problem faced when social enterprises form alliances with one another, independent of sectoral boundaries.

As already mentioned, dealing with the high degree of institutional distance between the BOP and the upper tier markets that most organisations are accustomed to can be achieved by partnering up with NGOs in particular (Webb, Kistruck, Ireland & Ketchen, 2010), due to their "*high degree of localized knowledge, social embeddedness within multiple informal networks, and ambidexterity in dealing with diverse stakeholder groups.*" Knowledge gaps pertaining to the BOP's daily norms, values, and beliefs can thus be filled (Ricart, Enright, Ghemawat, Hart & Khanna, 2004; Kostova & Zaheer, 1999). Other vital resources that NGOs can contribute include access to legitimacy in local informal institutions (fostering BOP relationships via informal institutions is pivotal to successful inclusive approaches at the BOP (Foster & Heeks, 2013a)). Not only are traditional partners in short supply at the BOP in comparison with NGOs (London & Hart, 2004), but NGOs have a better understanding of both traditional and BOP market tiers, which, when combined with their lower natural affinity to acting opportunistically (Anheier, 2000), their wide-reaching rural networks (Rondinelli & London, 2003), and their longstanding social embeddedness therein (Salamon, 1994) makes them ideal partners for for-profit social enterprises operating at or with the BOP. In return, the social enterprise can offer access to capital (Oster, 1995), improved accountability and efficiencies (Selsky & Parker, 2005), in conjunction with scale economies and distribution networks (O'Regan & Oster, 2000) to increase the impact of their social mission.

At the BOP itself, as a community, there are a number of reasons for which alliances would be beneficial, including (Seelos & Mair, 2007): gaining crucial capabilities, developing altogether new resources and capabilities for value creation in a BOP context, gaining access to local resources and capabilities to address BOP specific problems from the bottom up, cost cutting so that prices can be driven down and thus make value offerings affordable to the BOP.

11.5.3.2 A SUPPLY CHAIN VIEW OF PARTNERS

An increasing body of literature promotes the establishment of business activities in BOP markets via joint business models (Schuster & Holtbrügge, 2014), wherein different partners are integrated into a mutual value chain whereby they each execute specific value adding activities. In these business models, alliance partners "*contribute complementary capabilities along each stage of the value chain to develop products and services that neither could produce alone, creating and delivering value in novel ways while minimizing costs and risks*" (Dahan *et al.*, 2010:326).

i. Dimensions of collaborative value chain integration

The dimension of a collaboration denotes the stages of the value chain(s) involved in an interaction. Relationships with partners can be divided into three dimensions, namely the vertical, horizontal and diagonal collaborations (Volkmann & Tokarski, 2006; Volkmann, Tokarski & Grünhagen, 2010; Hendrikse, Tuunanen, Windsperger & Cliquet, 2008; Audy, D'Amours, Lehoux & Rönnqvist, 2010). These dimensions are depicted in Figure 11-7.

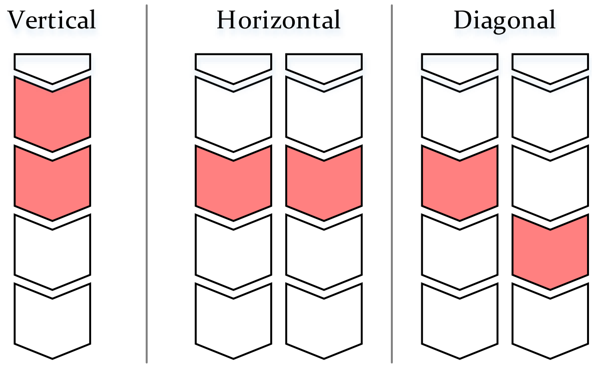


Figure 11-7 Collaboration dimensions

Vertical collaboration takes place with business units within the same supply chain (i.e. upstream with a supplier or downstream with a customer). The linkages between organisations are generally in successive stages to one another. As a result of better coordination between entities, vertical collaborations enable optimisation of interfaces.

Horizontal collaboration takes place between business units from different supply chains on the same level (e.g. a competitor company with whom warehousing capacity can be shared or a non-competitor company with whom production capacity can be shared). The collaborating organisations are at the same stage of their respective supply chains, and thus are often competitors. The driving force for alliances between competitors includes the combining of resources and capabilities, and also the sharing of risks and costs. This enables each organisation to realise larger projects, and as a result attain growth.

Diagonal collaborations, otherwise known as lateral, complementary, or synergistic collaboration (Audy *et al.*, 2010), is a combination of both vertical and horizontal collaborations between two different industries. Access to new markets is one of the main advantages of diagonal collaborations.

When thinking about the activities that take place in the supply chain, they can be categorised into four groups:

- **Internal activities:** for activities that are core strengths of the organisation, this is the best way to perform this activity
- **Acquisitions:** this gives the acquiring organisation full control over the way the particular business function is performed. These can be difficult and expensive due to differing cultures and competitors
- **Arm's length transactions:** most business transactions are arm's length transactions, i.e. based on short term arrangements that fulfil a particular business need but do not lead to long term strategic advantages
- **Strategic alliances:** these are multifaceted, goal-oriented, long term partnerships between two or more companies wherein both the risks and the rewards are shared, typically leading to long term strategic benefits for both partners

ii. Supply chain network contexts

In the case of vertical and diagonal collaborations, and to a lesser extent, horizontal collaborations, there exists a position within the supply chain that the enterprise fits and which impacts the type of strategy that can and should be utilised. The position within the supply chain network of the focal organisation (i.e. the enterprise owned by the social entrepreneur in this study) influences the strategy required for a successful alliance (Chang, Chiang & Pai, 2012; Kothandaraman & Wilson, 2001; Linton, Klassen & Jayaraman, 2007). According to Håkansson and Snehota (1995), "*as managerial action is guided by how situations are framed, the relationship perspective and the network approach are unquestionably of consequence to management. The frame of reference adopted affects the way in which the problems in different situations can be perceived and acted upon*."

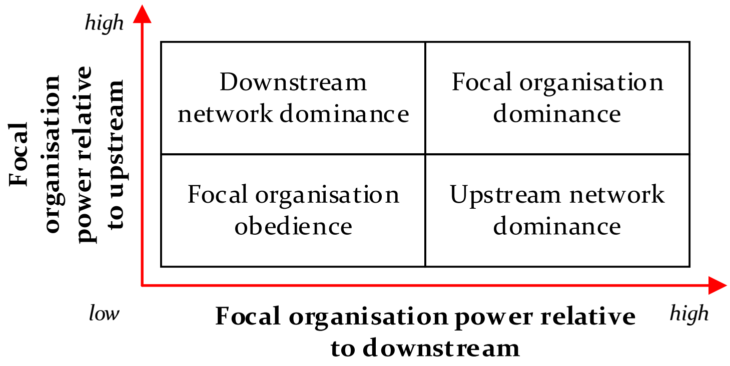


Figure 11-8 The relationship types of supply chain networks adapted from Chang *et al.* (2012)

With a keen understanding of the power of the focal organisation, relative to upstream and downstream players, the relationship types that are possible have been categorised by Chang *et al.* (2012) as:

- **Focal organisation dominance:** within the supply chain network the focal organisation occupies the dominant position. Rather than using its power to compel upstream and downstream organisations, the focal organisation should aim to integrate or manage its network partners so as to enhance the competitive advantages of the entire supply chain network in accordance with the relational view of strategic alliances. It is important that the focal organisation remains keenly aware of competing supply chain networks
- **Upstream network dominance:** there exists an unbalance regarding relations between upstream suppliers to the focal organisation and the focal organisation to downstream customers/buyers. To strengthen the focal organisation's position, strengthening relations with powerful upstream networks and managing downstream boundary-spanning activities and improving trading efficiency is key
- **Focal organisation obedience:** this position for the focal organisation is the weakest. The focal organisation makes up part of the boundary-spanning activities, playing a complementary role in the supply chain network. Developing complementary resources and capabilities for upstream and downstream networks is ideal for improving the focal organisation's stance within the supply chain network
- **Downstream network dominance:** the powerful downstream partners require that the focal organisation complements its downstream buyers' requirements, shortening time to market for its products. Ideally the focal organisation must aim to integrate upstream suppliers such that resource shortages are prevented, resulting in the whole supply chain network operating more efficiently

By exploring the contexts surrounding each relationship, Chang *et al.* (2012) developed strategies for each relationship type at the upstream, focal organisation, downstream, and network level for both upstream suppliers and downstream customers/buyers. The appropriate strategies are hereafter discussed by taking into account the: degree of concentration (e.g. consolidated or fragmented industry), product and technology characteristics (e.g. product differentiation and product life cycle), and transactional behaviour and entry barriers (e.g. switching and searching costs) (Bensaou, 1999; Porter, 1980; Caves, 1992). The analysis by Chang *et al.* (2012) draws largely on the relational view of strategic alliances (see Appendix L). Each relationship type is broken down in detail in Appendix N, whereby each is defined and the appropriate strategies for each are outlined.

11.5.3.3 EXPLORATIVE VERSUS EXPLOITATIVE ALLIANCES

In his classic paper, March (1991) (also see Koza and Lewin (1998)) distinguishes between two distinct motives for organisational adaptation, namely exploration and exploitation:

- **Exploitation:** denotes the elaboration and deepening of already existing capabilities, i.e. incremental improvements in efficiencies. Strategic intent is to obtain incremental enhancement of competencies in conjunction with residual revenue from the extension and elaboration of existing assets and capabilities
- **Exploration:** denotes experimenting with as well as establishing new assets and capabilities. Strategic intent is to discover new opportunities with the potential to markedly increase the organisation's performance

From this view of alliances, survival and satisfactory performance is directly proportional to the organisation's ability to pursue sufficient exploitation so as to ensure present viability as well as the ability to engage in ample exploration to ensure viability in future (Levinthal & March, 1993; Lewin, Long & Carroll, 1999). Performance goals for the two types of alliances are markedly different. For exploration alliances, performance goals are often stated as measurable operational objectives (making it easy to monitor progress via outcome controls), whereas exploration alliances generally have performance goals that are altogether more ambiguous in that they relate to less specific and open-ended terms such as the acquiring of new capabilities and learning about new procedures or technologies (which greatly complicates monitoring progress which requires in-depth process controls which are often exchanged with substitute outcome controls).

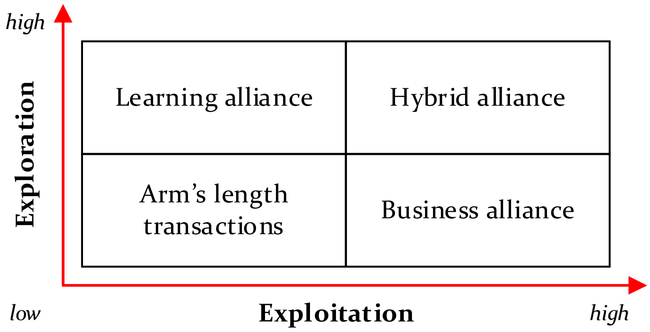


Figure 11-9 Exploration versus exploitation alliance types adapted from Koza and Lewin (2000)

Using this exploration versus exploitation logic it is possible to come up with three strategic alliance types, depending on the degree to which the alliance exhibits the characteristics of each type of alliance, as portrayed in Figure 11-9. Each demonstrates a unique strategic intent and thus demands a unique process for managing the alliance.

i. Learning alliances

A learning alliance exists when partner companies share strong exploration intents, with limited or non-existent exploitation intents, hidden or otherwise. Their primary strategic intent is to reduce ignorance of partners (Balakrishnan & Koza, 1993; Dierickx & Koza, 1991), i.e. by revealing new information/insights into:

- **Markets:** regarding competitors, customer preferences and habits, marketing infrastructure, regulations
- **Core competencies:** regarding just in time processes, mass customisation, negative working capital, one-on-one marketing
- **Technologies:** regarding competency destroying innovations, franchising capabilities, new complementary technologies

The drive behind such alliances is to reduce information asymmetry among partners regardless of the learning outcomes. According to Koza and Lewin (2000), the critical success factor in a learning alliance is "*the ability of the partners to design, manage and continuously adapt organizational processes and informal linkages which keep the alliance on track.*" Failure to both recognise imbalances in differential learning rates of partners and the corresponding addressing of these imbalances leads to one partner capturing disproportionate value from the alliance, which often ends up in the advantaged partner moving to dissolve the alliance (Hamel, 1991). Relying on substitute outcome controls further complicates matters, as partners often fail to develop appropriate process controls for exploration alliances.

ii. Business alliances

A business alliance exists when partner companies share strong exploitation intents, with limited or non-existent exploration intents, hidden or otherwise. Their primary strategic intent is to secure new incremental revenues from a combination of specific assets unique to each partner (Koza & Lewin, 2000) (and thus establish a strong position within a given geographic or market segment).

iii. Hybrid alliances

The last type of alliance on the exploitation versus exploration driven alliance types is a hybrid of the two, wherein partners have strategic intents which exhibit strong exploration and strong exploitation objectives. Characteristic of these alliances is the tendency of partners to seek to simultaneously maximise both opportunities for capturing value from the leveraging of existing capabilities and assets, as well as maximising the opportunities to create new value through joint learning activities. Hybrid alliances therefore start out as a combination of business and learning alliances, with early alliance success being dependent on how much the exploitation activities facilitate the longer learning processes involved in exploration (Koza & Lewin, 2000).

11.5.3.4 EQUITY VERSUS NON-EQUITY ALLIANCES

A very clear structural choice for alliances will now be presented in relation to its equity orientation. The equity versus non-equity based alliances dichotomy poses important implications for effective alliance management (Gulati, 1995a; Osborn & Baughn, 1990; Tallman & Shenkar, 1990; Yoshino & Rangan, 1995).

	Partner organisation B	
Parent organisation A	*Property based resources*	*Knowledge based resources*
Property based resources	Unilateral contract-based alliances	Equity joint ventures
Knowledge based resources	Minority equity alliances	Bilateral contract-based alliances

Figure 11-10 Structural preferences based on predominant resource types of partner organisations, adapted from Das and Teng (2000b)

According to the RBV of alliances, not only must organisations gain access or acquire valuable resources as a result of the partnership, they must also protect their own from being compromised by partners. These two issues must be considered simultaneously when agreeing on an alliance type, effectively balancing the procurement of needed/valuable resources without losing control of one's own resources (in particular, key resources). Of course, multiple resources may be exhibited in an organisation, but the level of commitment of each type to the alliance is significant, and the one with the most impact (i.e. the primary resource type) has ramifications for how the alliance should be designed/managed (Das & Teng, 2000b).

i. Equity based

An equity alliance is one in which a parent organisation and one or more partner organisations own different percentages of a company they have formed through the combination of some of their capabilities and resources in a bid to create a competitive advantage. Equity based alliances can be divided according to their equity intensity, ranging from joint ventures (which are not the focus of this study) to minority equity alliances (which still fall into the classification of 'strategic alliance' used in this study). For fullness, each will be discussed however.

a. Equity joint ventures

Alliances can provide a source of incremental revenue via the pooling of complementary resources neither partner would be interested in developing alone, and it is these exploitation alliances that would typically be implemented as equity joint ventures (EJVs) (Koza & Lewin, 1998; March, 1991). EJVs require a substantial integration of the two partner organisations, resulting in a distinct entity, and as shown earlier in Figure 11-10 they are not considered typical strategic alliances in this study. As with all collaborative efforts, opportunistic behaviour of partners is probable, and the problem with this maximising of self-interests in an EJV is the proximity of the organisations. Vulnerability is aggravated when resources involving tacit knowledge and skills (e.g. managerial and employee know-how, collaboration and coordination skills, and subtle technical and creative talents (Black & Boal, 1994; Hall, 1992) not protected by property laws are clearly displayed/transferrable to partners over an extended period (Das & Teng, 2000b; Hamel, 1991). However, this represents an opportunity for the parent organisation if for instance they have little tacit know-how to 'lose' and seek to acquire/appropriate the partner organisation's tacit knowledge and other knowledge-based resources, as shown in the structural preferences based on predominant resource types of the partner organisation of Figure 11-10. In this case the parent organisation can offer more property based resources which are much less vulnerable, and should only really seek an EJV if the knowledge-based resources are the partner's primary resource in the alliance. The research of Inkpen and Beamish (1997) shows that oftentimes alliance partners use the alliance as a cover for the appropriating of knowledge-based resources. Hennart and Reddy (1997:11) corroborate this, saying that "*a joint venture is primarily a device to obtain access to resources which are embedded in other organizations.*"

b. Minority equity alliances

In a minority equity alliance (MEA), one or more of the partner organisations take an equity position in the others. Das and Teng (1996) would argue that due to the long term and committed nature of most MEAs, it is less likely that partner organisations will be as opportunistic as in an EJV. What is termed the *shadow of the future* effect comes into play, curbing opportunistic behaviour to an extent, as partners expecting a long-lasting relationship won't want to infringe upon agreements that may terminate the alliance once violated (Axelrod, 2006; Heide & Miner, 1992; Joskow, 1987). This is largely due to the fact that the partner organisation's equity stake can be withheld from them as a result. As a result, MEAs provide a measure of protection against unintended tacit knowledge transfer. Therefore, MEAs will be preferred from the parent organisation's vantage point, according to Figure 11-10, when they have predominantly knowledge-based resources and partner organisations have primarily property-based resources to contribute (Das & Teng, 2000b). In these cases, contract based alliances are less attractive to the parent organisation, as they offer insufficient protection against opportunistic behaviour involving knowledge based resources. EJVs are also undesirable for the parent organisation, as they firstly do not present the parent organisation with substantial knowledge based resources of the partners to exploit, and secondly the high degree of parent organisation knowledge based resources is too high to run the risk of forming a shoulder to shoulder agreement (such as the EJV).

ii. Non-equity based

In comparison to EJVs that facilitate interorganisational (implicit) knowledge transfer most effectively (Mowery, Oxley & Silverman, 1996), alliance structures such as licensing agreements offer much less by way of learning opportunities for partner organisations. Two types of contract based alliances will be discussed hereafter, namely unilateral and bilateral ones.

a. Unilateral contract-based alliances

When an alliance embodies a well-defined transfer of property right (e.g. technology for cash exchange of licensing agreements, distribution agreements, R&D contracts), they are called unilateral contract based alliances (Das & Teng, 2000b). Unilateral denotes the fact that individual organisations carry out their obligations independently of others. Their contracts are specific and holistic in nature, operating on the premise that partners will perform on their own in an according manner, without a high degree of coordination or collaboration (e.g. Kalahari's revised ecommerce site, takealot.com, and Mr. Delivery who courier their online orders for them). Therefore, there is a relatively low level of integration in unilateral contract-based alliances.

b. Bilateral contract-based alliances

Conversely, when sustained production of property rights (e.g. enhanced supplier partnership, joint marketing, joint promotion, joint production, and joint R&D), the alliance is called bilateral contract-based (Das & Teng, 2000b). This form of alliance requires continual input from both partners in terms of resources and time spent together on the task at hand, thus requiring a greater degree of integration between organisations. Often, in comparison to unilateral contract-based alliances, bilateral ones are more open ended, and in a manner the cooperative relationship unfolds by itself.

11.6 Alliance design via contracts and negotiation

Alliance management tools for the alliance negotiation and governance phase include a: negotiation matrix, needs versus wants checklist, alliance contract template, alliance structure guidelines, and alliance metrics framework (Dyer, Kale & Singh, 2001; Prashant & Harbir, 2009).

Though the relationship may begin as personal rapport, compatibility on a strategic and philosophical level, and a sense of shared vision between two organisations must eventually become institutionalised. In this time, other stakeholders may get involved and the relationship may tend towards being more depersonalised. However, the personal and institutional must still be carefully balanced. Contracts are the most important governance mechanisms in strategic alliances (Rivera-Santos *et al.*, 2012; Reuer & Ariño, 2007; Williamson, 1983), and specifies the commitments, contributions, benefits each partner accrues, conflict resolution mechanisms, and arbitration clauses (as well as lawsuit provisions) (Reuer & Ariño, 2007).

The time necessary to establish a working relationship through negotiations and contracts must not be underestimated, as it is imperative to arrive at an alliance that can effectively hit the ground running, and this is only possible through detailed planning (Niederkofler, 1991).

Part and parcel of negotiating and forming contracts is dealing with third-party professionals (lawyers, bankers, etc.). If these professionals dominate the proceedings it is likely that the relationship can become too depersonalised, and result in a loss of vision among other things (Kanter, 1994). Understanding their detached position, not having to live with the results of the legal agreement, is important to ensure the professionals are not left making the most important decisions. Strong, ideal agreements incorporate three components (Kanter, 1994), including a:

- **Specific joint activity, a first-step project:** this acts as a jumpstart for the alliance, making the relationship real in practise, promoting an understanding of how things will work, providing a basis on which to measure future performance
- **Commitment to expand the relationship:** this can be achieved via side bets, e.g. equity swaps and personnel swaps. This acts as an expression of commitment to the connected fate of the two organisations
- **Clear signs of continuing independence for all partners:** to ensure the alliance is indeed that, not a merger, which promotes the safeguarding of key competencies

According to Devlin and Bleackley (1988):

> *Alliances are not mergers. Nor are they joint ventures encapsulated as a free-standing entity. Therefore, the commitment to make them work at least needs a protocol and a top-level review structure. To keep them 'live' they need clearly defined projects with finite goals and properly pooled resources. If you can't do this, messy attributions of blame soon replace goodwill and high expectations.*

According to Badaracco (1991), alliances must be clearly structured and managed as if they are separate companies, effectively existing as a "*sphere of activity.*" As such, Badaracco (1991), Niederkofler (1991) and Lei, Slocum and Pitts (1997) argue they must encompass the following:

- An explicit mission and specific performance objectives
- A timetable for their achievement, i.e. clearly specified milestones
- Communication channels appropriate for the collaboration
- Its own resources and control systems
- Personnel with a sense of loyalty and commitment to the alliance's success
- An operating plan providing clear guidance/agreement on:
    - How costs will be shared
    - How partner resources should and are allowed to be accessed
    - How patents and/or royalties will be managed
    - How scale benefits will be divided
    - How to measure the value that is created
    - Protocols for the alliance
    - The exit strategy in the event of alliance dissolution
    - The role and impact of intangible value created or shared
    - Time horizons for investment returns
    - Time limits for projects
    - What administrative mechanisms will resolve questionable cases
    - What technology and know-how will be contributed to the alliance
    - What the definition of knowledge is
    - What value is attributed to assets so they are contributed synonymously
    - What will remain proprietary as well as what should be transparent or opaque
    - Who is responsible for the running of what

Painstaking attention to detail is crucial. This is best done through a focus group with representatives of each functional department as well as key players in the proposed alliance, and "*as a result of engaging in the group discussion, members gain a clearer picture of all of the people and agencies involved with the formation and delivery of the collaborative effort*" (Gajda, 2004). Soon after, it is instructive and beneficial to conduct a workshop with representatives from the particular project's key agencies and entities (identified in the focus group). At this workshop, the aim is "*to begin building relationships between project leaders, managers, and practitioners, to set the context of collaboration, and to collect baseline quantitative and qualitative data to be used for formative evaluation purposes*" (Gajda, 2004). The result of this workshop should be a consensus on current and projected levels of integration with practical guidelines on how to attain these levels, requiring both inter- and intra-organisational brainstorming. Questions to pose for discussion include:

- What would it look like if their ideal level of integration was reached?
- What actions would they need and want to take to bring about their ideal level of integration?
- What evidence would indicate that they have reached their ideal level of integration?

According to Reuer, Zollo and Singh (2002), labour must be divided appropriately to lower the likelihood of governance changes later on in the relationship. When responsibilities of different partners are distinct and exhibit minimal to no overlap, coordination is easily organised and as such it is easy to determine each partner's obligations (Borys & Jemison, 1989). With increasing degrees of overlap, coordination mechanisms within and between activities increases substantially in complexity, requiring both organisations to anticipate all contingencies in the alliance design stage. Without a clear division of labour activities, labour specifications are bound to change after formation and introduce tensions that may lead to alliance dissolution (Reuer, Zollo & Singh, 2002).

The particular form of governance chosen (i.e. the structure) is largely dependent on the scope of the strategic alliance (Reuer, Zollo & Singh, 2002). Compared to with mergers, alliances have a much narrower scope/mandate, yet the range of scope is still substantial enough to warrant different structures for various alliances. For example, alliances being performed in a collaborative manner with a single value chain activity may be more suitable to non-equity arrangements such as joint R&D as opposed to equity alliances that are more suitable for alliances with multiple projects spanning various supply chain activities (Pisano, 1989). Oxley (1997) found that organisations move toward more hierarchical governance modes when transactions encompass a wider range of products or technologies. The broader the scope of the alliance, the more likely that the alliance will experience post formation changes to the agreement, potentially requiring a change of governance (Borys & Jemison, 1989).

As identifying all the contingencies of complex relationships such as alliances is impossible, contracts cannot fully protect the social entrepreneur from opportunism on part of their partner. Thus, when the risk of opportunism is high, equity arrangements are preferred as the form of governance (Brouthers & Hennart, 2007; Williamson, 1983). In these equity-based agreements, equity acts as a hostage (Williamson, 1983), increasing the cost for partners who engage in opportunistic behaviour. Of course, there are other forms of hostage other than equity (see Williamson (1983)).

Hunt and Morgan (1994) argues that as relationships naturally take time to grow a certain approach to forming contracts must naturally be taken:

> *Because commitment and trust develop slowly, start with small projects with a new partner and expand the scope of the relationship gradually. As the relationship grows, a complex set of norms will evolve for making the relationship work. These norms cover such aspects of the relationship as how each party will exchange information of value to the other and how each party must react to safeguard the relationship in the face of unexpected circumstances. Norms, then, substitute a kind of psychological agreement for formal contract clauses.*

Although alliances are formed with every intention of lasting success, the alliance will almost certainly end, either by dissolution or moving to a new strategic relationship form (e.g. a merger, or going public). For this reason, preparation for alliance termination must be made while in the formative stage in way of prerequisites and conditions (Hoffmann & Schlosser, 2001).

In comparison to when dealing with upper tier partners, weak regulative institutions in the BOP makes it difficult to enforce formal contracts, promoting the use of substitutes in place of the more traditional governance mechanisms (Rivera-Santos *et al.*, 2012). In accordance with BOP microfinance literature, when formal contracts are either unavailable or unenforceable, organisations must resort to various group-based contracts, e.g. in Bangladesh, Grameen Bank's village bank wherein enforceability lies with informal BOP specific institutions (Cull, Demirgüç-Kunt & Jonathan, 2007), and in Tanzania, by micro-finance institution (MFI) Belita's gaining of the village chief's approval prior to lending to micro-entrepreneurs (Lutege, 2009). In a similar manner, partnerships with people in the BOP should use "*enforcement of commitments through recourse to the community's normative and cognitive institutions, replacing formal contracts by informal agreements*" (Rivera-Santos *et al.*, 2012). Written contracts, though they should be used for fullness of approach, are likely to be only symbolic (Lutege, 2009) due to the institutional distance between BOP and external institutions which makes legal enforcement less effective.

The typically weak regulative institutions present in the BOP results in weaker enforceability of contracts, for both property rights and equity ownership (De Soto, 2000). As equity entails property rights that require a sophisticated set of regulative institutions to be effectively enforced, equity arrangements are less desirable in BOP partnerships (Rivera-Santos *et al.*, 2012). In any case, accessing equity from within the BOP ecosystem is typically limited due to the absence of specialised business actors and intermediaries (Viswanathan *et al.*, 2010; Weidner *et al.*, 2010). This does not however mean that regulative institutions must not be employed, it only means that they must not be relied on in full (i.e. using equity as hostage). In extreme scenarios, government can enforce formal ownership rights, however this is likely to come at the cost of the relationship (Kjosavik & Shanmugaratnam, 2007). Non-financial hostages are more ideal, and include such things as access to constituencies, contributions in kind, and reputation (Cheater, 2003), the value of which can more easily be maintained and enforced via normative and cognitive institutions. A commonly accepted form of pre-commitment in the BOP is the exchange of gifts, whereby the act carries more weight than the value of the gift (Mauss, 1990). As lack of specialisation is a prominent characteristic of normative and cognitive institutions, gifts and in-kind contributions may be unrelated to the partnership's purpose (Cheater, 2003; Mauss, 1990; Viswanathan & Rosa, 2007), for example see Petersson (2011). In ending, regulative based governance mechanisms such as trust play a lesser, though still important, secondary role when it comes to partnering with the BOP (Poppo & Zenger, 2002).

11.7 Alliance management

Alliance management tools for the alliance management phase include a: problem tracking template, trust building work sheet, alliance contact list, and alliance communication infrastructure (Dyer, Kale & Singh, 2001; Prashant & Harbir, 2009).

A well-recognised feature of alliances is their high instability and likelihood of failure (Koza & Lewin, 2000; Das & Teng, 2000b). After finding the right partner with the best strategic fit, raising the odds of success is largely a matter of managing the alliance effectively. The key to this is of course maintaining strategic fit, by ensuring the alliance remains embedded in the strategies of both partners. By promoting symmetry in terms of strategic intent, the alliance can be recalibrated and maintained over time. Asymmetry is not necessarily a sign of failure, but rather a sign that the strategies of the partners is evolving over time as it naturally does. The key to success is addressing this change in time.

Managing an alliance can be tricky, as it brings together two organisations who, though complementary in nature, exhibit different cultures, management styles, and follow different policies. For this reason, the management of the alliance must be thoroughly planned for, with regular reporting on alliance performance and progress against the objectives set out for the alliance (Devlin & Bleackley, 1988). Furthermore, according to Kanter (1994), "*[alliances] are a key business asset, and knowing how to nurture them is an essential managerial skill.*" Dyer and Singh (1998) put forward that collaborating organisations can generate successful relational rents by effectively governing relation-specific assets, knowledge sharing routines and complementary resource endowments.

A number of key managerial concerns will now be mapped out, incorporating mechanisms to manage the downsides, promote the benefits, and incorporate pertinent success factors into the management of the alliance. Where it is instructive, they will be linked back to the relevant type of alliances in Appendix L.

11.7.1 DEVELOPING NETWORKS

A network is an example of a business alliance between multiple companies, wherein the network members are typically specialised and bring unique value-adding resources and capabilities to the network (e.g. market access, technical skills) (Greve & Salaff, 2003). Commonly, the network members include only a subset of these activities in the network, remaining autonomous in other matters. Critical to such network business alliances is the continuous balancing of loyalty of members to the network. Furthermore, the collective benefits of the network must outweigh the benefits of going it alone, for each and every member or else defection is inevitable.

Scholars such as Das and Teng (2000b), Gold, Seuring and Beske (2010), and Zaheer and Bell (2005) extend traditional resource based thinking by incorporating findings from network literature to argue that strategic alliances enable enterprises to exploit internal resources and capabilities to realise a competitive advantage that is sustainable.

Although relationships that are narrow in scope, with partners being kept at arm's length, are indeed simpler to manage, they do not yield as many long-term benefits as deeper relationships. Keeping a tighter control on partners and developing a single command centre increases manageability of an alliance and decreases the likelihood of conflict, however there are many benefits offered by alliances which require flexibility and an open attitude towards new possibilities. Alliances benefit the most from "*establishing multiple, independent centres of competence and innovation*" (Kanter, 1994). Each centre can thereafter pursue different paths, in turn creating new networks, each of which may go off in different directions.

Rooks, Snijders and Duysters (2013) argue that the higher the degree centrality a partner has in a social network (measured by how many direct links it has to other organisations), the more likely it is they will take competitive actions that will destabilise the alliance (Baker, Faulkner & Fisher, 1998; Bonacich, 1987) which is only worsened by the partner being a more powerful network player in terms of its influence and control over other network players (Gnyawali & Madhaven, 2001).

Social networks provide access to other organisations' internal resources (Gnyawali & Madhaven, 2001) and act as conduits of (new) information that provide opportunities and constraints which impact performance by enabling them to discover new opportunities (Gulati, 1998).

Hite and Hesterly (2001) argue that alliance networks are conducive to organisation performance when they are aligned to and address the organisation's "*evolving resource challenge,*" ranging from using socially embedded ties in the emergence stage to those of sparse networks rich in structural holes in the early-growth stage. The evolution of the networks takes place in accordance with the changing resource needs of the organisation.

In line with Rowley, Behrens and Krackhardt (2000), the emergence stage of an organisation is best described as an exploitative one, whereby "*the emerging firm seeks to exploit the current external network and resources of the founding entrepreneur(s) to ensure its survival,*" which moves to an explorative context in the early-growth stage whereby "*[the firm] actively seek[s] new and additional resources for growth*" (Hite & Hesterly, 2001). Exploration promotes and results in additional arm's length ties with more diversity, hence more benefits. These ties enable the organisation to grow by taking advantage of structural holes, i.e. the gaps between two organisations/partners who have complementary sources to information (Burt, 1992). According to Hite and Hesterly (2001):

> *As the firm strategically evaluates and adapts its network to meet the changing needs and challenges of each context, the firm will be better positioned to acquire additional requisite resources and asset stocks, ensuring the continued survival and growth of the firm.*

To improve the potential benefits from networking it is ideal that:

- Entrepreneurs leverage prior organisational affiliations and experiences to arrive at broader and more functional networks (Burton, Sorensen & Beckman, 1998; Eisenhardt & Schoonhoven, 1996; Burt, Janotta & Mahoney, 1998)
- Network connections should be formed such that they increase the organisation's endowments in terms of needed, available, and accessible resources (Gulati, 1995)
- Compositional quality of network ties (extent to which a single tie can provide needed resources, e.g. expertise, financing, and legitimacy) must be maximised, especially in the earlier stages of the business (Hite & Hesterly, 2001)

Particular structural characteristics of the BOP require that it is approached in a unique manner. Rivera-Santos and Rufín (2010) propose that BOP networks differ to upper tier networks along each of the following dimensions:

- **Centralisation:** the higher the degree of centralisation, the more direct ties an organisation has to other network members (Wasserman & Faust, 1994) and the more it can benefit from the network (Ahuja, 2000; Soh, 2003; Uzzi & Gillespie, 2002). BOP networks are characterised by less centralisation than upper tier networks
- **Linearity:** defined as "*the reflection of a sequential production process*" (Rivera-Santos & Rufín, 2010), BOP networks are characterised by less linearity due to value chain gaps which require the organisation to address multiple roles/domains simultaneously (e.g. selling to BOP, providing loans, co-creating with them), whereas upper tier networks have high degrees of linearity wherein there exists little direct intervention by non-market actors
- **Cluster density:** measured by "*the number of redundant ties relative to network size*" (Rivera-Santos & Rufín, 2010), compared to the generally high and uniform density of upper tier

networks (Williams, 2005), BOP networks consist of localised clusters with higher intra-cluster densities and lower inter-cluster densities, providing the organisation with opportunities to bridge these gaps (Sharma, Vredenburg & Westley, 1994; Wheeler, McKague, Thomson, Davies, Medalye & Prada, 2005)

- **Structural holes:** defined as "*ties in the network that bridge two otherwise unconnected sections of the network*" (Rivera-Santos & Rufín, 2010). Compared to upper tier networks, BOP networks are characterised by more structural holes as they suffer from a general lack of specialised intermediaries and obstacles to entrepreneurial activity (London & Hart, 2004)
- **Scope/boundaries:** refers to the "*the range of activities that are carried out within a network*" (Rivera-Santos & Rufín, 2010). Compared to upper tier networks, BOP networks are generally wider in scope, involve a multiplicity of domains (are not limited to the business or professional domain), and are usually smaller in size (in terms of the number of network members)
- **Tie domains:** refers to "*the number of dimensions (social, political, economic, environmental, etc.) included in ties among actors*" (Rivera-Santos & Rufín, 2010). See also Wasserman and Faust (1994). In comparison to upper tier network ties, BOP network ties are generally more direct, less formal, involve greater bargaining and personal interaction, and have a higher tie frequency
- **Partners:** compared to upper tier networks, BOP networks are characterised by a greater degree of diversity among network members, with a lower prevalence of business organisations and a higher prevalence of non-market actors, e.g. NGOs, recruiting unemployed youth, and governments (London & Hart, 2004)
- **Dynamics:** compared to upper tier networks, the formal aspects (i.e. contract-based and institutionally-backed ties) of BOP networks are more unpredictable and less stable, and the informal aspects (i.e. trust-based and socially-backed ties) of BOP networks display greater resilience

It is imperative, therefore, that the strategy to network building in the BOP is designed to operate within these conditions.

11.7.2 Cultural constructs and tensions

Little attention has been paid to research on the process (generally micro-behavioural) through which cultural clashes negatively impact alliance performance (Ulijn, Duysters & Meijer, 2010; Li & Hambrick, 2005). Most attention focuses on the interorganisational level and this ignores the behavioural issues including communication, conflict processing, and decision making (Leung & White, 2006). Li and Hambrick (2005) argue that looking only at the compatibility of two extensive entities is insufficient and that greater attention should be directed at the small group level, on the people implementing the alliance. It is often the case that when alliance failure is attributed to cultural differences, it tends to "*overlook the reality that collaborative efforts are played out in conference rooms, hallway conversations, e-mail exchanges, and phone calls in which small groups of people from two sides are trying to hammer out joint products*" (Ulijn, Duysters & Meijer, 2010). Understanding that the entire collaborative enterprise is jeopardised when there exists, at the small group level, behavioural disintegration, emotional conflict, or stereotyping, is key to effective alliance management (Li & Hambrick, 2005:810).

Cultural integration is crucial in developing a long-term alliance (Kanter, 1994). It requires that people in the alliance have the cultural awareness as well as communication skills necessary to bridge their differences. If this has been shown to be important in upper tier markets, its importance in the BOP cannot be overstated.

Culture generally refers to "*a group, sector or society*" (Ulijn *et al.*, 2010), and may be defined as "*the collective programming of the mind which distinguishes the members of one group or category of people from those of another*" (Hofstede, 1980). The theoretical bases of evaluating and understanding differs across cultures, making certain characteristics of a particular group stand out and distinguish itself by (Hofstede, 2000; Hofstede & Hofstede, 2001). Although not an aspect attributable to individuals, it is manifested within individuals and as such can be measured by the behaviour of individuals, and as such is "*aggregated to the level of their unit, whether this is a society, organization or group*" (Hofstede, 1998).

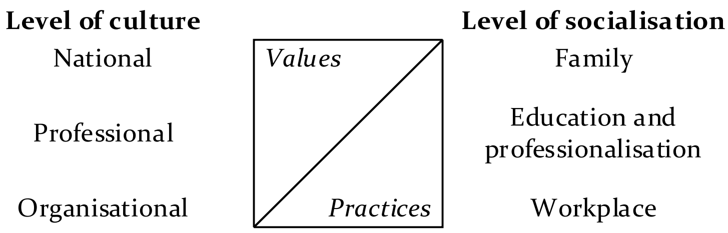


Figure 11-11 Cultural and socialisation levels, adapted from Ulijn *et al.* (2010) and Hofstede, Neuijen, Ohayv and Sanders (1990)

As outlined in Figure 11-11, the proceeding sections will provide the argument for why organisational culture is most strongly influenced by the employee's perception of workplace practices, as opposed to their value systems, which national culture has more of an influence on.

Das and Teng (2000a) suggests that internal tensions account for the inherent instabilities faced in strategic alliances. Alliance instabilities are "*major changes or dissolutions of alliances that are unplanned from the perspective of one or more partners*" (Inkpen & Beamish, 1997).

11.7.2.1 NATIONAL CULTURE TENSIONS

Understanding the differences between national cultures is pivotal to success in the workplace (Hofstede, 1980; Chinese Culture Connection, 1987), and the disconnected nature of the BOP in comparison to upper tier population groups makes the findings relevant to the BOP context wherein cultural norms are vastly different. The dimensions along which culture groups can be seen to differ include (Hofstede, 1980; Chinese Culture Connection, 1987; Trompenaars & Hampden-Turner, 2011):

- **Masculinity versus femininity:** the degree to which a culture group is competitive versus cooperative depends to a large extent on the cultural dimension of masculinity versus femininity. When competition is the normal model it is said to be a masculine culture, whereas cooperative models are said to be feminine. Masculine views of alliances are okay so long as the partnering organisations feel they are on the same team. The feminine cultural environment is not so much driven by competition as it is by a desire to cooperate. Though there may be more passive resistance to change in a feminine culture, cooperation is the norm once cohesion is attained. Protecting core competencies is much more important in masculine relationships due to the individualistic nature of such partners. Masculine cultures essentially value achievement and success, whilst their feminine counterparts value caring for others and life quality above all else. African culture groups tend to exhibit medium masculinity levels (Hofstede & Hofstede, 2005; Kieser, 1994)
- **Small versus large power distance:** this reflects the extent to which members of society with less power accept that power is unequally distributed. Societies with small power distance view hierarchy as a matter of convenience whereby a leader is as good as his subordinates and can thus be easily replaced if they do not perform adequately. Blame is placed on leaders for failures or mistreating their subordinates (i.e. it is shifted upwards). Leaders therefore need to be good negotiators and resourceful democrats. Societies with large power distance view relationships at different hierarchical relationships as unequal, e.g. seeing bosses and subordinates instead of colleagues, whereby leaders are intrinsically on another level altogether and remain in their positions for their entire lifetime regardless of their performance levels. Blame lies with subordinates for failure or speaking out against leaders (i.e. it is shifted downwards), and leaders are respected even when they underperform. Fatalism is the expected attitude of subordinates. Alliances require negotiations, and this can be difficult for organisations from large power distance societies, and problems are likely to arise even after agreeing on a particular issue. Large power distance organisations find sharing power more difficult, and may have harmful power struggles when the hierarchical equilibrium is disturbed. Large power distance societies are however better at following commands when the equilibrium exists. The power distance in African societies has been shown to be large (Hofstede & Hofstede, 2005)

- **Weak versus strong uncertainty avoidance:** this reveals the degree to which people feel threatened by ambiguity and uncertainty as well as how much they avoid these situations. Societies with weak uncertainty avoidance (e.g. British and Chinese) are highly tolerant of divergent practices or ideas; their organisations essentially being adhocracies whereby it is seen as more favourable to prepare for an open future than establishing structures and procedures that are fixed. Other societies tend to exhibit strong uncertainty avoidance (e.g. French and Germans) and as such strongly desire truth and unambiguousness and exhibit an associated fear of the unknown. This may impact the particular society's consumer characteristics, e.g. strong uncertainty avoiding societies will prefer to buy locally produced food items than relay on foreign products. As alliances are generally accompanied by a large degree of ambiguity, they are more difficult to form and manage in an uncertainty avoiding context. African groups are however typically weak with regards to uncertainty avoidance (Hofstede & Hofstede, 2005)
- **Universalism versus particularism:** defines the extent to which cultures consider rules to have greater importance than relationships and particular circumstances. People in universalistic cultures would argue that values and rules supersede relationships making it that rules are without exception applied across the board. Particularistic individuals consider the circumstances more important than following strict rules, with a higher value being put on relationships with friends and family than on abstract rules
- **Individualism versus collectivism:** this denotes how much importance cultures tend to put on individuals rather than the group, and vice versa. Individualistic cultures would put the needs of individuals before the community, thus promoting decisions that are beneficial to them and their family. Individualistic cultures would expect the individual to be self-sufficient, and not need to rely on the community. However, collectivistic cultures expect individuals to put the needs of the community above their own, promoting the wellbeing of the entire community. By helping others, the collectivist's individual needs are naturally taken care of and a reciprocal helping relationship exists with other community members, ensuring one's personal happiness. African cultures are generally collectivistic in nature (Hofstede & Hofstede, 2005)
- **Neutral versus affective:** this relates to the degree to which people express their emotions in their relationships with other people. With neutral cultures, feelings are indeed acknowledged and experienced, however their manifestation is both controlled and limited. With affective cultures, individuals express their emotions easily and freely, with little inhibition
- **Specific versus diffuse:** this expresses to what extent individuals mix or separate formal and personal roles. Specific oriented cultures, as the name suggests, only include others in specific

areas of their lives (e.g. work and personal life are separate), with a much smaller private sphere than their public one. Diffuse oriented cultures include others in multiple areas of their lives, with their private sphere being much larger than their public sphere

- **Achievement versus ascription:** this pertains to whether an individual's level of status in society is based on their own achievements or on one's age, class, education, gender, etc. Achievement oriented cultures view the individual's status in light of their actions which is very non-permanent. This results in the individual needing to continually prove themselves over and over to achieve lasting status. Ascription oriented cultures view status as permanent, and therefore there is no continuing need to prove one's self after the fact
- **Sequential versus synchronic:** (similar to long versus short term orientation of organisational culture in the next section) depends on how different cultures perceive and structure time, including the importance given to the past, present, and future. Sequential cultures perceive time as moving forward linearly, and therefore people tend to plan, stick to schedule, and be on time. Synchronic cultures see time as moving in circles, therefore being seen as a less tangible affair, which results in a culture whereby sticking to plans is not necessary, and plans may easily be changed with lateness being well tolerated. Long term oriented cultures have long term aims, whilst short term ones expect quick benefits. African cultures have a predominantly short-term orientation (Hofstede & Hofstede, 2005)
- **Internal versus external control:** this reveals to what degree cultures believe they can and should control nature. Internal societies tend to perceive the environment in a mechanistic way, believing that it can be controlled if only one has the necessary knowledge. Externalist societies on the other hand see themselves as a part of nature, and therefore tend to believe they cannot significantly influence it. Individuals in externalist cultures have an almost fatalistic attitude, often believing that they do not control their own destiny

Each of these dimensions has been shown empirically to account for much of the differences between cultures (Kolman, Noorderhaven, Hofstede & Dienes, 2003). National culture is learnt from infancy, resulting in being deeply imbedded in individuals.

11.7.2.2 ORGANISATIONAL CULTURE TENSIONS

Values may, in the context of organisational culture, be defined as "*a broad tendency to prefer certain states of affairs over others*" (Hofstede, 1998), comprised of beliefs, norms, and values (Cormican & O'Sullivan, 2004). Research shows that shared values represent not only the core of national culture, but also organisational culture (Peters, Waterman & Jones, 1982). Shared perceptions of daily practices are also empirically proven at the core of an enterprise's culture (Hofstede *et al.*, 1990).

Practices and values both play a part in the organisational culture of an enterprise. Values can be said to describe that which employees feel 'should be' whereas practices describe what employees feel 'is' (Hofstede *et al.*, 1990). Practice dimensions explain much more of the difference between organisational cultures than value dimensions, however, with value dimensions differentiating better between national cultures (Ulijn *et al.*, 2010). Organisational practices are learnt through socialisation in the workplace. This may shed light on why research generally focuses on top management and founders, as it is they that inject their own values (based on what constitutes success in their national culture) into the design of the organisation's practices (Ulijn *et al.*, 2010; Peters, Waterman & Jones, 1982; Schein, 1983; Hofstede, 1998; Christensen & Overdorf, 2000; Menzel, 2008). By engraining their values in practices, top management are able to ensure that employees with even different value systems (from various cultural upbringings) can perform well, regardless of whether or not they agree with the values of top management (see Christensen and Overdorf (2000)). In this manner, individuals with different basic assumptions regarding values are able to cooperate in an organisation without adversely affecting the organisational culture (Hofstede, 2000; Hofstede & Hofstede, 2001). Of course, flawed value systems on the managers' part will lead to flawed practices and failure, but when the opposite occurs, employees will see the values resulting in positive outcomes and appreciate the problem solving and decision-making capabilities of management (Christensen & Overdorf, 2000). Practices should thus be the visible outputs of invisible values of the organisational culture.

Slightly mirroring the dimensions of national culture in certain aspects, the dimensions of organisational culture include (Ulijn *et al.*, 2010; Das & Teng, 2000a):

- **Bounded versus professional focus:** reflects the difference between a bounded (parochial) focus of interest and a professional focus. It distinguishes between organisational cultures whereby employees mainly derive their identity from their organisational unit and/or boss, and professional ones whereby employees identify themselves with their jobs or the contents thereof. For strategic alliances, the need for gaining in-depth knowledge promotes a professional focus of interest as being favourable. Organisations with a professional focus tend to exhibit more creative conflict that results in employees going that little bit further, promoting lower levels of social control and thus the development of more radical innovations
- **Process versus result oriented:** this dimension focuses on the differences between being oriented about processes or results. Result oriented cultures focus on reaching a particular goal, whether or not they follow procedures. Process oriented cultures stick to a pre-defined way of getting to the goal, focusing more on the way goals are achieved than that they are achieved. In a strategic alliance setting, goal orientation is crucial to developing innovations, especially those that are radical in nature. This is due to the fact that goal oriented cultures

allow individuals to take risks, focusing on results at the cost of any established processes, culminating in more creative ideas

- **Employee versus job oriented:** concerns the orientation of an organisational culture with respect to its employee versus job orientation. Job orientated cultures are mostly interested in the work performed by people whereas an employee oriented culture focuses on the personal difficulties employees face, expressing responsibility for employee welfare even if it implies decreased productivity. An employee orientation is important as it can be easily argued that employees make or break any project. However, focusing too much on employees can decrease the challenge and effectiveness necessary for developing radical innovations. Finding a balance is therefore important, attracting and keeping key employees whilst enabling and triggering people so as to deliver exceptional results.
- **Open versus closed system:** this defines the difference between organisational cultures with a closed system and an open system. A closed system characterised by its inability to easily let people fit easily into the organisation, while an open system enables people to easily fit into the organisation. Implications of an open system are important, allowing for a diverse workforce and enables the utilisation of open innovation. Creating an open system is however difficult in an alliance, due to mechanisms that must be used to mitigate risk
- **Loose versus tight control:** this relates to the amount of internal structuring in an organisation, and therein the predictability of employees. A primary concern which must be addressed to successfully develop more radical innovations is the balancing of internal structure to enable development. Enabling creative behaviour in the innovation process is of key importance, whereas too much bureaucracy seriously impedes development. Finding a balance between discipline and freedom is necessary for developing radical innovations, however loose control should be the focus when radical innovations are being sought after
- **Pragmatic versus normative:** this deals with the concept of customer orientation. Organisation cultures range from being an internally driven culture wherein employees believe they know what is best for the customer (normative), and an externally driven culture wherein customer satisfaction is most important, even when it is not in the best interests of the customers (pragmatic). This dimension is clearly crucial to organisations seeking to respond to market opportunities in an effective manner
- **Rigidity versus flexibility:** this relates to the degree of connectedness between members in an ongoing relationship, i.e. the rigidity. Rigidity manifests itself in both the decision behaviours (Rosman, Lubatkin & O'Neill, 1994; Sharfman & Dean, 1997) and core capabilities (Leonard-Barton, 1992) of the organisations. In typical dealings, an organisation is most secure when it exhibits internal rigidity when looking inside the organisation and external flexibility

when dealing with other players (Das & Teng, 2000a). However, in an alliance there must be a balance between the two, as either one in excess results in sub-optimal results, if not alliance dissolution. Flexibility, the opposite of rigidity, is defined as "*the degree to which partner firms are able to modify the structural arrangements in the alliance in order to adapt to changing conditions*" (Das & Teng, 2000a). When high risks are involved, such as the development of a new product or service in a hostile new territory, a more flexible alliance is ideal in that partners may easily exit if things go wrong. A more rigid approach is ideal for increasing commitment and incentives, aligning interests, and deterring opportunistic behaviour, as it is usually built on equity arrangements with clear contracts and specifications that secure each party's interests

- **Cooperation versus competition:** this revolves around the simultaneous existence of competition and cooperation within alliances. Competition pertains to the pursuit of one's own interests typically at the expense of others, whereas cooperation is about the pursuit of common benefits and mutual interests in the alliance, sometimes appropriately called mutual forbearance (Buckley & Casson, 1988). When there exists a difference between the two with respect to each partner, the stability of the alliance deteriorates proportionally (Das & Teng, 2000a). Managing this tension is key to success in a learning alliance as it is effectively a race to learn fastest. Cooperation emphasises collective interests, goodwill, and common benefits whilst competition is driven by opportunistic behaviour, private benefits, and a zero-sum game mentality (Khanna, Gulati & Nohria, 1998; Yoshino & Rangan, 1995). The two driving forces seemingly constitute a paradox, with both being necessary to some degree for a healthy alliance in that "*cooperation ensures the smooth working relationship needed to carry out the project, and competition protects a partner from losing its firm-specific advantage through inattention*" (Das & Teng, 2000a). Balancing these tensions is therefore pivotal to lasting success
- **Short- versus long-term orientation:** as partners invariably have different views on the intended duration of an alliance and for how long it will be useful, there exists a continuous state of conflict between short- and long-term orientations, and is significant enough to impact the organisation's necessary strategy. Short-term orientation views alliances as transitional entities that must bring about quick and tangible results, whereas long-term orientation sees alliances as semi-permanent entities requiring patience and commitment to arrive at goals. As the philosophies are opposing in nature, they promote either exploitation (for short-term thinkers) or investment (for long-term thinkers) from the organisations. Both orientations boast benefits, however. Short-term is useful in that alliances are typically risky, and this view promotes an incremental approach ensuring the best interests of the partner are realised, with some alliances being based on recurrent contracts that are updated frequently to ensure

visible, prompt performance outcomes are arrived at. Long-term is good for building commitment and a strong working relationship, as well as aligning partners, thus enabling bigger goals to be achieved that may not fit into the timescale necessary to keep partners with short-term orientations happy. The ideal state is a balance between the two partners, as if both have a short-term orientation the alliance would soon become a gold rush and end abruptly after, whilst if both have a long-term orientation it is likely that short-term tangible performance will be ignored and risk never achieving the desired ends

Balancing these tensions is the role of the manager, and successfully doing so is contingent on the particular form of governance (alliance structure) used (Das & Teng, 2000a).

11.7.2.3 PROFESSIONAL CULTURE

Professional culture consists of a combination of practices and values, formed by education and professionalisation (Ulijn, Lincke & Wynstra, 2004). Professionalism is about how much professionals identify themselves with their discipline relative to the organisation's culture (Ulijn *et al.*, 2004). Various professional cultures, i.e. disciplines, may prefer different directions to success, such as engineers, marketers, etc. For instance, engineers may prefer knowledge push and marketers may prefer market pull to guide their solutions to societal needs in the BOP (Van Luxemburg, Ulijn & Amare, 2002).

11.7.2.4 CULTURE AND ALLIANCES

Unlike with national and professional culture, it is possible to change an organisational culture by changing the perceived practices of employees (Ulijn *et al.*, 2010). Thus, to leverage employee outputs it is ideal to predominantly address the organisational culture, however the national and professional cultures of enterprises in alliances must be addressed up front to mitigate tensions. Organisational culture is brought about by basic assumptions that were successful in the past being seen as truthful and valid, reinforcing business practices (Martins & Terblanche, 2003). Thus, employees begin to work according to these assumptions as opposed to by conscious choice (Christensen & Overdorf, 2000). As practices are taken for granted (Lewis & Thornhill, 1994), a pattern of basic assumptions emerges (Schein, 1990; Martins & Terblanche, 2003), until practices are decreasingly open to discussion, thus becoming embedded in the organisation (Schein, 1990). Through human interaction in the form of socialisation and social control, employee behaviour becomes set in place (Schein, 1990; Lewis & Thornhill, 1994; Martins & Terblanche, 2003). Defining organisational culture as "*the collective programming of the mind [by human interaction] in the form of 'best' practices, which distinguishes the members of one organization from another*" (Hofstede, 1998) therefore is plausible.

With regards to culture's role in alliances, this section describes rationale for optimising the dimensions of organisational culture. The ideal innovative organisational culture is characterised by a (Ulijn *et al.*, 2010): medium professional focus of interest, medium to strong result orientation, balanced employee and job oriented approach, medium to loose work discipline, strong open systems, and a medium to strong pragmatic attitude. An organisational culture that aims at maintaining stability and perfecting established routines would struggle in an alliance, as they would typically exhibit the following opposing characteristics: much stronger process orientation, more parochial and relatively closed (inward looking), with pretty tight control mechanisms, and stringent behavioural norms. This has clear implications for partner selection, which must take into account national, professional, and most importantly the organisational cultures. Similar is not necessarily best, as partners with different cultures can promote creativity (Ulijn *et al.*, 2010).

11.7.3 Managing communication

Developing the proper infrastructure, given the specific context of the alliance, is necessary for learning, key to which is communication, as "*companies with strong communications across functions and widely shared information tend to have more productive external relationships*" (Kanter, 1994). A consequence of internal barriers to communication is an inability to realise the full potential of relationships as it limits learning to the usually small group of individuals directly involved in the alliance relationship. A way of dealing with this is by making use of forums for exchanging ideas and thus import lessons from partners (Kanter, 1994).

As will be discussed in more depth in following sections, organisations exhibiting greater levels of absorptive capacity usually have more developed technology bases from which they can build more rich and detailed communications with partners, promoting the sharing of knowledge for the development of new ideas and solutions (Tsai, 2009).

11.7.3.1 Communication behaviour

As processes of communication underlie the manner in which most functions of an organisation operate, it is natural that communication behaviour is critical to alliance effectiveness and success (Mohr & Spekman, 1994; Mohr & Nevin, 1990; Kapp & Barnett, 1983; Snyder & Morris, 1984; Cummings, 1984). Communication essentially portrays the utility of the information exchanged in an alliance, and as such is a key indicator of alliance health. Mohr and Spekman (1994) argues that the manner in which communication behaviour is best described is through looking at the following factors:

- **Communication quality:** this is key to information transmission (Jablin, Putnam, Roberts & Porter, 1987), including aspects such as accuracy, adequacy, credibility, relevance, and timeliness of information exchange (Daft & Lengel, 1986; Huber & Daft, 1987; Stohl & Redding, 1987)

- **Information sharing extent:** this is the degree to which critical and often proprietary information is communicated to a partner. Closer ties tend to result in more frequent and relevant information exchanges between partners (Huber & Daft, 1987). Systematic availability of information enables partners to complete tasks more effectively (Guetzkow, 1965), resulting in higher levels of satisfaction (Schuler, 1979), and maximising the chances of alliance success (Devlin & Bleackley, 1988)
- **Participation level:** specifically, in terms of the extent to which partners jointly participate in planning and goal setting. In cases where one partner's actions influence the other's ability to operate effectively, there is a greater need for joint participation in defining roles, responsibilities, and expectations (Mohr & Spekman, 1994). This allows for the establishment of realistic mutual expectations and specific cooperative efforts

Mohr and Spekman (1994) shows empirically that partner satisfaction is increased with higher levels of communication quality and participation, with participation being the strongest predictor of dyadic sales. Information sharing is more complex in that as it increases, partner satisfaction with profit does not necessarily increase, but this is thought to be due to the fact that this sharing may open up the partner to feelings of vulnerability, which can be assuaged by reassuring partners that the best interests of the relationship are being pursued and that one will act fairly on a continued basis.

11.7.3.2 Maintaining open lines of communication

MacNeil (1981) relates the importance of open lines of (honest) communication to the lasting growth of alliances. Organisations in strategic alliances (i.e. those operating in a network) require multiple points of contact, both formal and informal, so as to enable alliance partners to align their expectations (Hunt & Morgan, 1994). Trust can be promoted by informal socialising, by building personal relationships (Rodan & Galunic, 2004; Zaheer & Venkatraman, 1995). According to Austin (2000), good communication fosters trust in a reciprocal manner, with each strengthening the other and promoting alliance success. Even if there exists fit between the potential partners, key to success is the fostering of trust and open communication between partners (Badaracco, 1991). Improving lines of communication improves economic returns (Adner & Helfat, 2003) and is maximised by facilitating the flow of information, resulting in a clarity of expectations and causal connections between partners' actions and group outcomes (Kogut, 2000).

11.7.3.3 Promoting cooperation and coordination

Formal and informal means of communication are beneficial to alliances, promoting cooperation and coordination (Agarwal, Croson & Mahoney, 2010; Ledyard, 1995; Simon, 1947; Barnard, 1938). Use of effective communication can offer more cost-effective solutions than are usually possible through structural modifications (Zeng & Chen, 2003).

Communication promotes cooperation and deters competition via two routes. Firstly, through reducing coordination costs and addressing management issues related to "*bounded rationality and decision biases*" (Agarwal *et al.*, 2010). Communication crucially promotes convergent expectations (Agarwal *et al.*, 2010), effectively reducing the possibility of surprising a partner, thus increasing group coordination and cohesion (Malmgren, 1961; Williamson, 1975). Joint problem solving with proper communication can result in minimising the bounded rationality problem (the idea that in decision making, an individual's rationality is limited by the information they have, their mind's cognitive limitations, and the finite amount of time they have to make a decision) (McEvily & Marcus, 2005). Secondly, by engendering cooperation through moral suasion, trust, and the development of group identity (Komorita & Parks, 1994; Zeng & Chen, 2003). Multilateral promises (Orbell, Dawes & Van de Kragt, 1990) and appeals for cooperation (Barnard, 1938; Simon, 1947) act to increase cooperation. The aim, therefore, is to utilise communication to engender cooperation and ultimately coordination, leading to improved alliance performance as has been proven in practise (Agarwal *et al.*, 2010; Crawford, 1998; Ledyard, 1995).

11.7.3.4 COMMUNICATION AND CAPITAL

According to Shumate and O'Connor (2010), cross-sectoral alliance partners' and their respective stakeholders' "*communication and co-construction of the existence, character, and valuation of the alliance mobilizes and/or restricts various forms of capital for [those organisations].*" Simply put, when communicated effectively, the social capital of an alliance can impact the financial (economic) capital it can generate or access, or vice versa. Stakeholders tend to define the alliance differently, based on their worldview, and as such its communication to and by them can lead to vastly different outcomes in terms of the alliance's standing and credibility. If it is positively valued, it is much more likely to mobilise capital for instance. Negative valuations may be arrived at if stakeholders question the (Shumate & O'Connor, 2010): legitimacy of the partners' functional and/or ideological identities, compatibility of partners' identities, and actual functional or ideological identity of the alliance. Communicating these effectively is key to positive perceptions.

11.7.3.5 BEING ABLE TO SAY NO

An important component of communicating effectively relates to the ability of partners to say no to requests for information and/or access, as well as knowing how best to position oneself when doing so (Hamel, 1991). This enables organisations to be transparent to the right degree, as it gives employees a sense of control over what they share, and can query superiors before sharing vital information in special cases, instead of relying on them to understand the nuances of the contract or being bullied into giving up information. Providing natural and ideally passive barriers to classified information communication is ideal, as partners who rely too heavily on contractual clauses and mention them frequently to limit transparency are seen as acting in bad faith, which undermines trust (Ballon, 1979). According to Hamel (1991), "*To the extent that passive barriers can substitute for active measures, a partner may be able to claim for itself the high ground of trust and openness, and yet still benefit from almost unassailable barriers to partner encroachment.*"

11.7.3.6 NUMBER OF ALLIANCES COMMUNICATED

As the number of alliances increase, the returns tend to diminish in proportion to the number of alliances communicated (Shumate & O'Connor, 2010). This is in stark contrast to the public goods research on strategic alliances which suggests that there is an increase in returns as the number of partners increase (Monge, Fulk, Kalman, Flanagin, Parnassa & Rumsey, 1998). However, according to the scarcity principle (Cialdini, 1993), when opportunities are perceived as being scarce, their value increases. Therefore, according to Shumate and O'Connor (2010), "*if the number of cross-sector alliances communicated by an organization is limited, the communication of the existence and character of those alliances to stakeholders will be more persuasive.*" Multiple alliances may therefore result in fragmented communication and stakeholder capital, diminishing the capital accumulated by each alliance member.

11.7.4 RELATIONAL DYNAMICS

Hunt and Morgan (1994) show from their studies that "*More than half the differences in levels of cooperation from one relationship to the next can be explained by relationship commitment, trust, and their antecedents.*" Trust, loyalty, commitment, and control (along with their antecedents) each play an important and interrelated role in the effective management of alliances, and as such will now be addressed.

11.7.4.1 TRUST

Empirically, Niederkofler (1991) shows that:

> *Cooperation management focused on the creation of trust and goodwill creates the best basis for a mutually beneficial relationship. It gives the partners a high degree of tolerance, raises the intensity and openness of communication, and makes operating adjustments and renegotiations easier.*

This effectively protects the alliance from becoming dysfunctional or dormant.

Koza and Lewin (1998) put forward that trust can only be established once alliances are seen as successful, meaning that the exploration and exploitation intents of the partners are compatible. An easy way of ascertaining the intent of partners would be to determine how driven they are to produce performance outcomes (indicative of exploitation incentives) or how well they are organised to produce learning objectives (indicative of exploration incentives). By promoting fit with one another, trust is naturally established.

Pesämaa & Franklin Hair (2007) posits that alliances engender "*cooperation via friendship, loyalty, trust and commitment*" which is further supported by Ingram and Roberts (2000). Trust is only formed after considerable time has passed, and its level is based on the past experiences of partners in the alliance (Powell, 2003; Gulati, 1995a, Garbarino & Johnson, 1999). Trust over time fosters loyalty, which reinforces cooperation (Mavondo & Rodrigo, 2001; Axelrod, 2006; Rousseau, Sitkin, Burt & Camerer, 1998; Wildeman, 1998; Varamäki, Vesalainen & Pihkala, 2001) and commitment to the alliance (Morgan & Hunt, 1994; Wetzels, De Ruyter & Van Birgelen, 1998; Garbarino & Johnson, 1999; Yilmaz & Hunt, 2001; Wong & Sohal, 2002).

Commitment to the strategic alliance from both sides is crucial to lasting success in an alliance (Devlin & Bleackley, 1988). Carlo De Benedetti, once Chairman of Olivetti (see Devlin and Bleackley (1988)) put it well by saying:

> *[Is it] easier to live with a girlfriend or a wife? It's much easier to live with a girlfriend. But normally in that relationship you don't have children; you don't create anything for the future. It's the same between companies engaged in joint ventures. It's much easier to have a simple arrangement by which you go to bed sometimes - say, twice a week or twice a month - with an ally, let us say in a supplier relationship. But, I believe an effective alliance must join the life of the two companies. That's the only way to create something for the future.*

Alliance commitments tend to require partners giving access to valuable resources or knowledge, and undertake joint decision making (which can impact both organisations negatively). This introduces risk, which must be controlled (Mayer, Davis & Schoorman, 1995; Schoorman, Mayer & Davis, 2007). The degree of control decided upon is therefore inherently linked with the perceived trustworthiness of the partner.

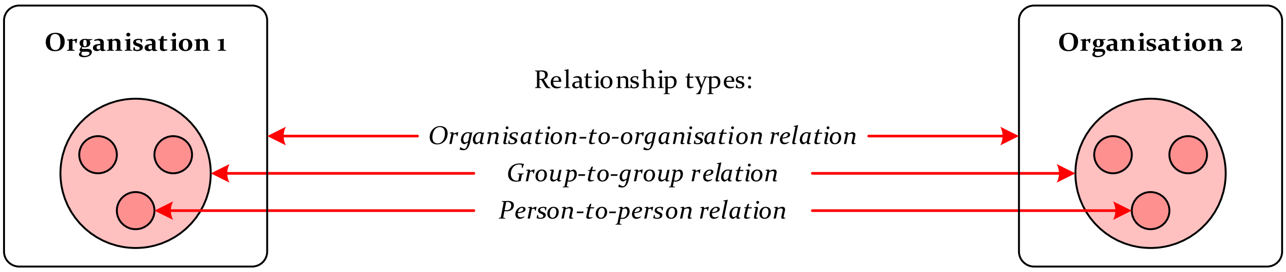


Figure 11-12 Contributing relationships for organisational success

Figure 11-12 relates the various relationships that contribute to the success of alliances. At a personal level, between individuals and between groups, trust acts so as to enhance social control in addition to facilitating reciprocity and empathy (Axelrod, 2006). At the level of the alliance, mutual trust establishes a belief that there is less likelihood of the relationship resulting in undesirable outcomes, thus reducing risk. Trust and commitment are imperative for mollifying a partner's fears of opportunistic behaviour (Mohr & Spekman, 1994). Hunt and Morgan (1994) state that based on their empirical evidence, an organisation "*will trust its relationship partner when both partners share similar values, when communication in their relationship is healthy, and when their relationship history is not characterized by one partner maliciously taking advantage of the other.*"

11.7.4.2 Loyalty

Loyalty of management in and towards the strategic alliance from both sides is key to a fruitful alliance that benefits both parties (Koza & Lewin, 2000). Should a manager in a learning alliance transfer loyalty to a partner, repatriating learning becomes extremely problematic. For business alliances, loyalty reduces tendencies for inter-organisation opportunistic behaviour and what can be termed tribal conflict. Hybrid alliances require commitment to a new and improved version of the partner organisations. The degree to which a partner is committed to an alliance can be interpreted from their accountability and responsibility, both of which need to be clearly defined and linked to a realistic set of objectives.

The role of friendships should not be underemphasised, as they stimulate multiple benefits for an alliance, including better communication, increased loyalty, increased trust, and increased commitment whilst experiencing less risk of opportunistic actions (Zaheer, McEvily & Perrone, 1998). Loyalty tends to deepen personal friendships, strengthening commitment to cooperative goals, and avoiding conflict (Tjosvold & Sun, 2002). Pesämaa and Franklin Hair (2007) provide evidence that "*both earlier experiences and future cooperative decisions are important to successful cooperation.*" Managers should however be aware that as friendships form, there is a tendency for those involved to socialise outside of work where key information may be revealed, potentially compromising aspects of the alliance that depend on confidentiality/secrecy (Mavondo & Rodrigo, 2001). Furthermore, when friendships form there is a latent risk of them turning sour, bringing personal differences/conflicts into the decision-making processes of employees. Keeping the attitude in the workplace as professional as possible is therefore key to mitigating this risk. As this is more in line with human resource management, which is outside the scope of this study, it will not be discussed further.

11.7.4.3 Commitment

Exhibiting shared commitment is instrumental in dealing with conflicts as it promotes more functional solutions (Morgan & Hunt, 1994). Commitment is dependent on the degree of loyalty of a person to a social unit (Gundlach, Achrol & Mentzer, 1995), and refers to the willingness of partners in a trading relationship to exert effort on behalf of said relationship (Porter, Steers, Mowday & Boulian, 1974). By orientating themselves around the future, commitment promotes building a relationship that can weather adverse conditions in future so as to achieve joint goals whilst avoiding opportunistic behaviour (Cummings, 1984). As committed partners tend to exert more effort while balancing short-term problems with the promise of long-term goal achievement, higher levels of commitment are associated with alliance success (Angle & Perry, 1981).

11.7.4.4 CONTROL

Control can be defined as "*a process of regulation and monitoring for the achievement of organizational goals*" (Das & Teng, 2001) or as the "*regulatory process by which the elements of a system are made more predictable through the establishment of standards in the pursuit of some desired objective or state*" (Leifer & Mills, 1996). For years, the effects of control on trust have been studied with regards to strategic alliance management. Some argue that control can be detrimental to trust in that it undermines it, as "*regulation implies a sense of mistrust*" (Das & Teng, 2001; Argyris, 1952). Others contrastingly argue that appropriate control mechanisms actually increase trust as their clear measures and objective rules help develop a track record for ensuring the job is done well (Sitkin, 1995; Goold & Campbell, 1987). To balance these views, Das and Teng (1998b) put forward that various types of control exist, each of which are appropriate in different circumstances.

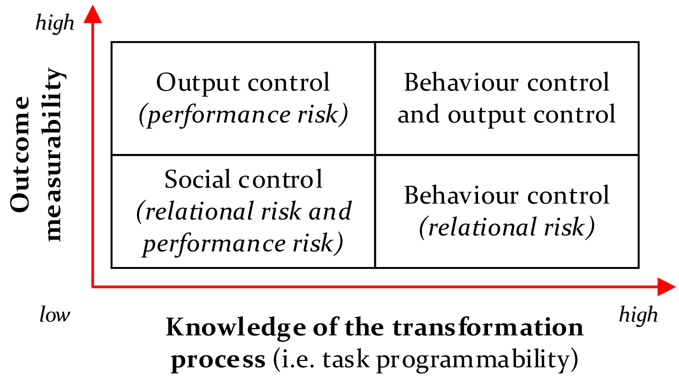


Figure 11-13 Control modes and associated risk (Das & Teng, 2001)

The appropriate modes of control are outlined in Figure 11-13, according to their: relative outcome measurability, i.e. the ability to measure outputs in a precise and objective manner, and task programmability (knowledge of the transformation process), i.e. the degree to which managers understand the transformation process in which appropriate behaviours are to take place. The modes are as follows:

- **Output control:** ensures the assessment of members' performance is apt, emphasising the establishment and utilisation of formal policies, procedures, and rules to monitor and reward desirable performance
- **Behaviour control:** ensures the process is apt, emphasising the establishment of processes that turn appropriate behaviours into desirable outputs, measuring the behaviour rather than the output itself for performance purposes and is generally used when the output cannot be measured precisely and objectively

- **Social control:** suitable when task related behaviours or outputs are not specified by the organisation, emphasising shared beliefs, goals, and values so as to reinforce and reward appropriate behaviour. As organisational goals are then internalised, commitment and motivation to achieving them is usually high

Output control comes to the fore when there exists a state of high output measurability and low task programmability. In the opposing state, behaviour control works best. On the low end of both dimensions, social control is preferred as it permits a more participatory goal setting process. Also shown in the figure are the most characteristic perceived forms of risk that must be dealt with in each mode, and these are further discussed in the risk management section of this chapter.

Applying the various modes of control can promote trust or breed mistrust, depending on the type of control and type of trust in question. According to Nooteboom (1996), "*trust may concern a partner's ability to perform according to agreements (competence trust), or his intentions to do so (goodwill trust).*" Das and Teng (2001) argues that both output and behaviour control act so as to undermine goodwill and competence trust, resulting in an ineffective mistrusting alliance, whereas pursuing social control will enhance both forms of trust. As shall be discussed shortly, although social control may have the potential for promoting the most cohesive relationship possible, it also exhibits the most risk if the alliance partner plays foul or is incompetent. Of course, in designing the alliance it is not necessary to lead with talk of the control mode that the social entrepreneur may deem most suitable, but rather to first address trust and establish its existence prior to negotiating on the control modes. This is due to the fact that goodwill and competence trust, when clearly displayed to the (potential) partner, will act so as to enhance the effectiveness of each and every control mode the alliance may follow (Das & Teng, 2001).

According to Koza and Lewin (2000), control in business alliances must be predicated on the "*application of clear and unambiguous output controls.*" With such a clear exploitation intent, it is best evaluated on the basis of financial and market performance. Learning and hybrid alliances would require behaviour and process controls to be put in place, as changes in behaviour and assimilation of new knowledge are the crucial outcomes. The organisational complexity and intensity of these process controls necessitates ongoing participation of both partners, without which transformational outcomes are unlikely to be attained.

11.7.5 Learning and Knowledge Management

Larsson, Bengtsson, Henriksson and Sparks (1998) and Muthusamy and White (2005) suggest that the manner in which alliance partners manage the collective learning process is pivotal to the success (or failure) of strategic alliances. As initial conditions play a big role in shaping the alliance's conduciveness to learning, it is important that it is approached appropriately (Doz, 1996). Furthermore, as an organisation's employees are effectively the eyes and ears of the parent organisation in the alliance, effective learning can only be accomplished if information channels are designed so as to be fed directly into decision making (Devlin & Bleackley, 1988).

Grant and Baden-Fuller (2004) argue that beyond solely acquiring knowledge, strategic alliances primarily enable an organisation to access previously inaccessible knowledge, firstly enabling the enterprise to more effectively integrate knowledge regarding the production of complex goods and services, and secondly enabling them to increase the efficiency with which knowledge is utilised.

In collaborations, to learn as much as possible from a learning alliance, partners must keep pace with the rate of knowledge creation. To do this, benchmarking of the other partner's learning is necessary, as benchmarking oneself tends to be a self-fulfilling evaluation, which is evidenced by the fact that almost all learning alliances are ranked as successful by both partners right up until dissolution (Koza & Lewin, 2000). Business alliances on the other hand require continuous reviewing of the business model, guarding against the complacency that often comes as a result of market success. Hybrid alliances require partner organisations to balance these two tasks, benchmarking the partner and measuring and evaluating the business model performance often. Collaborations at the BOP enables enterprises to access critical knowledge and resources (Kolk, 2013; Kolk & Lenfant, 2013; Oetzel & Doh, 2009; Sánchez, Ricart & Rodríguez, 2007).

An important aspect of learning is the nature of it, with Hamel (1991) distinguishing between collaborative learning which permits access to and transfer of proprietary skills and knowledge, and competitive learning whereby knowledge and expertise provided by a partner is exploited. However, it is natural that both types of learning result in partners putting that new knowledge into use in some or other practical way eventually. Key to learning is the process of collaboration, more so than the governance structure employed (Doz, 1996; Hamel, 1991). The learning processes are however fraught with difficulties (Inkpen, 2000), and making a successful learning environment in an alliance is the exception rather than the rule (De Rond, 2003). Thus, entering into an alliance for the benefits of learning is not strictly the best of motivations.

11.7.5.1 ABSORPTIVE CAPACITY IN THE ALLIANCE

Although much thought in literature is given to how to be a good partner and promote value creation, less attention is given to the manner in which partners may best reap the rewards of being a good partner (Hamel, 1991). Value extraction from an alliance can be achieved via two main routes according to Hamel (1991), by "*bargaining over the stream of economic benefits that issues directly from the successful execution of joint tasks, and internalizing the skills of partners.*" Bargaining power is strongly dependent on who needs whom more, and as such is dependent on a host of debatable perceptions of internal and external factors that each partner is likely to disagree on (e.g. market changes, level of dependency on alliance, rapid changes in technology), thus making it more difficult to utilise as an efficient value gathering approach. The second route, however, is predominantly internal and as such can be used to maximise value creation more easily. An organisation's capacity to learn is furthermore beneficial in that if an organisation can outlearn its partner, it can relate the critical links between learning, dependency, and bargaining power to lessen dependency on partners and also improve one's bargaining power. In the end, though an organisation "*may be in a weak bargaining position at the macro level… [it] may be able to strike a series of advantageous micro-bargains if, at the operational level, it uniquely possesses the capacity to learn*" (Hamel, 1991).

Organisations with high levels of absorptive capacity are better able to create and exploit alliance linkages (Caloghirou, Kastelli & Tsakanikas, 2004), with the level of absorptive capacity being strongly dependent on an organisation's level of technological knowledge (Cohen & Levinthal, 1990; Kim, 1997; Kim, 2001) which is synonymous with its prior and current investments in R&D (Veugelers, 1997; Stock, Greis & Fisher, 2001; Schoenmakers & Duysters, 2006). The ability to absorb knowledge (AAK) is particularly important in learning and hybrid alliances, as the success of the alliance rests predominantly on the ability of the collaborators to reduce information asymmetry (Koza & Lewin, 2000; Mowery, Oxley & Silverman, 1996; Kim, 1998; Lane & Lubatkin, 1998; Lane, Slak & Lyles, 2001). Of course, the abilities of partners to assimilate new knowledge will be unique to each partner, but in order to avoid destructive learning race asymmetry, it is pivotal that each partner have in place predefined structures and processes so as to keep pace with the rate that knowledge is created in the alliance. With hybrid alliances, a further complication arises from the need to anticipate and mediate the mixed performance signals typical of outcome measures and process controls. As for business alliances, AAK becomes relevant when the partners must transfer strategic capabilities to one another.

A greater absorptive capacity allows an enterprise in an alliance to attain greater leverage as it can appropriate a greater volume of the collective knowledge generated in the alliance (Muthusamy & White, 2005; Mowery, Oxley & Silverman, 1996). Low transparency and non-cooperative behaviour tends to hinder interorganisational learning outcomes, requiring intent and willingness to learn, determined largely by the partners' abilities to exhibit cooperative social interactions and exchanges (this similar to game theory's prisoner's dilemma of collective action (Parkhe, 1993a)). Effective learning requires that partners change their own routines, of course, however for the best learning outcomes, it is ideal that the alliance involves partners changing joint activities, enhancing mutual commitment of resources and to joint decision-making (Muthusamy & White, 2005). Tacit knowledge further complicates knowledge acquisition and learning in alliances, as it is oft socially embedded in context specific relationships. Being difficult to document and transfer, tacit knowledge may still not be gained in an alliance without the necessary factors for success (Inkpen, 1998): exhibiting transparency, mutual respect, and a willingness to accommodate one another's values.

11.7.5.2 AMBIGUITY AND LEARNING

To learn, protect, or share a knowledge asset one must be cognisant of the role of ambiguity and its multidimensional nature, and as such, decomposing the gestalt of ambiguity into its primary components and gauging their effects is crucial to minimising unwanted knowledge sharing. According to a study by Simonin (1999) spanning 147 MNCs, it was found that in strategic alliances, the following antecedents of ambiguity resulted in the listed managerial implications with respect to the process of knowledge transfer:

- **Complexity:** resource allocation needs to be periodically revised, with needs being reassessed to match the evolution of the relationship and the learning required at each stage, i.e. as it changes in complexity
- **Cultural and organisational distance:** conducting training programs can help in effectively circumventing the negative effects of cultural and organisational distance
- **Experience:** appropriate resource application invariably accelerates learning curves, enabling an organisation to compensate for lack of experience by maximising employees' ability to learn
- **Partner protectiveness:** invariably, for failed alliances one or more of the organisation's partners have either unreliable or no real knowledge of their partners, which is a sufficient reason to not end up in this position. Proactively probing a partner's true self can be achieved via articulating specific requests on occasion, using multiple informants to assess their behaviour at various functional and hierarchical levels of the collaborative exchange
- **Specificity:** regardless of how ambiguous the technology (or processes) is, they are vulnerable to imitation
- **Tacitness:** to facilitate active knowledge sharing and teaching, one must implement programs/routines to aimed at knowledge codification (arranging laws or rules according to a system or plan) to capture knowledge effectively. Regarding staffing decisions, proper resource commitment is necessary to learn from past experience and doing. Owners must move from a purely cost-driven mindset to an investment-driven one

11.7.5.3 LEARNING STRATEGIES

Larsson *et al.* (1998) put forward the notion that alliance partners face a dilemma whereby being a good partner opens the organisation to exploitation by partners that naturally attempt to maximise their "*individual appropriation of the joint learning,*" and as a result, opportunistic learning strategies like this undercut the strategic alliance's collective knowledge development. It is possible to manage the relationship to avoid such exploitation by considering the trade-offs that must be made between the development of collective learning and how the learning outcomes are divided between partners.

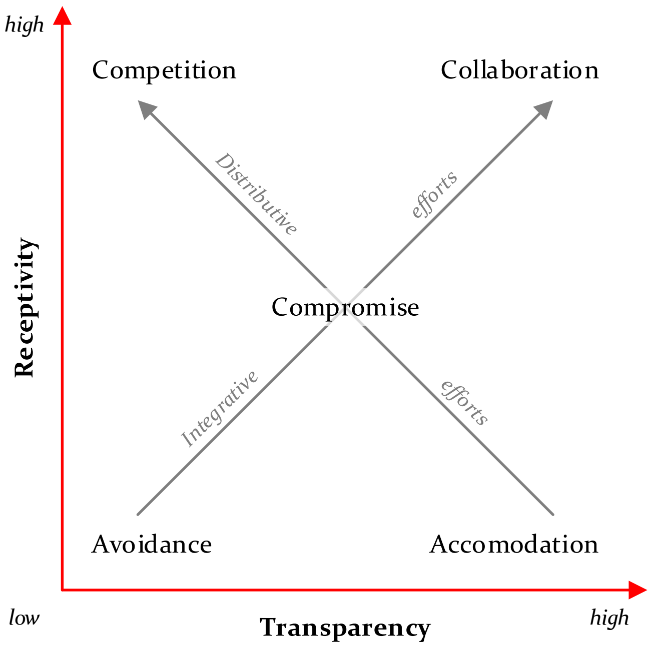


Figure 11-14 Interorganisational learning strategies (Larsson *et al.* (1998) and Thomas (1979))

To do this, it is important to note that learning is achieved via knowledge transfer as well as through new knowledge creation via interaction. Each require some level of transparency and receptivity to occur simultaneously. A lack of transparency results in no information being disclosed and without the motivation and ability to be receptive, no knowledge can be absorbed. Figure 11-14 shows the individual strategies open to alliance partners when dealing with learning, according to the parent organisation's exhibited receptivity and transparency levels in comparison to their partner's levels. The strategies include: collaboration (high receptivity and transparency); competition (high receptivity, low transparency); compromise (moderate receptivity and transparency); accommodation (low receptivity, high transparency); and avoidance (low receptivity and transparency).

Learning outcomes are dependent on the type of interactions associated with each strategy. Asymmetric learning strategies combined with the dynamics of opportunism, power, and suspicion can limit collective knowledge development, whereas factors such as earlier positive interactions, high stakes, a long-term orientation and trust empower the collective learning process. Table 11-2 delineates the predominantly negative consequences a perceived learning strategy of one partner is likely to have on another. As decreasing transparency and receptivity is an easier and more natural response, it takes active forbearance on part of partners to limit this learning reducing default state of affairs (Larsson *et al.*, 1998; Buckley & Casson, 1988; Parkhe, 1993b). It is also true that cooperation is initially limited by the level of motivation and ability, which must be addressed first (Inkpen & Crossan, 1995).

Table 11-2 Dynamic barriers to interorganisational learning (Larsson *et al.*, 1998)

Adopted strategy in current period (t_1) by:		**Predicted consequent strategy adopted by partner B in subsequent period (t_2)**
Partner A	Partner B	
(1a) Collaboration	Collaboration/compromise	Competition
(1b) Collaboration	Accommodation	Avoidance
(2a) Competition	Collaboration/compromise	Competition
(2b) Competition	Competition/accommodation	Avoidance
(3a) Compromise	Compromise	Compromise
(3b) Compromise	Accommodation	Avoidance
(4) Accommodation	Accommodation	Accommodation
(5) Avoidance	Anything	Avoidance

Empowering of strategic alliance learning dynamics can be promoted on the following conditional bases shown in Table 11-3.

Table 11-3 Dynamic promoters of interorganisational learning (Larsson *et al.*, 1998)

Adopted strategy in current period (t_1) by:		**Predicted consequent strategy adopted by partner B in subsequent period (t_2)**
Partner A	Partner B	
Accommodation	(6a) Collaboration	The higher the learning stakes and the greater the prior related interaction, the more likely the accommodating organisation will also adopt collaboration
	(6b) Compromise/accommodation	The higher the learning stakes and the greater the prior related interaction, the more likely the accommodating organisation(s) will also adopt compromise
Competition	(7a) Collaboration	The higher the interorganisational trust, the long-term orientation, and the greater the prior related interaction, the more likely the organisations will both adopt compromise
	(7b) Compromise/competition	The higher the interorganisational trust, the long-term orientation, and the greater the prior related interaction, the more likely the competing organisation(s) will also adopt compromise
Compromise	(8) Collaboration/compromise	The higher the learning stakes, the interorganisational trust, and the greater the prior related interaction, the more likely that both organisations will adopt collaboration
Collaboration	(9) Collaboration	The higher the interorganisational trust and the long-term orientation, the more likely the organisations will both continue to adopt collaboration

By plotting the position and potential movement of the learning process on a grid for both empowering and disempowering strategy evolutions as shown in Figure 11-15, one can approach alliance learning in a much more strategic manner that promotes success.

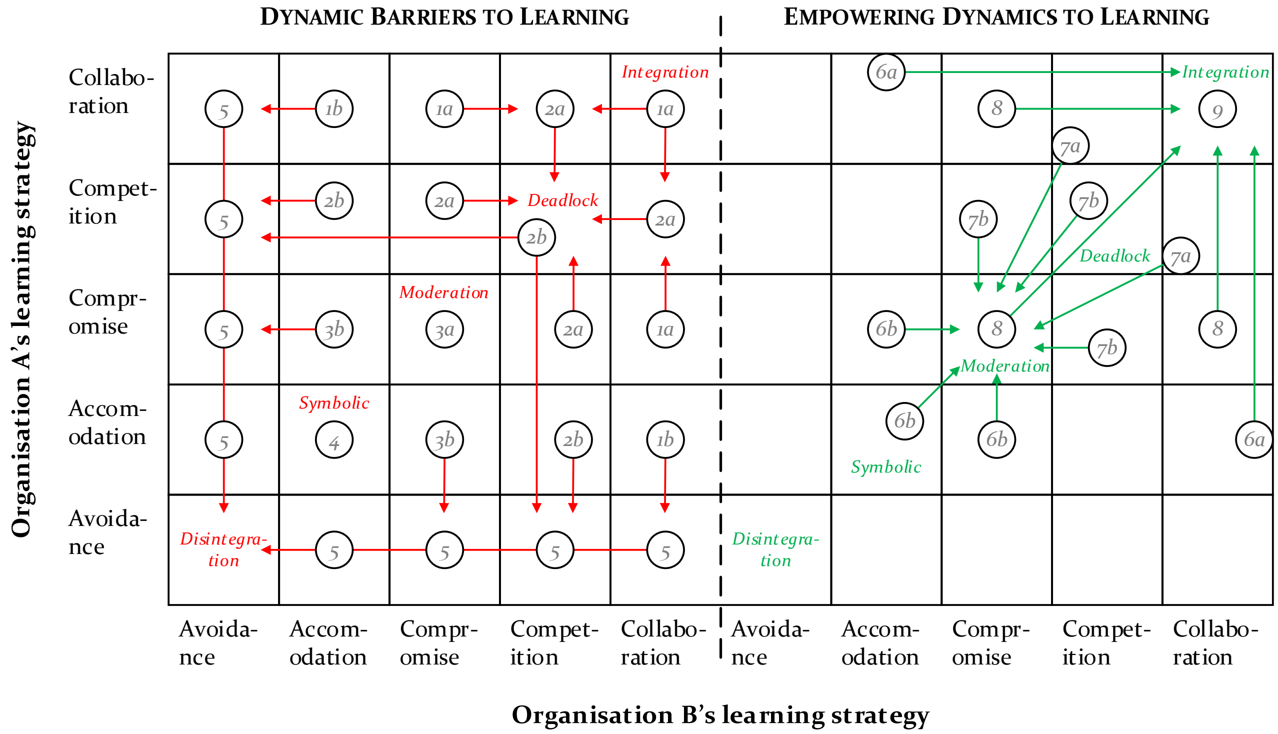


Figure 11-15 Interorganisational learning strategy dynamics

The diagonal regions labelled in Figure 11-15 as disintegration, symbolic, moderation, deadlock, and integration represent the symmetric statuses of the collaboration (asymmetric combinations are not labelled):

- **Integration:** is the scenario in which maximum transparency and receptivity and therefore healthy interorganisational learning is achieved in the mutual collaboration. To maximise learning, personnel from each organisation must work together in a close manner to effectively transfer both easily transferrable knowledge and more context-specific embedded knowledge (Badaracco, 1991; Larsson *et al.*, 1998). Eradicating suspicions and feelings of unequal learning is paramount to success, making this an unstable scenario to be in
- **Deadlock:** is the scenario whereby asymmetric exploitation occurs, leading partners to become non-transparent and hindering information disclosure, thus hindering learning. If this continues it is likely that the relationship will further deteriorate to avoidance, thus this is an unstable scenario
- **Moderation:** is the case in which symmetric compromise strategies exist, meaning that that the trade-off between high and low transparency as well as high and low receptivity is moderated well. This results in a stable relationship whereby moderate levels of joint learning are likely to occur

- **Symbolic:** this scenario relates to when there exists an amiable relationship without any exploitation on either partners' part that fails to accomplish much, which is a stable scenario nonetheless
- **Disintegration:** is the scenario whereby one partner cuts off learning by adopting an avoidance strategy, making the other partner close off as well, which results in learning efforts being suspended altogether. This is also a stable scenario, yet an undesirable one

In addition to integration and deadlock, the asymmetric combinations are likely to face difficulties achieving and maintaining learning relationships due to their exploitative and nonreciprocal nature.

11.7.6 Resource management

Disempowering levels of resource scarcity and the unique resources and capabilities needed in the context of deep poverty has promoted the need for strategic alliance formation for organisations operating at the BOP (Seelos & Mair, 2007; London & Hart, 2004). With regards to costs, initial costs of entering an effectively untapped market are significant at the BOP (e.g. transportation, development, access challenges). Furthermore, the benefits of forming partnerships with locals at the BOP (i.e. access to local resources and capabilities with crucial know-how) are hard to evaluate, as traditional cost-benefit assessments are far removed from the BOP specific factors.

Bringing sufficient resources to the alliance (as stipulated in the alliance agreement) must be done, however the management of resources devoted to the alliance (and their quantity and quality) denotes to a large extent the potential an alliance member can get out of the alliance (Devlin & Bleackley, 1988; Sambasivan, Siew-Phaik, Mohamed & Leong, 2013). Resource based theory necessitates that alliance managers focus on the internal environment of partner organisations (i.e. their resource profile) (Eisenhardt & Schoonhoven, 1996). In line with the RBV, the strength of an organisation is predicated on its (unique) resources and the combinations thereof. Alliances offer a way of achieving superior combinations than would otherwise be possible alone. Das and Teng (2000b) and Gulati, Nohria and Zaheer (2000) outline a number of characteristics that can arguably aid in becoming an attractive alliance partner, characteristics that should also be sought in partners, namely: imperfect mobility, imitability, and substitutability. Promoting these characteristics is therefore the goal of managers. Gaining access to the needed types of resources (knowledge based versus property based, is pivotal to alliance success. Aligning the organisation with the resources of its partners is arguably important, as it ensures not only that these resources are available for use, but that they are used effectively. The goal of this section therefore is to touch on each of these areas.

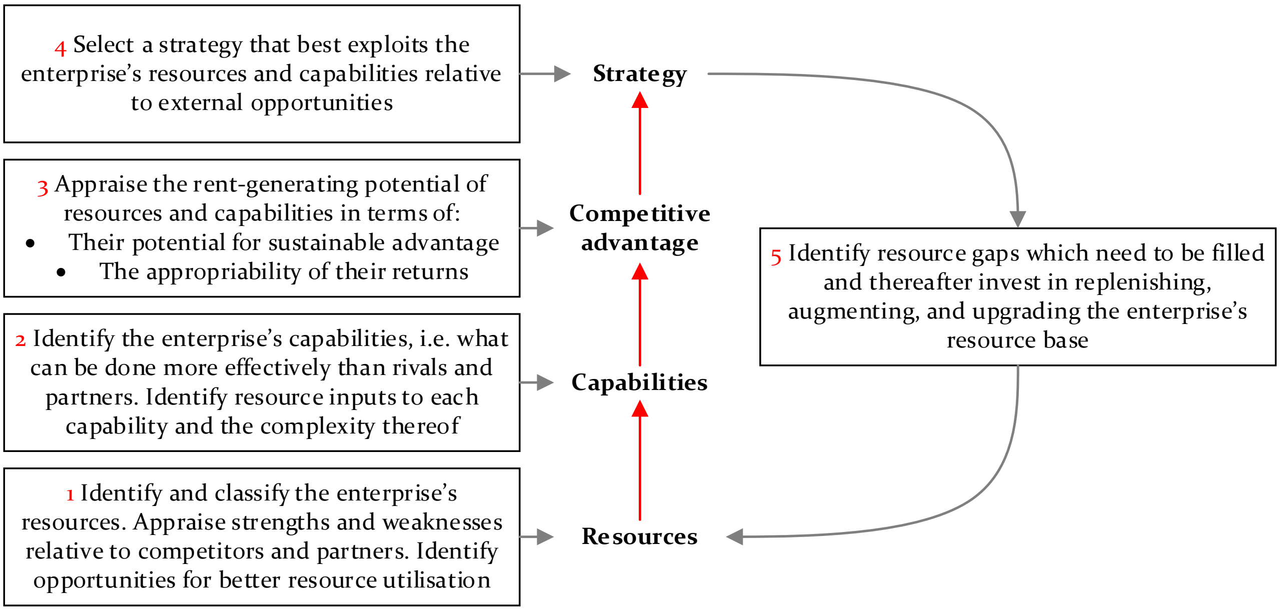


Figure 11-16 A resource based step-by-step approach to strategy analysis (Grant, 1991)

A resource-based approach to strategy analysis is shown in Figure 11-16, providing enterprise owners with a guideline on what must be sought through the alliance.

11.7.6.1 RESOURCE CHARACTERISTICS OF ORGANISATIONS

Understanding ideal characteristics for encouraging alliance formation is arguably beneficial. Of course, other established antecedents to alliance formation exist, e.g. internationalisation which is outside the scope of this study, technological needs, perceived environmental uncertainty, partner organisation reputation, product and management reputation, and a whole host of other strategic motives (Glaister & Buckley, 1998), but in order for this study to be of value to a resource deprived SME owner working at the BOP it is more beneficial to look to the role of resources in understanding alliances.

The RBV of strategic alliances suggests that heterogeneity of organisation resources is not a short-term phenomenon, but rather one that is sustained over time (Peteraf, 1993). Resource characteristics which have been found to keep organisations from moving towards resource homogeneity include imperfect mobility, imperfect imitability, and imperfect substitutability (Barney, 1991; Chi, 1994; Dierickx & Cool, 1989; Peteraf, 1993; Varadarajan & Cunningham, 1995):

- **Imperfect mobility:** this denotes the difficulty/barriers and significant costs associated with moving certain resources from one organisation to another
- **Imperfect imitability:** this denotes the difficulty/barriers and significant costs associated with obtaining the same resources from elsewhere
- **Imperfect substitutability:** this denotes the difficulty/barriers and significant costs associated with obtaining equivalent/substitutable resources from elsewhere

Resources such as organisation reputation and organisational culture are simply not tradable, and would thus exhibit imperfect mobility. Tacit knowledge in general loses much of its value if moved between organisations (Das & Teng, 2000b).

In addition to fostering the abovementioned characteristics in an organisation's resources, there is a preventative route that can be taken to effectively hide which resources are responsible for an organisation's success, namely that of promoting causal ambiguity (Lippman & Rumelt, 1982; Dyer & Singh, 1998; Simonin, 1999). Causal ambiguity works by effectively hiding/removing the obvious connections between a resource and the competitive advantage of an organisation (i.e. making it less clear to outsiders), thereby constraining the ability of partners or competitors to imitate or find substitutes for the resources of the organisation in question. This ambiguity is bolstered by the presence of three resource characteristics (Reed & DeFillippi, 1990): tacitness (the quality of being implied but not stated or described), complexity (the quality of being intricate or complicated), and specificity (the quality of being peculiar or specific to a particular organisation).

It all boils down to the fact that "*the more imperfect the mobility, imitability, and substitutability of a firm's resources is, the more likely that others will be interested in forming alliances with it*" (Das & Teng, 2000b).

11.7.6.2 Resource types of partner organisations

Scholars have proposed numerous resources typologies, including: tangible and intangible resources (Grant, 1991); physical capital resources, human capital resources, and organisational capital resources (Barney, 1991); financial, physical, managerial, human, organisational, and technological resources (Hofer & Schendel, 1980), and; financial, technological, physical, managerial (Das & Teng, 2001). Though descriptive, these definitions are not instructive with regards to their imitability, for which reason the following two distinctions will be used for referring to resources in this study:

- **Property based resources:** these are legal properties owned by organisations, including financial capital, human resources, physical resources, etc. Clear property rights to these resources (and their usage) protect them from being taken away from the owner without his/her consent. Property-based resources cannot as a result be easily obtained, as they are legally protected through property rights in such forms as contracts, deeds of ownership, and patents (Miller & Shamsie, 1996)
- **Knowledge based resources:** these resources are an organisation's intangible know-how and skills, and as such are not easily imitable owing to knowledge and information barriers. They include tacit know-how, skills, and technical and managerial systems not protected by patents

(Hall, 1992). Others cannot easily copy or imitate these resources as they are by nature vague and ambiguous

Resource characteristics	***Resource types***	
	Property based resources	*Knowledge based resources*
Imperfect mobility	Human resources	Organisational resources, e.g. culture
Imperfect imitability	Contracts, copyrights, patents, registered designs, and trademarks	Technological and managerial resources
Imperfect substitutability	Physical resources	

Figure 11-17 Typical resources sorted according to characteristic and type (Das & Teng, 2000b)

Different resources exhibit varying resource characteristics, as outlined in Figure 11-17. Property based resources cannot easily be stolen, therefore resources can be transferred to partners without great fear of loss.

Human resources exhibit a high degree of imperfect mobility, high due to the fact that a whole workforce can't easily be bought out, and imperfect due to the fact that they would need the resources they work with to be transferred simultaneously to be of the same value in another organisation. Contracts, copyrights, patents, registered designs, and trademarks exhibit a high degree of inimitability, due to the fact that they are guarded by property rights making similar endeavours not worthwhile or completely prohibited, e.g. government contracts. Physical resources are oftentimes not easily substitutable, due to their setup, e.g. distribution channels, good location, etc.

Organisational resources are inherently embedded in the organisation, and as such they exhibit imperfect mobility. Technological and managerial resources on the other hand suffer from the fact that "*the protection of knowledge barriers is not perfect*" (Miller & Shamsie, 1996), making it more vulnerable to unintended transfers. They do however exhibit a degree of imperfect imitability and imperfect substitutability in that if they are protected adequately from partners or competitors they are generally difficult to reverse engineer, requiring organisation specific talents to develop.

11.7.6.3 Inter-partner resource alignments

Core to a long and effective alliance is the concept of strategic fit among partners (high compatibility of goals and apt competitive positions with respect to one another) (Das & Teng, 2000b). Strategic fit, in the context of alliances, essentially represents the extent to which each organisation is able to match its resources and capabilities with one another to optimally approach opportunities in the external environment. According to the RBV, resource alignment is crucial. Seabright, Levinthal and Fichman (1992) put it succinctly, stating that when choosing one's partner the key criterion is "*the fit between one organization's resource needs and another's resource provision, relative to an opportunity set.*" According to them, dissolution of alliances is chiefly due to changes in partner resource requirements, and provisions, and the introduction of alternative partners. Das and Teng (2000b) contends that not only key resources should be considered but also those that are not performing so to speak, incorporating the notion of value creation via resource integration when determining resource alignment. Not all contributed resources are effective in an alliance, similar does not mean the same as supplementary, nor dissimilar the same as complementary. Thus, a more holistic view of resource alignment takes into account both resource similarity and utility:

- **Resource similarity:** this denotes the extent to which partner organisations contribute resources of comparable type and amount, to an alliance (Chen, 1996), e.g. licensing agreements have low resource similarity as one partner provides finances while the other provides patented technology whereas joint bidding agreements have high resource similarity as both contribute manufacturing capacity
- **Resource utilisation:** this denotes the extent to which contributed resources are utilised in achieving the alliance's goals, thus distinguishing performing and nonperforming resources, e.g. in a joint production agreement, the production capacity being used is a performing resource whereas excess capacities are nonperforming resources, lying idle and being wasted

Das and Teng (2000b) suggests four types of partner resource alignment, predicated on the above definitions, namely: complementary, supplementary, surplus, and wasteful. They are shown in Figure 11-18.

	Resource utilisation	
Resource similarity	*Performing resources*	*Nonperforming resources*
Similar resources	Supplementary (similar performing)	Surplus (similar nonperforming)
Dissimilar resources	Complementary (dissimilar performing)	Wasteful (dissimilar nonperforming)

Figure 11-18 Inter-partner resource alignment typology (Das & Teng, 2000b)

Supplementary (synergistic) alignments tend to share risks, create market power, deter new entrants, and achieve economies of scale and scope in R&D, production, and marketing (Hill & Hellriegel, 1994). An example of a similar performing, i.e. supplementary, alignment would be that of two partners contributing finances to the formation of a joint venture. If similar resources are contributed, however not fully utilised, the alignment is called surplus due to the slack that exists. Slack relates to "*the pool of resources in an organization that is in excess of the minimum necessary to produce a given level of organizational output*" (Nohria & Gulati, 1996), and as such represents lost potential. Complementary alliances tend to bring non-redundant and distinctive competencies to the alliance (Hill & Hellriegel, 1994). This may mean partners bring the same type of resource to the alliance, however they are different in nature, yet still compatible. If the dissimilar resources are not utilised, it is likely that they are incompatible with each other. If dissimilar resources are not utilised then the resource alignment is classified as wasteful.

11.7.7 ALLIANCE PERFORMANCE

Das and Teng (2000b) argue that alliance performance is based on the two notions of collective strengths and interorganisational conflicts, which are both tied to resource alignment. Continually evaluating and reviewing the alliance performance is necessary to ensure the potential of the alliance is realised, to ensure the partnership is heading in the right direction and not neglect problem areas (Hoffmann & Schlosser, 2001).

11.7.7.1 OUTPUT VERSUS INPUT MEASURES

Strategic alliances are often associated with high risks and initial costs with uncertain prospects for future returns that make it worthwhile. Early stage risks require that input measures are predominantly used to evaluate alliance performance, whilst conventional output measures become more significant with time as the alliance produces the fruits of its initial inputs (Stafford, 1994). Input measures include such items as financial resource use, partner morale, personnel turnover, productivity, reciprocity, adaptability, efficiency, and innovativeness (Stafford, 1994; Hoffmann & Schlosser, 2001). Output measures such as profits and cash flow are more appropriate in mature partnerships (Stafford, 1994), i.e. when operations are well understood, thoroughly established and generally accepted. Starting off using output measures would only be appropriate for industries with short product life cycles, otherwise it can only work to undermine confidence in the alliance.

11.7.7.2 RESOURCE ALIGNMENT AND ALLIANCE PERFORMANCE

In terms of the impact the various resource alignment types have on alliance performance, supplementary and complementary alignments have a positive impact on the collective strengths of the alliance (Deeds & Hill, 1996; Olk, 1997). Furthermore, they are not related to operational conflicts between partners. Naturally, surplus and wasteful alliances do not contribute anything to the collective strengths of the alliance, as they are nonperforming. As for conflict, it is safer to have surplus than to not contribute enough resources to an alliance, as interests of the partner can be better addressed in this setting. With regards to waste however, conflict is rife, as it tends to signify incompatibility of contributed resources. Resources that are likely to cause this conflict include strategic orientations, managerial practices, organisational cultures, etc. which are all tacit.

11.7.7.3 EFFECTIVENESS OF COLLABORATIONS ACCORDING TO SECTOR

Cross sector collaborations vary in their effectiveness at the BOP.

i. Responsiveness to customer needs

Schuster and Holtbrügge (2014) and Pitta, Guesalaga and Marshall (2008) reveal that strategic alliances with civil society partners help enterprises meet customer needs better in BOP markets than public or private sector partners do. Reasons for this may include that civil sector partners succeed in reaching the poor, and exhibit a greater tendency and freedom to attempt untried approaches in comparison to public sector players. Civil sector actors are oftentimes highly motivated, committed, and have a more continuous long-term presence in communities than government employees who change all the time (Clark, 1991; Riley, 2002). Furthermore, civil sector partners may seek to establish links with private enterprises to foster more social change, preferring institutional over government action (Doh & Teegen, 2002; Weiser, Kahane, Rochlin & Landis, 2006). The highly tacit nature of BOP needs also makes it less likely private sector partners can really aid in understanding customer needs, as to understand the needs of the BOP one must know their habits, observe and live with customers, and engage with them (Kirchgeorg & Winn, 2006).

ii. Responsiveness to market conditions

Both civil and private sector partners have been shown to provide support to enterprises by increasing their responsiveness to market conditions (Schuster & Holtbrügge, 2014), however public-sector actors seem irrelevant on this score. In BOP markets, basic information (e.g. personal data, credit history) is oftentimes non-existent (Gradl, Sobhani, Bootsman, Gasnier, 2008; Prahalad, 2009), and for this reason enterprises cannot acquire requisite information through already established government channels, promoting the formation of partnerships with the civil sector actors who have such information on market conditions due to their well-established networks in the BOP. Help in responding to market conditions is clearly seen from the civil sector partners in that they possess "*useful knowledge, resources and network ties which reduce costs, increase the legitimacy and help them to understand how to bypass infrastructural constraints*" (Schuster & Holtbrügge, 2014). In addition to this, they also act so as to increase acceptance and trust in local communities, even distributing value offerings themselves. Furthermore, civil sector actors "*may better address developing world issues because of their long-term horizons and their comprehension of the overall system of use*" (Chesbrough *et al.*, 2006). Private sector partners, though not so adept at responding to customer needs in the BOP, do however help in responding to market conditions at the BOP, as they are by nature responsive to market changes. Hammond and Prahalad (2002) point out that "*the public sector has neither the expertise nor the resources to provide goods and services on a scale sufficient to reach the [BOP]. The private sector has both.*"

iii. Responsiveness to the institutional environment

There are numerous and severe institutional gaps in BOP, including red tape, frequently changing regulations, underdeveloped property rights, faulty regulatory discipline, and non-transparent legal systems (Arnold & Quelch, 1998; De Soto, 2000; Globerman & Shapiro, 2003; Olson, 2000; Wright, Filatotchev, Hoskisson & Peng, 2005).

Responding to the institutional environment is arguably the domain of public sector partners (Schuster & Holtbrügge, 2014), as they are adept at providing enterprises with funds, advice and legitimacy (Rivera-Santos & Rufin, 2010). To cope with institutional gaps, cooperation with the public sector allows companies to inhibit potentially corrupt arrangements, gain legitimacy for business activities, and access experience and knowledge (Badry, 2009; Hart, 2005). Regeczi (2005) puts forward that collaborations with government organisations promotes increased political participation and therefore greater legitimacy. Furthermore, Kolk (2013) claims that such partnerships concerning enterprises and institutional actors may pre-empt or altogether substitute regulating principles, and may even foster new or improved regulations. Therefore, public sector partnerships aid enterprises in responding to the constraining institutional setting typical of BOP markets (Fox, Ward & Howard, 2002; Ite, 2004). Rivera-Santos *et al.* (2012) support these arguments by saying that "*governments, particularly at the national level, can ensure institutional protection against unpredictable changes in regulations.*" However, bypassing institutional environment constraints (e.g. those caused by formal institutional voids and knowledge gaps) has been shown to be enabled by forming partnerships with civil sector partners (Webb *et al.*, 2010).

11.7.7.4 RELATIONAL SUCCESS CRITERIA

The relational aspect of alliances cannot be neglected, as it is fundamental to effective inter-organisational relationships (Kanter, 1994). Such relationships, according to Kanter (1994) "*seem to work best when they are more family like and less rational. Obligations are more diffuse, the scope for collaboration is more open, understanding grows between specific individuals, communication is frequent and intensive, and the interpersonal context is rich. The best intercompany relationships are frequently messy and emotional, involving feelings like chemistry or trust.*"

The following relational criteria have proven invaluable in fostering such relationships (Kanter, 1994):

- **Individual excellence:** each partner contributes value to the relationship, and as such pursues future opportunities from a positive stance, not a negative one of masking weaknesses to accrue benefits when in difficult times
- **Importance:** the relationship exhibits good fit with strategic objectives of either organisation, with relationships playing a key role in achieving long-term goals
- **Interdependence:** with complementary assets and skills, partners can accomplish more together than when acting alone
- **Investment:** partners invest in one another, giving tangible proof of their long-term commitment to the relationship

- **Information:** reasonably open communication allows for sharing key information, enabling partners to understand goals and objectives, access data, recognise conflicts, spot troubles, and changing situations
- **Integration:** developing links and sharing operational routine knowhow allows for smooth operations. People at many levels are connected, allowing both to learn and instruct in their various fields of expertise
- **Institutionalisation:** clear decision processes and responsibilities are outlined formally, creating accountability in both organisations at an individual level
- **Integrity:** honouring partners by behaving in a manner that justifies and enhances mutual trust is natural, and information is treated as sacrosanct

11.7.8 MANAGING RISK AND OPPORTUNISTIC BEHAVIOUR

Kale, Singh and Perlmutter (2000) emphasise the successful management of conflict for alliance success. As mentioned earlier, alliance tension and instabilities can be traced to a failure of either or both of the partners to fail to recognise mismatch in strategic intents (i.e. asymmetrical strategic intents). As the strategic intents of partners change with time, high dissolution rates and instabilities must be expected, and where possible averted through "*continuous mutual adaptation, recalibration and reaffirmation of strategic intents of the alliance partners*" (Koza & Lewin, 2000). Khanna, Gulati and Nohria (1998) phrase it a bit differently, putting forward that there are two benefit types in alliances, private benefits and common benefits. They argue that it is with the introduction of private benefits that conflict arises. Das and Teng (2000b) phrase it still differently, saying that the two types of conflicts are interest conflicts and operational conflicts.

This being said, in certain instances other organisations may act so as to benefit themselves at the cost of their partners, and managing this risk and opportunistic behaviour is key to managing the alliance effectively. Adequate management of risk and opportunistic behaviour takes into account a number of practices, each of which will be addressed hereafter.

11.7.8.1 SOURCES OF ALLIANCE INSTABILITY

Though the list of reasons for why alliances become unstable is endless, a key component of minimising risk lies in foreseeing potential problems and it is therefore a worthwhile goal to address the most visible ones. To do this, the following list the ways in which instability might arise according to the most popular theories of alliances (which can be found in Appendix L) among others:

- **Relational contract theory:** due to interfirm trust discrepancies or the complete lack thereof, the alliance can run into trouble

- **Transaction cost theory:** opportunistic behaviour is to be expected, and it must be consistently managed so as to gain stability in the alliance
- **Game theory:** as foul play may reap greater benefits than conforming to agreements, it is imperative that the organisation is prepared for this risk
- **Resource dependence theory:** once partners acquire the resources they need it is likely they will view the alliance as dispensable and/or terminated which gives rise to instabilities that must be catered for
- **Market (bargaining) power theory:** shifts in relative power during the life of the alliance due to changes in interdependencies results in a need for partners to renegotiate their agreements before conflict occurs
- **Agency theory:** as alliances often primarily exist to serve the needs and interests of managers, it is possible that with time employees may seek compensation, and if they do not get it there will be employment risk that must be dealt with (internalising the alliance is another route to mitigating this risk)
- **Strategic goals:** alliances tend to have multiple goals, which are at time conflicting and must be realistically set to ensure expectations are not met, which may lead to dissolution

11.7.8.2 ALLIANCE RISK TYPOLOGIES AND RISK MANAGEMENT CONTROLS

Categorising alliance risk into logical groupings is the first step towards effective risk management. To do this, Das and Teng (1999) outline four domains in which risk might present itself in the life of the alliance:

- **Selecting alliance partners (risks in finding fit):** must determine if resource and strategic fit exists between the partner organisation, otherwise the alliance should not be formed
- **Structuring (designing) the alliance (risks in maintaining flexibility):** must determine if there is a balance between structural flexibility and rigidity, otherwise alliance will underperform
- **Operating (managing) the alliance (risks in managing collaboration):** must determine if there is a balance between cooperation and competition, otherwise alliance will underperform
- **Evaluating the alliance (risks in planning for the future):** must determine if there is a balance between a short-term and long-term orientation, otherwise alliance will underperform

Another way of categorising risk is proposed by COSO (2004), who groups risk into four categories:

- **Compliance risk:** risk of violating compliance with laws and regulations
- **Operational risk:** risk to do with efficiency and effectiveness of operations which includes performance and profitability

- **Reporting risk:** risk surrounding the effectiveness of organisational reporting regarding financial and non-financial information
- **Strategic risk:** risk of not achieving high level goals that are aligned with and that support the organisation's mission and vision. All of these types of risks can be seen as first-order risks

Though simplistic, a very useful way of categorising risks that will be used later in this section is given by Das and Teng (1996, 2001) who have divided risks into two categories:

- **Relational risk:** risks associated with lack of cooperation between partners as well as unintentional risks
- **Performance risk:** risks associated with performance even though full cooperation may exist which is especially brought on by opportunistic behaviour

A rather detailed list of second-order risks commonly faced by alliance partners is included in Appendix O.

In order to prevent or control the likelihood of risks occurring and escalating, some authors have developed management control frameworks to deal with them. All of these controls are suitable to the alliance context and can be seen as first order constructs that govern how risk can be managed.

According to Simons (1995), there are four systems of control that must be focused on to arrive at a holistic risk management plan:

- **Belief systems:** this pertains to an explicit set of organisational definitions that owners and managers can formally communicate and systematically reinforce so as to provide basic direction, purpose, and values for the alliance, also ensuring partner selection is predicated on shared culture and values
- **Boundary systems:** this constitutes controls that "*delineate the domain of acceptable activity for alliance participants,*" thus establishing limits to opportunism that are based on defined risks
- **Diagnostic control systems:** these are formal information systems used to monitor alliance outcomes and thereafter correct deviations from predefined performance standards, and exhibit three features, namely the:
    - Ability to measure the outcome of the process
    - Existence of predetermined standards to compare actual results against
    - Ability to correct any deviations from these set standards
- **Interactive control systems:** these formal information systems must be used by managers in such a way that managers become involved in a regular and personal manner

Merchant and Van der Stede (2007) outline four controls that have some overlap with those just addressed:

- **Action controls:** these controls are used to guarantee certain actions are performed by alliance partners that are clearly beneficial to the alliance and that harmful ones are not. Action controls that ensure partners act in the best interests of the alliance include: action accountability, behavioural constraints, pre-action reviews, and redundancy. Each influence employee actions by raising their awareness of consequences of potential actions
- **Cultural controls:** these work by taking organisational action to shape behavioural norms within the organisation, even extending so far as to encourage alliance partners to influence one another's behaviours regarding controls
- **Personnel controls:** these are actions an organisation takes to increase the chances that alliance partners will perform their tasks in an appropriate manner autonomously. These controls must also be implemented during partner selection
- **Results controls:** these controls hold individuals accountable via a system of rewards or punishments, contingent on their accomplishment of particular outcomes or results. These controls are typically synonymous with performance measures

Phrasing their areas of focus slightly differently, Jensen and Meckling (1992) outline the following three risk management controls:

- **Assignment of decision rights:** this works by dividing and allocating decision rights between different parts of an organisation or different strategic alliance members in order to achieve maximum alignment of incentives and capabilities
- **Performance measurement:** this is achieved through measuring the alliance performance with respect to each partner, ensuring that an appropriate scope of performance (i.e. process and outcome) and range of measures (not only financial) over an appropriate time period is used in the analysis
- **Rewards and punishments:** this regards the ex-ante establishment of rewards and sanctions that will accrue to partners depending on their specified performance or actions. This includes the establishment of exit provisions and dispute settling mechanisms. The goal is to allocate the alliance returns equitably in alignment with all partners' incentives

A detailed list of second-order risk management control forms is included in Appendix O.

11.7.8.3 Risks and Strategic Alliance Orientation

Alliance risks must be addressed long before alliance formation, as mentioned early in the choosing strategic partners section.

Primary resource		Relational risk	Performance risk
	Property (physical, financial)	*Control*	*Flexibility*
	Knowledge (technological, managerial)	*Security*	*Productivity*
		Primary risk	

Figure 11-19 Strategic alliance orientations according to primary resources and risk types (Das & Teng, 1999)

Emphasis should arguably first be put on protecting the social enterprise's primary resources (i.e. those it derives its competitive advantage from), however various resources inherently exhibit different levels of risk depending on if they are primarily property-based or knowledge-based. Protecting physical and financial resources (e.g. patents, contracts, logos, and trademarks) is relatively low risk due to their ownership being protected by law in comparison with the risks involved with protecting technological, managerial, and organisational resources, as unintended transfer of knowledge and imitation are highly likely and hard to legally protect against.

i. Control

When an organisation primarily contributes property resources and considers relational risk to be the most significant risk, its greatest concern should be the possibility that its properties are misused resulting in the partner reaping undue benefits. Ideally the social enterprise will exercise due control via mechanisms (Das & Teng, 1999), appropriately employing:

- **Contractual control:** usage of properties must be clearly specified
- **Equity control:** majority or shared ownership must be established
- **Managerial control:** staff of the social enterprise must be placed in key positions, attend regular meetings, and frequently take part in interactions and communications

ii. Flexibility

When an organisation primarily contributes property resources and considers performance risk to be the most significant risk, it must orientate itself in the alliance towards flexibility. Ideally the social enterprise will act so as to retain flexibility by making use of short-term recurring contracts that limit commitment and make effective exit provisions (Das & Teng, 1999), thus enabling the enterprise to adapt, free itself, and be able to recover invested resources from potentially bad contracts with partners, by appropriately:

- **Making contracts:** to specify an incremental process of alliance making

- **Avoiding joint ventures and minority equity alliances:** by rather favouring less engaging forms of alliance such as licensing, shared distribution, and product bundling
- **Insisting on specific costing and pricing formulas and clear property rights:** this ensures that alliance activities will not blur ownership contours which is often the case

iii. Security

When an organisation primarily contributes knowledge (tacit and know-how) resources and considers relational risk to be the most significant risk, it must orientate itself in the alliance to maximise the security of its contributed resources. Ideally the social enterprise must safeguard its continued security through limiting exposure of its know-how to alliance partners (Das & Teng, 1999), by:

- **Maintaining a knowledge barrier:** by forming alliances in which partners work separately, such as in funded R&D and outsourcing agreements-unless you are willing to work closely with partners, as in joint ventures
- **Clarifying that learning will and must be prevented:** by making it clear to partners and your own staff that unauthorised learning must and will be prevented

iv. Productivity

When an organisation primarily contributes knowledge resources and considers performance risk to be the most significant risk, it must orientate itself in the alliance to promote productivity, as one's knowledge in combination with another partner's resources may not result in ideal performance. Ideally the social enterprise should ensure increased productivity through emphasising superior alliance performance (Das & Teng, 1999), via:

- **Focusing on knowledge productivity:** particularly by seeking compatibility of organisational routines and culture of partners
- **Identifying and eliminating internal resistance and learning barriers:** those that prevent integration with a partner's superior knowledge

In summary, risk must be avoided prior to alliance formation by ensuring both resource fit and strategic fit exist with potential alliance partners, risks in structuring the alliance must be avoided by maintaining flexibility by balancing it with rigidity, risks pertaining to managing the collaboration must be minimised by balancing cooperation and competition, and lastly when evaluating the alliance the planning risks for the future must be minimised by balancing short- and long-term orientation. All of these factors contribute to the effective management of risk in terms of mitigating its impact on alliance performance.

11.7.8.4 Risks surrounding internal tensions

Dialectical (internal tensions) approaches like that of Das and Teng (2000a) argue that alliance instabilities are typically a result of internal tensions along a number of key opposing dimensions. Recognising and dealing with these sources of instability early on can effectively mitigate the risk of alliance dissolution. There is however a plethora of reasons from which conflict may arise, although the following are more prevalent in literature (Kanter, 1994; Di Domenico *et al.*, 2009):

- **Broader involvement problems:** with multiple people fulfilling multiple roles alongside members of partner organisations, it is natural that commitment forged at the top of the organisation may be undermined (Kanter, 1994), due to the fact that:
  - Different people in the organisation may not feel the same rapport and attraction as top-level managers and executives do regarding the alliance
  - Employees may be less visionary and driven than managers, and specifically for the BOP "*less experienced in working with people from different cultures,*" lacking knowledge of the strategic context in which the relationships make sense, focusing rather on the operational ways in which it does not make sense
  - Oftentimes, few staff are dedicated full time to the relationship, sometimes due to the fact that their performance is still graded on primary responsibilities from prior to the alliance, thus they tend to neglect new alliance oriented duties
  - As mentioned with BOS, creating buy-in with employees in all tiers is important as relatively influential people may oppose the relationship, especially if the organisation is divided into business units/silos, each with competing goals and agendas
- **Constitution and governance tensions:** early in the relationship, the collaboration's strategic direction and nature are likely determined by senior actors in each organisation (Di Domenico *et al.*, 2009). As community involvement (i.e. the BOP) is paramount to success, social enterprises may exhibit difficulties when working with the internally oriented and typically hierarchical governance mechanisms employed by the public and private sector organisations. Social entrepreneurs may perceive the effort and resources required to maintain the participative principles of governance within the alliance as a source of frustration, thereby reducing the incentive to partner with organisations from other sectors. Similarly, from the public and especially the private sector organisations' standpoint, the pressure to engage with external stakeholders and the protracted nature of decision making may be a source of frustration and thereby reduce their incentive to partner with the social enterprise
- **Contention between respect and resentment:** invariably "*people will take the time to understand and work through partnership differences to the extent that they feel valued and respected for what they bring to the relationship*" (Kanter, 1994). Stereotyping is therefore

detrimental, reinforcing differences and polarising partners, thus undermining the alliance. Failure leads to mistrust, which worsens the state of affairs in a vicious cycle of blame, often placed on the outsider, i.e. the partner organisation

- **Discovery of differences:** division causing differences are exposed with time, in stark opposition to the similarities which bring partner organisations into an alliance (Kanter, 1994), including differences in:
  - Operations and culture: often a shock to alliance creators, such differences are often forgotten early on when the driving force is similarities, the blind-spots of third-party experts (e.g. legal and financial analysts) and even employees closely involved in operations are exposed
  - Authority, reporting, and decision-making styles: sources of contention include who is involved in decision making, how decisions are made, how much documentation and reporting is expected, the authority level a position should be given, and which functions work together
  - Structuring authority: who reports to who can have strong effects on logistical and operational compatibility in the organisation. When relationships become too broad, in terms of areas of collaboration, evaluating and governing the alliance on a financial basis becomes more difficult
  - Monetary aspects: multiple instances of conflicts are the result of money, including capital infusions, compensation levels, licensing fees, management fees, transfer pricing, etc. Additional conflict may arise over roles of each partner in terms of economic decision making
- **Legitimate structural arrangements and ownership tensions:** ownership structures across sectors differ substantially, exhibiting contradictions that lead to dissimilar assumptions regarding how to use profits (Di Domenico *et al.*, 2009). Tensions often result from disagreements regarding how to invest returns. For example, social enterprises may pursue the collaboration to achieve further growth and ultimately evade depending on grants, but still remain primarily committed to investing surpluses towards a community or social benefit. Private enterprises in comparison have a fiduciary duty that requires them to act in the owners' and shareholders' best interests, making it often more rational to invest in growth stimulating activities, such as marketing or recruitment as opposed to what they regard as high risk and potentially loss-making social initiatives. Inherent structural contradictions between organisations may therefore result in contradiction approaches to partnership development and investment

- **Organisation-environment linkages and accountability tensions:** social enterprises tend towards horizontal accountability which is the notion that the community has the right to know the benefits and downfalls of an organisation and its actions (Pearce & Kay, 2003). As a result, there exists a complex set of mechanisms and procedures for reporting social performance within the social sector (Paton, 2003). Though this may bode well for partnerships with public sector actors, private sector enterprises are primarily required to be accountable to their shareholders. Differing stakeholder expectations and priorities are a source of tension as social enterprises are primarily concerned with accounting for social value to community stakeholders, whereas private enterprises are liable to be concerned with accounting for financial value to shareholders
- **Paradigm commitments and tension between goals and logic:** organisations from different sectors have different primary goals (Di Domenico *et al.*, 2009). For instance, the objective of private enterprises is wealth maximisation for owners. Market share, profit, turnover, and share price are the measures by which performance is assessed. Social enterprises in contrast primarily engage in commercial activity to ensure the enterprise is sustainable, enabling social objectives to be achieved. Social outcomes indicate performance as much as commercial indicators do. Thus, collaborations across private and social sector enterprises are often characterised by tensions over the core goals of the exchange, with private enterprises approaching strategic decision making within the alliance from a market logic (focusing on market demand) whilst social enterprises approach strategic decision making from a community or social logic (focusing on community need)

11.7.8.5 THE IMPACT OF TRUST AND CONTROL ON RISK

As alluded to earlier in Figure 11-20, the mode of control impacts the perceived risk associated with a strategic alliance. Das and Teng (2001) argue that:

- Perceived relational risk will be more effectively reduced via behaviour control than through output control
- Perceived performance risk will be more effectively reduced via output control than through behaviour control
- Both perceived performance and relational risks will be reduced by utilising social control in an alliance

Type of trust	Behaviour	Output	Social
Goodwill	*Low* Relational risk *High* Performance risk	*Moderate* Relational risk *Moderate* Performance risk	*Low* Relational risk *Moderate* Performance risk
Competence	*Moderate* Relational risk *Moderate* Performance risk	*High* Relational risk *Low* Performance risk	*Moderate* Relational risk *Low* Performance risk

Control type

Figure 11-20 Risk reduction via trust and control (Das & Teng, 2001)

On the flipside, Figure 11-20 relates risk as a determinant of control and trust in reducing both relational and performance risk. The relationships to risk in the alliance include:

- Social control will reduce both perceived relational risk and perceived performance risk
- Output and behaviour control will undermine goodwill trust and competence trust
- Social control will enhance both goodwill trust and competence trust
- Goodwill trust and competence trust will enhance the effectiveness of all control modes
- Control levels remaining the same, the lower the acceptable relational risk level, the higher the needed goodwill trust level
- Control levels remaining the same, the lower the acceptable performance risk level, the higher the needed competence trust level
- Goodwill trust remaining the same, the lower the acceptable relational risk level, the greater will be the use of behaviour control and social control in an alliance
- Competence trust remaining the same, the lower the acceptable performance risk level, the greater will be the use of output control and social control in the alliance

Das and Teng (1998a) put forward a number of well-argued hypothetical circumstances and give rationale for why organisations facing each type of risk will act as they do, including that in alliances with high:

- **Relational risk:** the partners who contribute
    - Financial resources will prefer controlling equity ownership for themselves, and substantial equity ownership by other parties
    - Technological resources will focus on protecting their technologies from unauthorized transfer, usually through limiting exposure to patented technologies
    - Physical resources will strive to embed the partners deeply in the alliance, usually through a longer alliance duration, tighter integration, and shared equity ownership

    - Managerial resources will focus on placing their own people in key positions of the alliance

- **Performance risk:** the partners who contribute
    - Financial resources will demand explicit exit provisions in the contract
    - Technological resources will prefer to license the technology to multiple partners
    - Physical resources will be interested in providing for recurrent contracts
    - Managerial resources will focus on improving managerial efficiency by committing their best managers, and for extended tenures in the alliance

Understanding the thinking behind partners, or their concerns to be more accurate, is a strong first step towards reaching a win-win deal.

11.7.8.6 Dealing with realised risks

Successful collaborations take place as organisations become adept at developing mechanisms (processes, skills, and structures) that bridge both organisational and interpersonal differences. On a darker note however, in line with the TCV, scholars recommend alleviating the high transaction costs associated with opportunistic behaviour by developing appropriate contractual agreements (e.g. equity-based governance structures) that create a mutual hostage state wherein opportunistic behaviour is too costly to partake in (Muthusamy & White, 2005; Kogut, 1988a).

Due to the increased communication and contact-rich way in which conflict must be resolved, if resolution is possible, a good channel is by necessity developed for the sharing and learning of useful information and specific know-how from the partner (Kale *et al.*, 2000). Thus, conflict resolution can be a route to maximising relational capital, promoting learning, if managed properly. The key to integrative risk management is "*Close monitoring of interorganizational interaction to identify potential conflict situations [which] helps detect and prevent partner behavior that might be directed towards [deliberately opportunistic] goals*" (Kale *et al.*, 2000).

11.7.9 Other concerns

A few other areas of concern are highlighted in literature, albeit at a lesser degree. A brief discussion of each follows.

11.7.9.1 Alliance portfolio management

Hoffmann (2007) provides a good discussion on the manner in which a portfolio of alliances can be managed effectively by amending the organisation's strategy, however for the purposes of this study it is deemed unnecessary as the focus lies on young SMMEs that generally do not have enough alliance partners for this to be an issue so early on.

11.7.9.2 HUMAN RESOURCE MANAGEMENT

Though human resource management is outside the scope of this study, it is worthwhile mentioning here for fullness. According to Devlin and Bleackley (1988), a key to lasting alliances is the promoting of employees based on their contributions to the alliance. Furthermore, being involved with the direct management/running of the alliance should be seen as enhancing the employee's career prospects, and not as a sideways move.

Operational integration, whereby means for people carrying out day-to-day work are developed, so as to provide timely access to information, people, and resources necessary for accomplishing their tasks is crucial to executing an alliance successfully (Kanter, 1994). Interpersonal integration is likewise key to success (Kanter, 1994), building a foundation for future value creation. Networks of interpersonal ties grow with time, and breed useful information which must be gathered actively (e.g. through inter-organisational meetings), identifying cross-unit business opportunities. The stronger these interpersonal relationships become, the less risk of conflict there is, and the more likely it is that conflicts will be resolved before they escalate.

11.7.9.3 LEADERSHIP AND DECISION MAKING

Leadership is fundamental to the success of any and every alliance (Badaracco, 1991). On a relational level, productive relationships in alliances require strategic integration whereby there exists continuing contact between partner organisations' leaders/executives/managers for adequate discussions on goals and changes impacting the alliance (Kanter, 1994). Nurturing an alliance is key to its lasting success. Tactical integration, whereby managers are brought together to develop plans to deal with organisational and system changes specific to projects underway, as well as how the alliance can be strengthened are also valuable.

11.8 Alliance termination and exit strategy

Alliance management tools for the assessment and termination phase include a: relationship evaluation form, periodic status report, termination checklist, and termination planning work sheet (Dyer, Kale & Singh, 2001; Prashant & Harbir, 2009).

Already in the partner selection phase, management must already be aware that "*what may seem to be a short-term operational benefit arising out of the alliance may, in fact, lead to the eventual loss of the company's strategic position, tither to its alliance partner or to one of the company's competitors*" (Devlin & Bleackley, 1988). Others reiterate the importance of outlining the duration and termination of the alliance in the negotiations stage of the partnership, prior to forming the alliance (Hoffmann & Schlosser, 2001). It is common for the duration and termination to be linked to achievement of certain objectives. Even in the most ideal scenario, the withdrawal from an alliance must be managed carefully. At the end of the day, even if there is conflict resolution which is helpful, it is nonetheless a non-value-enhancing use of time and resources which degrades the alliance's competitiveness (Zaheer *et al.*, 1998).

Multiple factors bring about alliance termination, and one could argue that there are just as many as those that bring about success (as the presence of one precludes the other). Common macro factors include changing industry concentration levels (Kogut, 1989) and demand shocks (Kogut, 1991), and also cultural differences (Barkema, Bell & Pennings, 1996; Barkema & Vermeulen, 1997; Park & Ungson, 1997). Organisation level factors include a lack of prior experience with alliances (Barkema, Shenkar, Vermeulen & Bell, 1997), irreconcilable changes in partners' changing capabilities (Nakamura, Shaver & Yeung, 1996), incongruent learning abilities (Hamel, 1991), opportunistic interactions between partners (Park & Russo, 1996), utilising the wrong mode of entry into the alliance (Li, 1995; Pennings, Barkema & Douma, 1994), partners being suitable for one purpose but not for another, human resources being needed for other tasks that are more important, and changes in business strategy that result in a change of direction effectively making an alliance a bad fit, etc.

There are however many approaches to conflict resolution in alliances (Hendrikse *et al.*, 2008), each of which may be pursued prior to alliance disintegration, including:

- **Introducing a third party:** a third party (e.g. arbitrator, court) develops a solution for the conflicting groups
- **Coercion:** one or more partners restrain the others from choosing the conflict resolution solution
- **Conjoined resolution:** different groups come together in the hopes of finding a mutual solution for the problem (see also Mohr and Spekman (1994))
- **Persuasion:** one or more of the organisations attempts to persuade the other organisations that a particular solution is most ideal to rectify the conflict situation, a generally more constructive conflict resolution mechanism than coercion (Amason, 1996)
- **Sanction:** reprimanding a partner in a friendly manner or going as far as excluding that partner from the alliance network

Sometimes, organisations must face the difficulties of terminating an alliance. Ending the alliance requires both diplomacy and skill. Informing partners in advance is ideal, keeping them fully informed, and treated with utmost dignity (Kanter, 1994). Anything less is highly likely to jeopardise any type of future relationships with the old partner organisation.

It is possible that although the organisation may have effectively prevented the eroding of its own key competencies, the partner organisation may have not been as good at monitoring its own stance throughout the partnership. This will in all likelihood end up with their request for an extension of the alliance, however if negotiations don't go their way, it is indeed possible that these organisations will, by hook or by crook, find a way of maintaining their competitiveness. This may reveal itself as theft of partner's resources or knowledge, or even through them pairing up with competitors.

Thus, during the course of the relationship with the other organisation one must be careful that the following are disallowed, as they could cause an early termination of the partnership or worse, make it impossible for the organisation to operate independently when the alliance dissolves:

- The outsourcing or eroding of control over core competencies
- The compromising of competitive advantages

In the event that a partner is untrustworthy (to the extent of becoming a competitor), shielding against these possibilities will ensure the organisation remains in control and won't be easily outmanoeuvred by competition.

Different alliance types vary with regards to their stability over time. Learning alliances have somewhat limited time horizons, extending no further than the length of a learning cycle unless renewed. The major challenge is thus one of recognising when to end the relationship. Business alliances last as long as a business opportunity exists, and as such the challenge lies in knowing how to maintain both continuity and oversight over an extended period of time. They often end when "*the underlying business model ceases to be economically viable*" (Koza & Lewin, 2000). Hybrid alliances are tricky in that multiple time horizons need to be juggled.

11.9 Root definition of strategic alliances

In developing a full understanding of strategic alliances pertaining to the BOP targeting SME, which is the focus system of this study, it is necessary to fully incorporate the aspects shown in Table 11-4 in that definition for a full understanding.

Table 11-4Root definition components of strategic alliances

CATWOE Element	**Disambiguation**
Clients	The beneficiaries of this system include the strategic alliance partners, the owner (entrepreneur) and/or managers of the SMME, and the BOP intermediaries/consumers
Actors	Those responsible for conducting the activities which make this system work include the owner (entrepreneur) and/or managers of the SMME, the staff or employees of the SMME, the strategic partners, the strategic partners' staff or employees, and BOP intermediaries
Transformation	The inputs to this system pertain to market knowledge, resources (tangible/intangible assets of an organisation which can be drawn upon when required to achieve its objectives), core competencies (the organisations' capacity to deploy its resources using processes to affect a desired end), and key capabilities (the use and deployment of organisational competencies to accomplish its goals) of the SMME and its strategic alliance partners. These inputs are transformed into the output which is a mutually beneficial, growth promoting alliance between

CATWOE Element	Disambiguation
	two or more partners with complementary objectives. The purposeful activity which transforms the input to the output is the use of contracts and other agreements which are used to assess and maximise the effectiveness of the alliance, ideally conducted under the guidance of a consultant for maximum effectiveness
Worldview	The relevant perception which justifies the existence of this system is that each organisation has a number of unique resources, key competencies, core capabilities, and market knowledge that others do not have, which can be shared to a safe extent in a partnership whereby each partner benefits sufficiently from the relationship for it to continue and grow, aiding both organisations in their pursuit of their respective goals
Owners	The people who have the authority to change the measures of performance of this system or abolish it altogether include the owner (entrepreneur) and/or managers of the organisations in the alliance as well as other key role players in each organisation's respective value chains
Environment	External constraints this system takes as a given include the organisational culture of each participating partner organisation, and the potential for changes in the market and partner organisations that result in irreconcilable differences which can potentially lead to alliance termination

The root definition of a strategic alliance in the context of this study is therefore: a system which operates so as to convert market knowledge, resources, core competencies, and key capabilities of the SMME and its strategic alliance partners into a mutually beneficial growth promoting alliance by forming appropriate contracts and other agreements that tie partners to the alliance, which is arguably relevant as different organisations often exhibit overlapping goals and complementary key competencies that can be beneficial to one another in an effort to add value to the owners of the alliance organisations, with activities being conducted by the owners and/or managers, and staff or employees of both partner organisations, both of which have to effectively manage interorganisational relationships and their own respective value chain relationships to continue to accrue the necessary resources or benefits for the alliance to last, which is best effected under the guidance of consultants.

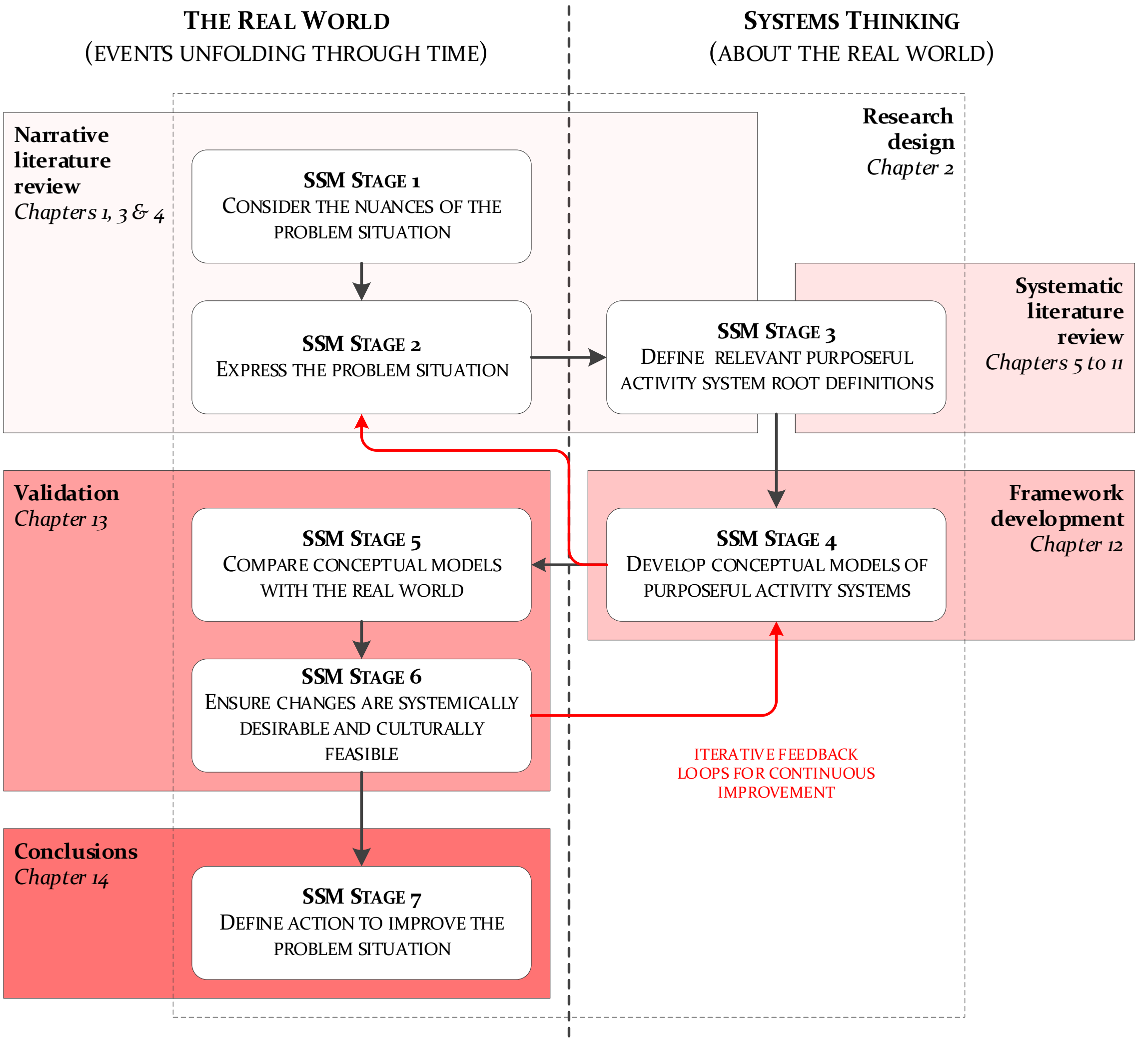
The list of requirements pertaining to strategic alliances which must be incorporated in the framework design process of Chapter 12 are listed in Table G-7 of Appendix G. They will ensure that all partnerships formed with external parties will be managed in such a way that they strategically leverage the capabilities and resources of the SMME and partner to maximise positive impact in the BOP.

11.10 Conclusion

In this chapter, the importance of strategic alliances to BOP endeavours was addressed. Considerations that were covered include the definition of alliances and other types of partnerships, how to choose and evaluate partners, the design of the alliance, and how to manage it so as to garner maximal value for the social enterprise. Crucial to the effective management of collaborative relationships is the managing of cultural differences which exist not only within the organisation, but also between organisations. Fostering an atmosphere of trust, loyalty, and commitment was shown to be imperative for a lasting relationship, which is predicated on the ability of the partners and their subordinates to communicate effectively. Knowledge management is imperative to effective learning from the alliance, allowing for improved efficiency in conjunction with developing new routes to value creation. Resource management also plays a key role in creating and collecting value from the alliance. Means of assessing alliance performance vary according to the alliance type. The management of risk and minimisation of opportunistic behaviour is a crucial component of managing the alliance relationship. Human resources must be chosen such that the alliance is developed and utilised to its full potential. In ending, factors pertaining to what constitutes an ideal exit strategy were outlined.

CHAPTER 12

CONCEPTUAL FRAMEWORK DEVELOPMENT



RELEVANT APPENDICES

A **B** C D E F **G** H I J K L M N O **P** Q R S

"You don't have to be a genius or a visionary or even a college graduate to be successful. You just need a framework and a dream."

Dell (2015)

12.1 Introduction

In the modern era, most social phenomena are complex, dynamic, and inextricably linked with multiple fields of knowledge across a broad range of disciplines. Thus, to arrive at a better understanding of these phenomena, a multidisciplinary approach is required, and for this it is worthwhile looking to the development of a conceptual framework.

To this end, qualitative research methods and SSM work hand in hand by providing the necessary investigative tools for the researcher. There exists a far-reaching literature base which provides logical guidelines for the qualitative derivation of theory from text and data (Glaser & Strauss, 1967; Harris, 2003; Miles & Huberman, 1994; Myers, 2009; Corbin & Strauss, 1990), as well as systematic methods for building conceptual frameworks (Jabareen, 2009).

Without the skeletal structure which a framework provides, subsequent researchers looking to pre-existing literature sources do not have a strong point of departure for making observations, developing new questions, or for analysing new developments. Therefore, the concept of a framework enables progressive learning through continuous improvement and reorganising of the ways in which research components interact (Morse, Hupcey, Penrod, Spiers, Pooler & Mitcham, 2002:1).

The focus of this chapter is therefore to determine a suitable process for building conceptual frameworks for the multidisciplinary phenomena that are involved in SMMEs pursuing high growth at the BOP, and then to build the framework. To start with, the underlying philosophical basis of conceptual frameworks is looked at. Thereafter, the methods of conceptual framework building are outlined and then delineated into a step-by-step process. This process will be used in designing the framework for the pursuit of high growth for SMMEs at the BOP, which is the culmination of Chapters 1 to 11.

As portrayed in Figure 2-1 of Chapter 2.2., this chapter constitutes stage four of the SSM approach used throughout this study (Checkland & Scholes, 1990:211).

The research sub-questions which are answered in this chapter include:

- How can each of these factors be applied to the BOP context?
- What is a conceptual framework?
    - What are the essential features of a conceptual framework?
- How can a conceptual framework be constructed?
- What does a framework designed to guide and evaluate SMMEs in their simultaneous pursuit of profitable growth and sustainable poverty alleviation at the BOP in South Africa look like?

Note that this chapter aims to answer the main research question (the last one listed above). It is also worth noting that the first question listed has been addressed in the six preceding chapters.

12.2 Defining concept and conceptual framework

A conceptual framework can be seen as a product of qualitative theoretical processes. However, in understanding what the generic conceptual framework looks like, it is worthwhile understanding the meaning of a concept before joining it to any notion of a framework. Thereafter the features commonly associated with frameworks can be discussed.

12.2.1 CONCEPT DEFINITION

Deleuze and Guattari (1991:15) provide a definition of concepts, stating that "*every concept has components and is defined by them*," whereby components relate to that which "*defines the consistency of the concept; its endo-consistency; are distinct, heterogeneous and, yet, not separable*." Furthermore, these components exhibit multiplicity, meaning that there is no concept which only has one component, nor is every multiplicity necessarily a component itself. Jabareen (2009:50) and Deleuze and Guattari (1991) go on to list the following aspects from the aforementioned definition, as well as other supporting works as referenced:

- A concept is always created by something (and cannot be created from nothing)
- Every concept has a history
- All concepts relate back to other concepts
- Concepts usually contains bits or components originating from other concepts
- Every concept has an irregular contour defined by its components
- Every concept is "*considered as the point of coincidence, condensation, or accumulation of its own components*" (Deleuze & Guattari, 1991:20)
- Every concept must be understood "*relative to its own components, to other concepts, to the plane on which it is defined, and to the problem it is supposed to resolve*" (Deleuze & Guattari, 1991:21)

12.2.2 CONCEPTUAL FRAMEWORK DEFINITION

Existing definitions of conceptual or theoretical frameworks have been criticised for their vagueness and imprecision by Jabareen (2009), who defines a conceptual framework as "*a network, or 'a plane,' of interlinked concepts that together provide a comprehensive understanding of a phenomenon or phenomena. The concepts that constitute a conceptual framework support one another, articulate their respective phenomena, and establish a framework-specific philosophy.*"

A number of assumptions are inherent in conceptual frameworks, which are ontological, epistemological, and methodological in nature. Ontological assumptions refer to knowledge of "*the way things are,*" "*the nature of reality,*" real existence, and real action (Guba & Lincoln, 1994:108). Epistemologically based assumptions are made when one assumes "*how things really are*" or "*how things really work*" in some or other assumed take on reality (Guba & Lincoln, 1994:108). Methodological assumptions are made in the process of conceptual framework building itself, as well as in how it is assessed in order to confer how it is relevant to the real world.

Worthwhile noting briefly is the difference between models and frameworks. Ilott, Gerrish, Laker and Bray (2013:1) provide some contrast between the two, saying that models "*tend to be more prescriptive, specific and with a narrow scope,*" whereas conceptual frameworks "*are descriptive, showing relevant concepts and how they relate to each other*." Jabareen (2009:51) also argues that models have more to do with changing variables as opposed to interdependent conceptual constructs.

12.2.3 Conceptual Framework Features

Conceptual frameworks exhibit a number of key features, which include the following:

- **Integrative role:** a collection of concepts alone does not constitute a framework, there must exist a degree of integration among them. Miles and Huberman (1994:440) promote that a conceptual framework "*lays out the key factors, constructs, or variables, and presumes relationships among them*"
- **Interpretative capacity:** conceptual frameworks should constitute not only a causal or analytical setting but should rather provide an interpretative approach to social reality (Jabareen, 2009:50)
- **Delivered understanding:** the aim of conceptual frameworks is to bolster the understanding of those it is designed for as opposed to only offering a theoretical explanation of things as they are, as do quantitative models (Jabareen, 2009:50)
- **Soft interpretation:** as is congruent with SSM, conceptual frameworks provide not only knowledge of hard facts but rather "*soft interpretation of intentions*" (Levering, 2002:38)
- **Indeterminism:** a conceptual framework is indeterminist in nature, therefore does not enable one to predict exactly the outcome of some or other set of activities due to the freedom of human behaviour, however it can aid in improving the likelihood of certain outcomes (Levering, 2002:38), which, in this case relates to increasing the likelihood of fostering growth
- **Constructability:** through a process of qualitative analysis a conceptual framework can be developed/built (Jabareen, 2009:50)

- **Multi-disciplinary nature:** multiple disciplines provide theory from which the conceptual framework can be analysed, for instance with meta-synthesis, new interpretations across a number of qualitative studies can be derived to provide consensus among different fields of study (Jensen & Allen, 1996; Nelson, 2006; Sandelowski, Docherty & Emden, 1997)

These features therefore constitute the basic criteria which must be satisfied in order to arrive at a conceptual framework. However, though they give one an idea of what a framework looks like, they do not give a method for building a conceptual framework.

12.2.4 FRAMEWORK VERSUS MODEL

Clarifying the differences between models and frameworks is necessary so that the author's desired outcome of implementing the framework is not confused.

Models usually involve the deliberate simplification of a phenomenon or certain aspects of it. The more accurate the representation of reality, the more value the model has (Carpiano & Daley, 2006; Cairney, 2012). Models are purely descriptive, and do not have explanatory value (Frankfort-Nachmias & Nachmias, 1996).

A framework on the other hand typically denotes an outline, overview, structure, system, or plan composed of various descriptive categories (e.g. concepts, constructs, or variables) and the high-level relationships between them that presumably account for some or other phenomenon (Sabatier, 2007). Frameworks do not seek to provide explanations, but rather aim only to describe empirically backed phenomena by organising them into a set of categories (Frankfort-Nachmias & Nachmias, 1996).

Nilsen (2015) provides a clear and thorough discussion on the differences between frameworks and models, the understanding of which is key to viewing the framework in the correct light:

- **Models:** outline specific steps, stages, or phases in some or other process which translates research into practice. Models aim to clearly describe and/or guide the process of translating research into practice, with a clear cause and effect component. Models furthermore provide practical and specific guidance in the planning and execution of implementation strategies and/or endeavours to facilitate implementation
- **Frameworks:** outline specific types (e.g. rapid, slow, or negative growth), classes (e.g. endogenous or exogenous growth), or domains (e.g. growth factor systems such as business modelling or strategy) of determinants (e.g. determinants of growth, i.e. the growth factors) which act as enablers and/or barriers to achieving or influencing implementation outcomes (e.g. an enterprise better positioned to achieve growth). Furthermore, frameworks may also specify relationships between some determinants, whereby the overarching goal is to provide

an understanding of and/or explain influences on certain potential implementation outcomes, e.g. increased growth potential

In essence, a framework connects a set of ideas, principles, procedures, and rules so as to facilitate the handling of situations in a harmonious manner. A framework ensures that boundaries are well defined so that desired results (e.g. the promotion of enterprise growth) may be achieved without any one of the facets overshadowing or overpowering the others. In contrast, a model depicts how various process steps or activities work in accurately interconnected ways so as to convert set inputs into predictable outputs (e.g. a specific growth rate).

12.3 Methods of building a conceptual framework

Jabareen (2009) suggests that conceptual frameworks must be built from existing multidisciplinary knowledge sources in a process of theorisation, through making use of grounded theory methodology rather than just approaching the target phenomenon in an ad-lib manner.

Theory and description are quite different as Corbin and Strauss (1990:20) point out. They argue that theory, unlike descriptions, use concepts wherein similar data is grouped and labelled so as to organise the knowledge into a specific construct. Data in this sense is not necessarily numerical, but rather seen as strings of words, or precise statements related to common themes. Thus, it can be said that "*qualitative studies ultimately aim to describe and explain a pattern of relationships, which can only be done with a set of conceptually specified categories*" (Mishler, 1990:431).

Commonly used qualitative methods including conceptual analysis, content analysis, discourse analysis, semiotic and metaphor analysis, and thematic analysis are insufficient for theorising, due to their "*lack of simple routines, time-consuming data preparation, difficulties in relating textual data to other data, and a lack of a strong theoretical basis*" (Carley, 1993:77). These methods are good at providing descriptions but bad at formulating theoretical relationships.

Grounded theory methods and SSM are therefore suitable to developing theories of relationships among multidisciplinary concepts as they both share constructivist and interpretivist philosophical positions (Durant-Law, 2005), making them useful in conceptual framework synthesis. Therefore, they build a "*context-based, process-oriented description and explanation of the phenomenon, rather than an objective, static description expressed strictly in terms of causality*" (Andersson, Hallberg & Timpka, 2003:50).

12.4 Conceptual framework analysis technique

Many techniques of conceptual analysis focus on only the examining of selected implicit and explicit terms within texts, whereby "*a concept is chosen for examination, and the analysis involves, among* *other things, quantifying and tallying its presence*" (Palmquist, Carley and Dale (1997), but see also Finney and Corbett (2007)). Focusing only on implicit factors in texts also tends to neglect its meaning and overemphasises the similarity between texts (Carley, 1993:77), hence the use of the systematic literature review to ascertain a more holistic view of the causes of enterprise growth.

Jabareen (2009) provides an answer to this inadequacy of existing approaches in theorising, calling his approach *conceptual framework analysis* which generates, identifies, and traces a phenomenon's major concepts and so develops a theoretical framework.

12.4.1 THE DATA OF CONCEPTUAL FRAMEWORK ANALYSIS

Jabareen (2009) puts forward that texts should effectively represent relevant cultural, environmental, political, and social phenomena, whilst concurrently looking at the multidisciplinary phenomenon which is the focus of the study. In effect, discipline-oriented theories become the empirical data used in the conceptual framework analysis.

12.4.2 THE PROCESS OF CONCEPTUAL FRAMEWORK ANALYSIS

The process for developing the conceptual framework is iterative in nature, "*requiring a steady movement between concept and data, as well as comparative, requiring a constant comparison across types of evidence to control the conceptual level and scope of the emerging theory*" (Orlikowski, 1993:311). This continuous cycle is synonymous with both SSM and grounded theory approaches.

12.4.3 THE PROCEDURE OF CONCEPTUAL FRAMEWORK ANALYSIS

The procedure for developing a conceptual framework which is used in this study, is that of Jabareen (2009), which constitutes the following seven iterative phases.

12.4.3.1 PHASE 1 – MAPPING THE SELECTED DATA SOURCES

The first phase relates to mapping the spectrum of multidisciplinary literature relating to the phenomenon in question. Included in this step is the identification of various text types and sources of data so as to attain a comprehensive and complete scoping of existing understandings (Richards & Morse, 2012). This can be improved by seeking counsel from practitioners and specialists in the associated disciplines.

12.4.3.2 PHASE 2 – EXTENSIVE READING AND CATEGORISING OF THE SELECTED DATA

The aim of this phase is to review the selected data and categorise it according to discipline and scale of importance. This acts so as to maximise the effectiveness of the inquiry, and ensure proper representation of the multiple disciplines.

12.4.3.3 PHASE 3 – IDENTIFYING AND NAMING CONCEPTS

Herein the aim is to discover concepts in the literature through extensive reading and re-reading so as to find connections and interrelationships among disciplines, as well as opposing views (Glaser & Strauss, 1967; Corbin & Strauss, 1990). In this way concepts emerge from the literature. However, it should be noted that "*qualitative inquiry that commences with the concept, rather than the phenomenon itself, is subject to violating the tenet of induction, thus is exposed to particular threats of invalidity*" (Morse *et al.*, 2002:68). To mitigate this risk, open discussions with experts in the field were utilised in conjunction with open searching for alternatives to enterprise action for poverty alleviation, as outlined in Appendix B, prior to honing in on the enterprise-oriented BOP approach.

12.4.3.4 PHASE 4 – DECONSTRUCTING AND CATEGORISING THE CONCEPTS

Within this phase, the concepts are deconstructed, which is achieved through identifying its main attributes, assumptions, characteristics, and role, and subsequently, through categorising and organising the concepts through understanding their features and epistemological, methodological, and ontological roles.

12.4.3.5 PHASE 5 – INTEGRATING CONCEPTS

This phase acts so as to combine the concepts to be integrated into a cohesive whole, which is easier to understand and brings about a new concept, allowing the original concepts to be manipulated and updated.

12.4.3.6 PHASE 6 – SYNTHESIS, RESYNTHESIS AND MAKING IT ALL MAKE SENSE

This is an iterative phase, which synthesises the concepts into a theoretical framework. Through synthesising and resynthesising until the framework is rational and reasonable. Miles and Huberman (1994:434) suggest that researchers who use qualitative methods "*need to know how they are constructing 'theory' as analysis proceeds, because that construction will … inevitably influence and constrain data collection, data reduction, and the drawing and verification of conclusions.*" In this phase, the developed systems and framework are built, and checked through a verification process to make sure that they adhere to basic requirements.

12.4.3.7 PHASE 7 – VALIDATING THE CONCEPTUAL FRAMEWORK

To ensure the correctness of the arrived at framework it is important in this next phase to validate the framework. The framework must be understandable and represent a reasonable theory to both the researcher and other scholars and practitioners for it to be a useful contribution. Validation is sought from external role players so as to attain an unbiased evaluation of the framework.

12.4.3.8 Phase 8 – Rethinking the conceptual framework

Thereafter the framework is improved based on their feedback until it is deemed adequate. According to Jabareen (2009), "*a theory or a theoretical framework representing a multidisciplinary phenomenon will always be dynamic and may be revised according to new insights, comments, literature, and so on. As the framework is multidisciplinary, the theory should make sense for those disciplines and enlarge their theoretical perspective on the specific phenomenon in question.*"

12.5 Combining SSM and the framework analysis procedure

The SSM stages, the associated chapters, and the conceptual framework analysis procedure phases for each are depicted in Table 12-1. Therefore, it is the task of this chapter to continue with SSM stage four which constitutes the framework phases five and six, providing the basis for further refinement in the next chapter.

Table 12-1 Reconciling SSM, chapter numbers, and the framework analysis phases

SSM stage	Chapter	Framework phase
1 Consider the nuances of the problem situation	1 Introduction 2 Research design	1 Mapping the selected data sources
2 Express the problem situation		
3 Define relevant purposeful activity system root definitions	3 Base of the pyramid market	
	4 Small, medium and micro-sized enterprises and social entrepreneurship	
	5 Enterprise growth	
		2 Extensive reading and categorising of the selected data
		3 Identifying and naming concepts
	6 Business models	4 Deconstructing and categorising the concepts
	7 Sustainable development	
	8 Business strategy	
	9 Innovation	
	10 Marketing	
	11 Strategic alliances	
4 Develop conceptual models of purposeful activity systems	12 Conceptual framework development	5 Integrating concepts
		6 Synthesis, resynthesis, and making it all make sense
5 Compare conceptual models with the real world	13 Validation	7 Validating the conceptual framework
6 Ensure changes are systematically desirable and culturally feasible		8 Rethinking the conceptual framework
7 Define action to improve the problem situation	14 Conclusions and recommendations	

12.6 Developing the framework

As the framework will take cognisance of a number of different factors, it is imperative that the interrelationships among the various factors are addressed. For this reason, conceptual models of each system are developed before arriving at the framework itself. In essence, the conceptual models therefore act as a means of showing the more nuanced relationships among the various high growth factors in the framework. Hereafter, an evaluation process is outlined in accordance with the research objectives of this dissertation, so as to aid SMME owners and managers in understanding where they stand with regards to their potential for attaining higher growth at the BOP.

12.6.1 DESIGN METHOD FOR BUILDING PURPOSEFUL ACTIVITY SYSTEMS

In order to build conceptual models of purposeful activity which will work concurrently with one another and thus build up the conceptual framework, it is important to follow a structured process which addresses each of the requirements laid out in the previous chapters. Figure 12-1 provides an illustration of the design method in action.

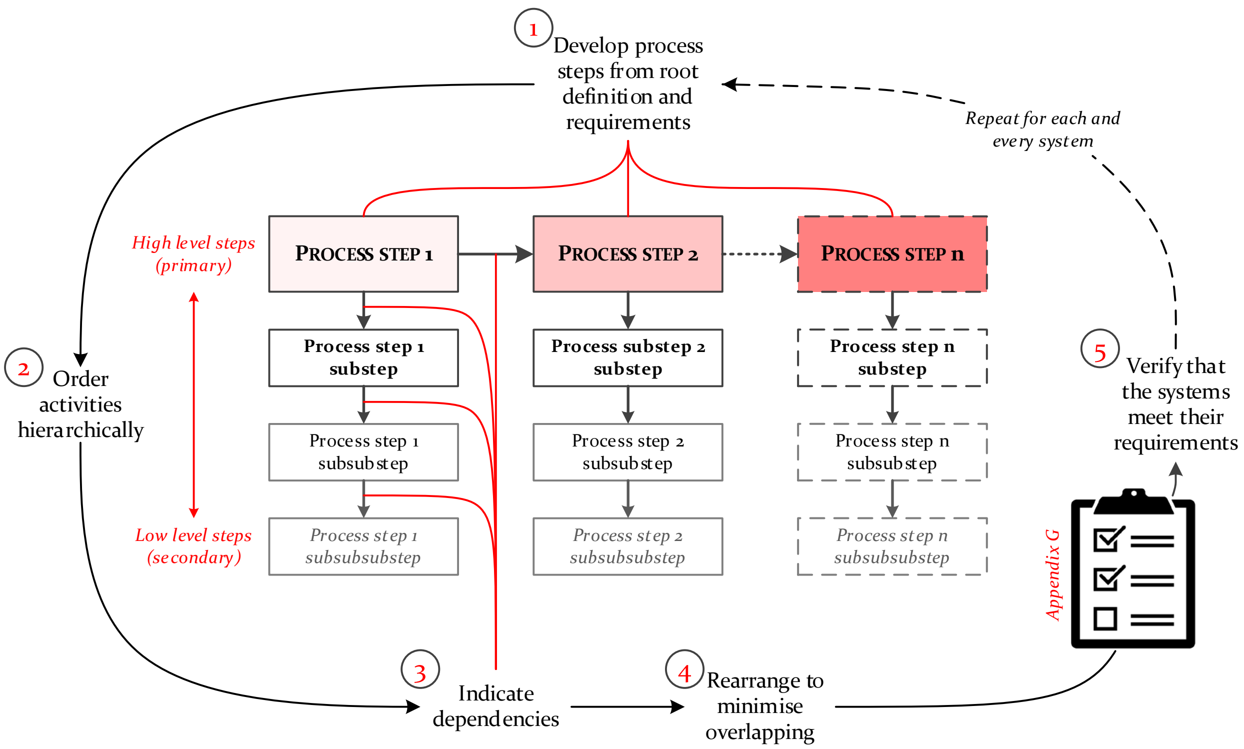


Figure 12-1 Design method portrayal

The steps which are taken to build the systems and the framework, i.e. the design method, are adapted from the approach given by Checkland (2000:30):

1. **Develop process steps (purposeful activities):** using verbs in the imperative write down activities necessary to carry out the transformation (T in CATWOE) of the root definition. These activities are however primarily developed from the set of requirements which were arrived at in Chapters 1 to 11
2. **Order activities:** the layout of activities must be simplified
    a. Select activities which could be done at once (i.e. not dependent on others)

   b. Place these activities in a line, and then those that are dependent on these first activities in a line
   c. Continue until all are accounted for
3. **Show relationships:** indicate the dependencies
4. **Rearrange process steps:** disentangle to avoid overlapping arrows where possible (for the framework it is necessary to add a means of assessing performance and include the aspects of the environment identified in CATWOE)
5. **Verify the systems:** check whether the systems (and hence the framework) exhibit all of the respective system requirements laid out in Chapters 1 to 11

The framework is thus a culmination of the highest order process steps of each system, as derived from the requirements set out in Chapters 1 to 11.

12.6.2 Conceptual models of purposeful activity systems

In this section, a number of purposeful activity systems, i.e. conceptual models of each of the systems that build the framework are shown and discussed. Each of the models are built by following the aforementioned design method for building purposeful activity systems.

It must be noted however, that the conceptual models (which effectively constitute the framework) are the final products of an iterative process that utilised the findings of the proceeding chapter on validation (i.e. Chapter 13). Therefore, although it may appear that there was a leap in the development of the framework given the reader's knowledge at this point, the conceptual models were only able to reach such a level of detail through an iterative approach resting heavily on the validation process. This is addressed clearly in Figure 13-1 of Chapter 13.2.

The subsystems on which the framework is built are based on the five high growth factors and the sustainable development factor, which are presented hereafter. All in all, this includes: the business model subsystem in Figure 12-2, the sustainable development subsystem in Figure 12-3, the business strategy subsystem in Figure 12-4, the innovation subsystem in Figure 12-5, the marketing subsystem in Figure 12-6, and the strategic alliance subsystem in Figure 12-7.

As the enterprise is a complex conglomeration of various interacting elements forming a cohesive whole, it is useful to utilise systems thinking to provide structure to any definition of action when improving the problematical situation. Each system thus acts as a device to be used in a learning process which aims to define desirable and feasible action to improve (Checkland & Poulter, 2010:197).

It should be noted that though all the steps in the systems have merit at the BOP, the considerations which are essential to BOP dealings are indicated in red writing (determined from literature and the validation process). It is through addressing many small considerations that would not be thought of without the aid of the framework that BOP oriented SMMEs will be able to improve their chances of attaining sustained high growth. Each model also shows the necessary inputs, the desired outputs, and a dashed red line which signifies the system boundary. Each block is a process step, and the arrows signify the order in which activities are best conducted, based on the literature review and systems thinking.

Table 12-2 provides a brief discussion of each subsystem, outlining their respective key roles.

Table 12-2 Framework subsystem discussion

Subsystem	**Discussion**
Business modelling	This relates the purposeful activities which the owner and managers of the BOP targeting SMME must conduct in order to develop an all-encompassing business model. The business model acts as the blueprint on which all of the enterprise's activities can be grouped, being influenced by information from all other subsystems and thus requires constant updating. The business model purposeful activity system is therefore not only a planning tool for before the enterprise lifts off, so to speak, but also an iteratively amended model of the business which ensures consistency, synergy, and fluidity among the operations of each of the nine building blocks
Sustainable development	This relates the purposeful activities which the owner and managers of the BOP targeting SMME must conduct in order to ensure that all activities in the SMME are sustainable, and thus foster sustainable development. As with the business modelling system, the sustainable development system requires constant attention, so as to ensure that not only the outcome of the enterprise is sustainable, but also so that each of its operations and choice of direction is congruent with the requirements of sustainable development. That means being economically, socially, and environmentally feasible on all counts. In essence, the system ensures that any changes are beneficial in all three dimensions, and that negative consequences are mitigated as far as possible
Business strategy	This relates the purposeful activities that the owner and managers of the BOP targeting SMME must conduct in order to identify or create blue oceans of uncontested market space. The role of the BOS system is to arrive at a blue ocean of uncontested market space, from which point solutions can be developed that minimise costs and maximise value for the BOP. Although the BOP is essentially a large blue ocean, there are still areas in which competition exists, and these pursuits should be avoided. Enterprises must rather opt to pursue new markets within the BOP, especially whilst still in the start-up phase. The system aids the SMME owners and managers in reorienting their mindset in terms of their approach to strategy. Shifting from a competitive to a blue ocean stance is critical. The next step involves incorporating the essential features of a good strategy in the enterprise's strategy. Thereafter the strategy canvas needs to be drawn up, which is achieved by following the listed steps. This includes the four actions framework for an initial idea of where to go, and then the six principles of BOS so as to arrive at a completely blue ocean of uncontested market space. Thereafter the blue ocean must be pursued
Innovation	This relates the purposeful activities which the owner and managers of the BOP targeting SMME must conduct in order to utilise the innovation process correctly, so as to arrive at an innovative value offering for the BOP through a continuous cycle of improvement. In essence, innovation acts as the feedback loop of BOS which aims to keep the ocean blue as long as possible. The innovation system not only helps in developing radical new value offerings for the BOP, it also acts so as to improve existing offerings through a process of continuous improvement. Moving from a passive to a creative innovative stance is the first step. After this orientation phase, the owners and managers must configure the innovation process by understanding what to look for in terms of improvement. Thereafter innovative solutions must be searched for. Selecting the solution is the next step, and decides the direction of the enterprise, making it critical. It is imperative to balance exploration and exploitation activities via an inclusive approach, to maximise impact and not waste resources. Steps must then be taken to create the solution, which is very context dependent, and then the innovative solution must be brought to the

Subsystem	**Discussion**
	market. By designing the innovation appropriately and marketing correctly, both market diffusion and adoption can then be maximised
Marketing	This relates the purposeful activities which the owner and managers of the BOP targeting SMME must conduct in order to arrive at a viable poverty alleviating value offering for the BOP market. The marketing system addresses the steps which must be taken to ensure the value offering not only arrives at a sizeable market, but also makes sure that the offering is addressing a real need in the market that is of value to the BOP. The first orientation step involves arriving at a holistic view of marketing, by understanding all of its dimensions. Focusing on the customer is the next step to successful marketing. When looking at the customer it is imperative to understand what needs exist, and how urgent they are, so as to develop solutions that people in the BOP will buy. Targeting specific market segments is important in that it ensures the enterprise knows how big the market is before assigning lots of resources to it, as scale at low cost is critical to success in the BOP. Market branding needs to then be developed in line with the segment being pursued, to maximise visibility and hone in on the market's specific desires. Whilst the solution is being developed, channels must be in place to ensure the offering is communicated and deliverable to the intended customers. Without this ability to reach and maintain relationships with consumers in the BOP, any innovative value proposition is futile. Consumers in the BOP don't often utilise the same forms of exchange as in the upper tiers, and for this reason it is necessary that the enterprise utilises those which exist in the BOP already. The end result of the marketing system is a suitable marketing mix which addresses each of the key areas of concern for BOP dealings. Only in this way will a value proposition to the BOP also be valuable to the SMME and the BOP customer
Strategic alliance	This relates the purposeful activities which the owner and managers of the BOP targeting SMME must conduct in order to develop safe and productive alliances with strategic partners. The strategic alliance system describes the key areas that must be addressed in forming official alliances with external parties (private sector partners; civil sector partners, including the BOP, private sector enterprises, and; partners from the public sector). It entails the key components of: determining if an alliance is strategically ideal; evaluating and selecting partners; designing the alliance via contracts and negotiations; managing the alliance; assessing it, and; renewing or potentially terminating it. With respect to alliance management, the subsystem outlines the role of: network development; cultural aspects; communication; relational dynamics; knowledge management and learning; resource management; alliance performance evaluation, and; risk management

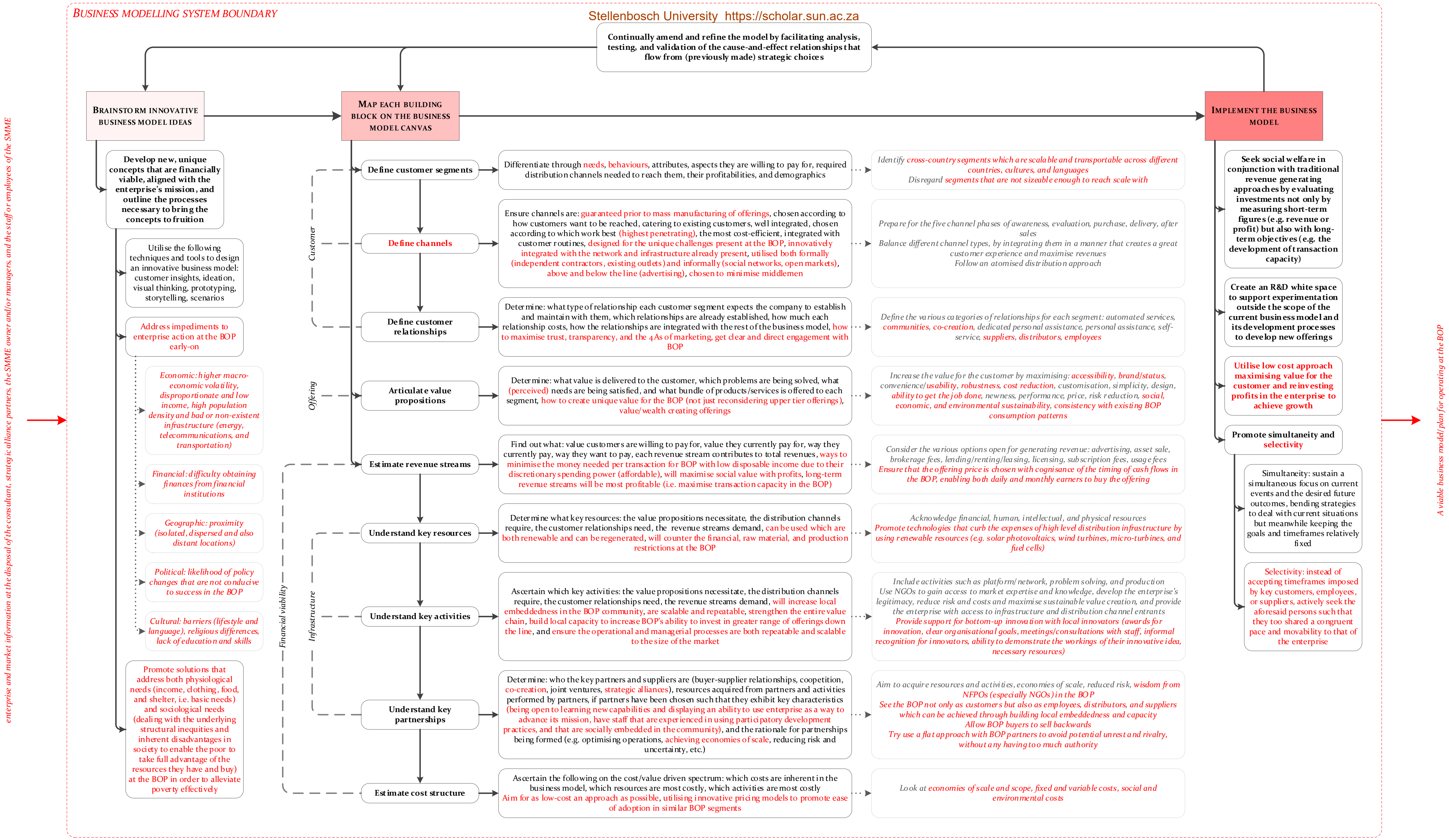


Figure 12-2 The business model purposeful activity system

Stellenbosch University https://scholar.sun.ac.za

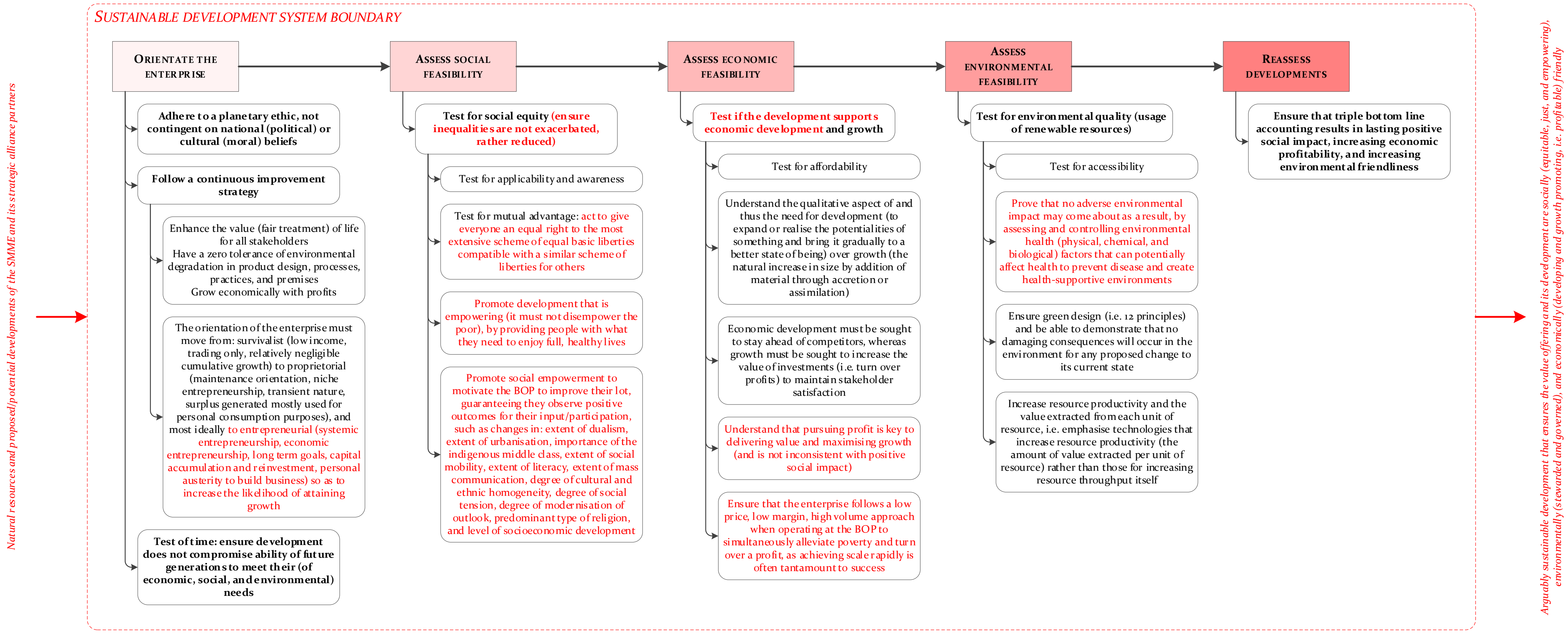
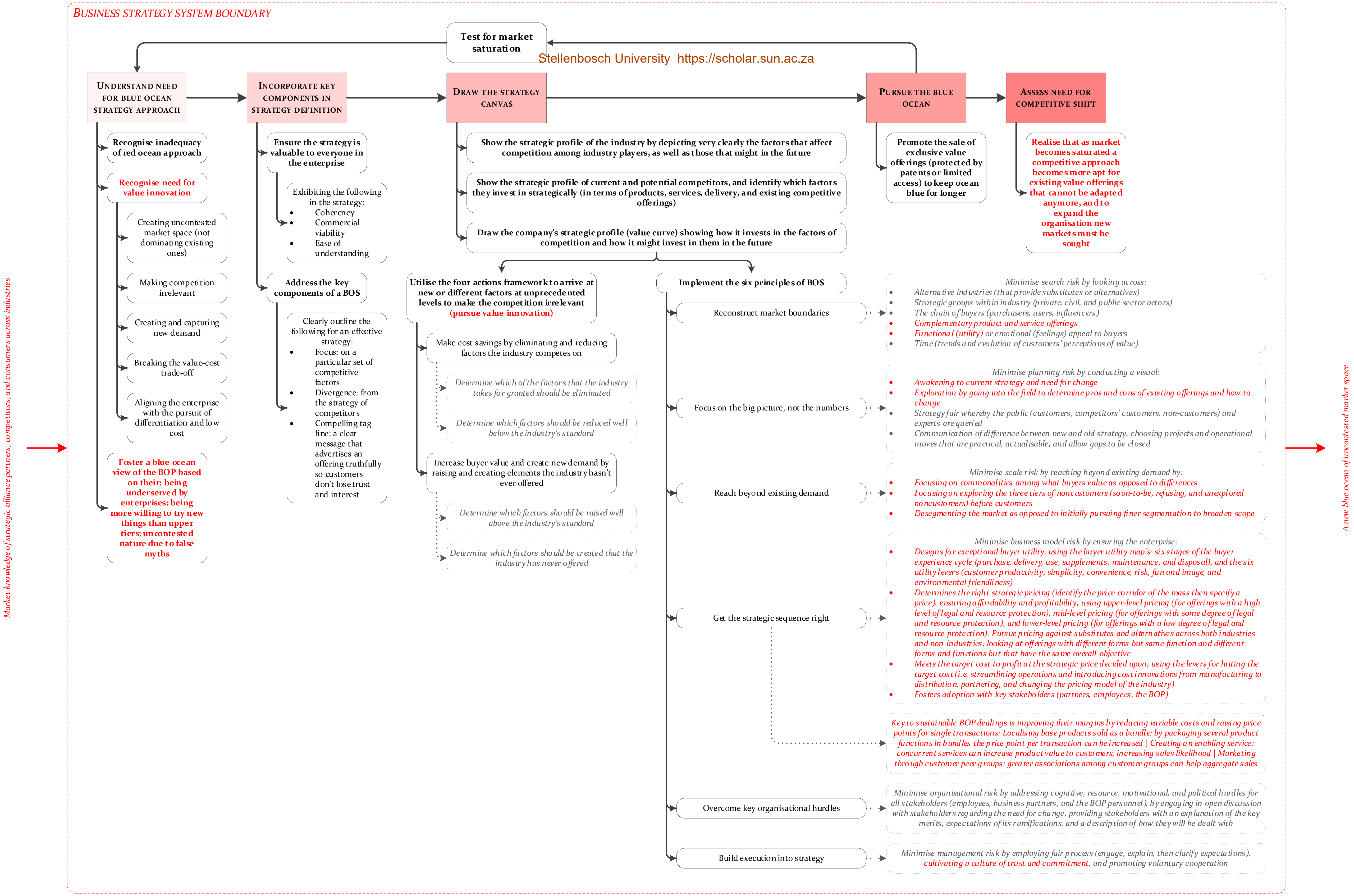
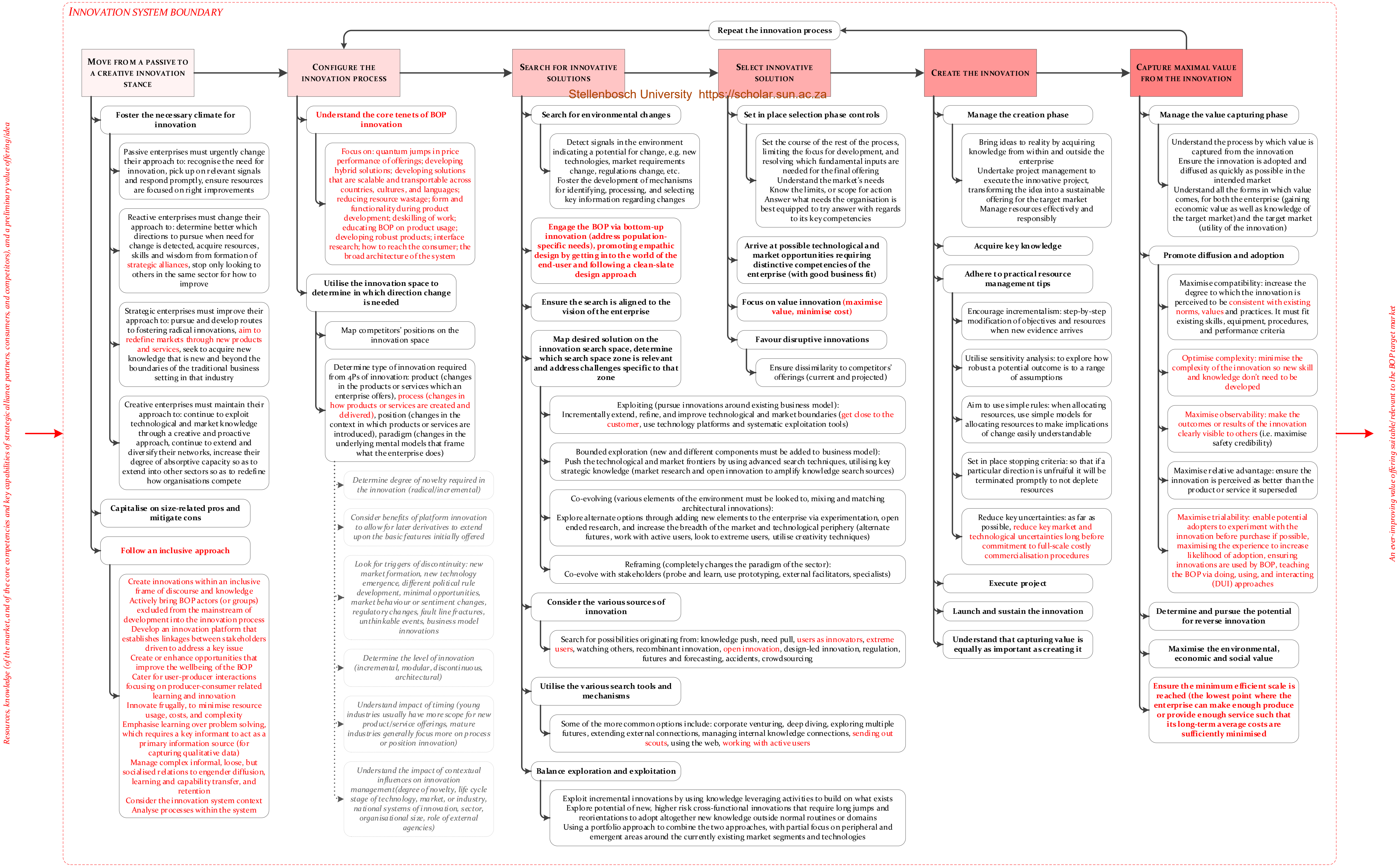


Figure 12-3 Sustainable development purposeful activity system



Stellenbosch University https://scholar.sun.ac.za

Figure 12-4 The business strategy purposeful activity system



Stellenbosch University https://scholar.sun.ac.za

Figure 12-5 The innovation purposeful activity system

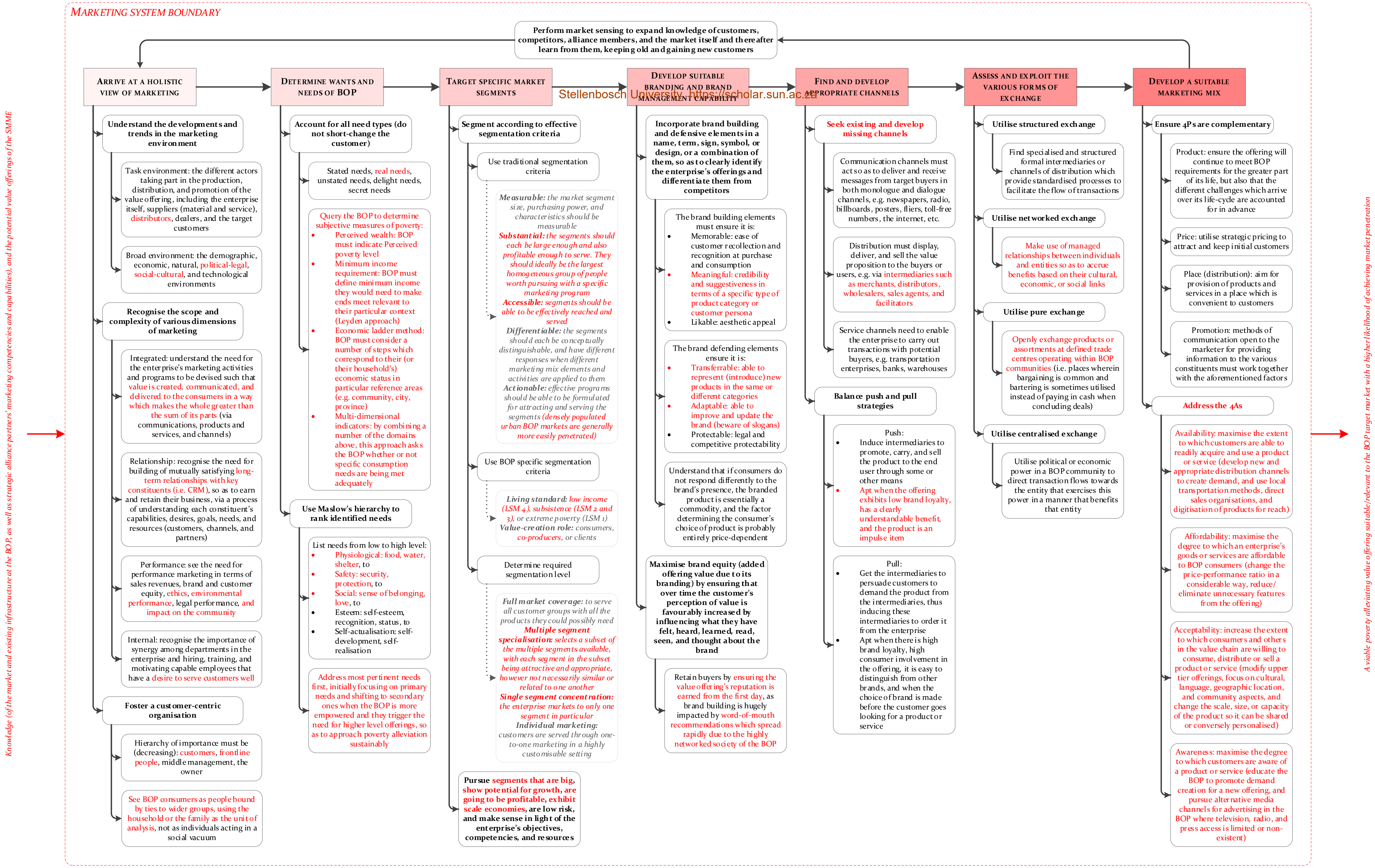


Figure 12-6 The marketing purposeful activity system

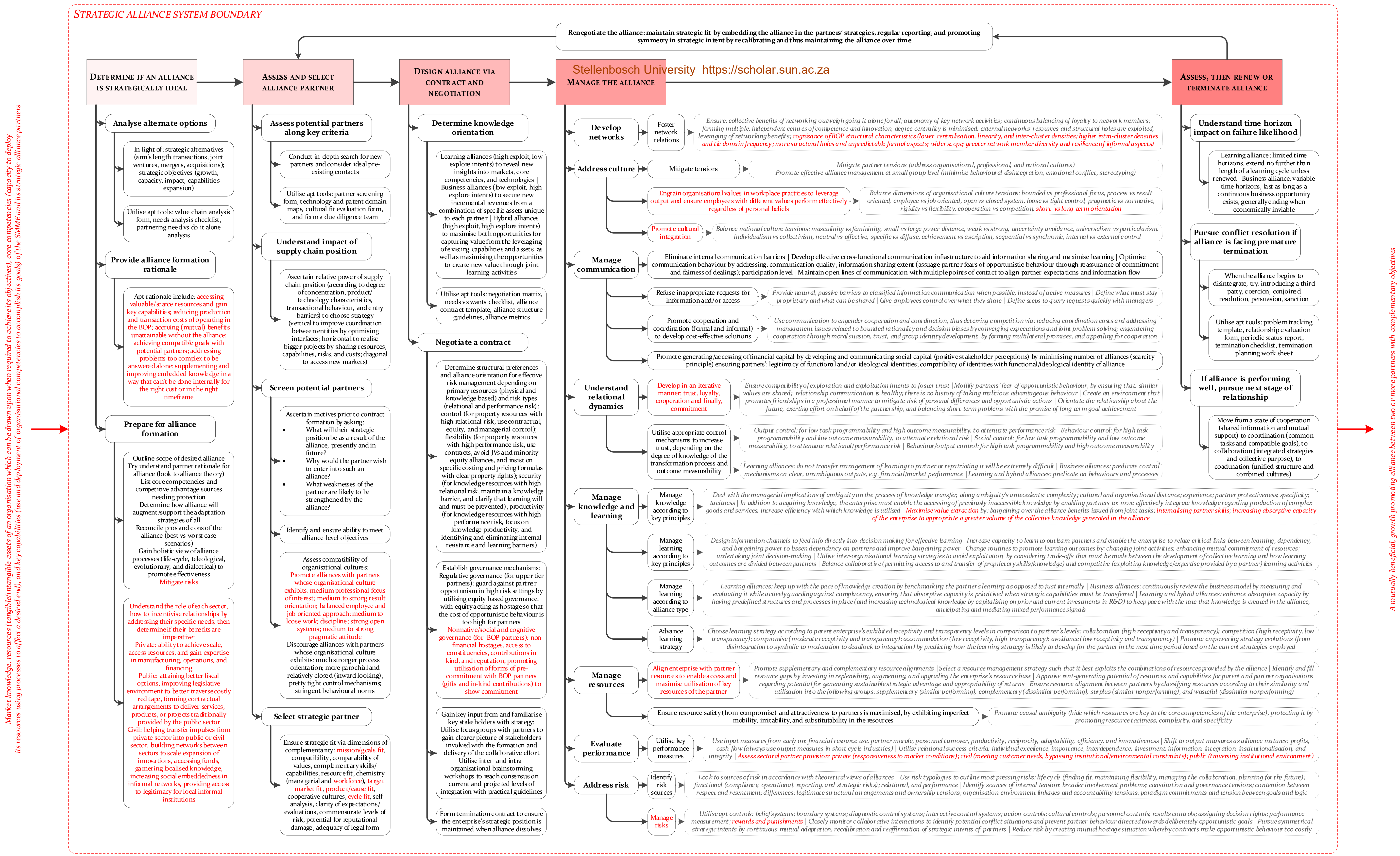


Figure 12-7 The strategic alliance purposeful activity system

In essence, each of the purposeful activity systems is basically an action-oriented summary of the respective high growth factors addressed in this dissertation, based on their respective root definitions. A final primary system is then used to bring together each of the subsystems (i.e. the framework). This layered structure is fundamental to systems thinking.

12.6.3 The high growth promoting framework for BOP targeting SMMEs

Figure 12-8 relates the manner in which the various framework subsystems (i.e. purposeful activity systems) fit into a unified whole, and therefore constitutes the growth promoting framework for BOP targeting SMMEs. As can be seen, each of the systems runs concurrently with the rest, in a continuous albeit dynamic cycle of progression. This layered structure shows the general advancement of the various processes in each system. However, many considerations need to be taken into account simultaneously, and there is no set step-by-step procedure which can be taken in any and every situation, so it must be understood that the framework can be approached from numerous angles for different circumstances, to suit the consultant in guiding the SMME owner or managers. One core idea behind the systems component of SSM is that it is environmentally adaptive, ensuring that the system can survive through time. According to Checkland and Poulter (2010:202), if a system is to survive the shocks it receives from the changing environment, it must incorporate communication processes to know what is going on as well as control processes which act as possible adaptive responses to the shocks. These processes are covered in detail in each of the subsystems.

Stellenbosch University https://scholar.sun.ac.za

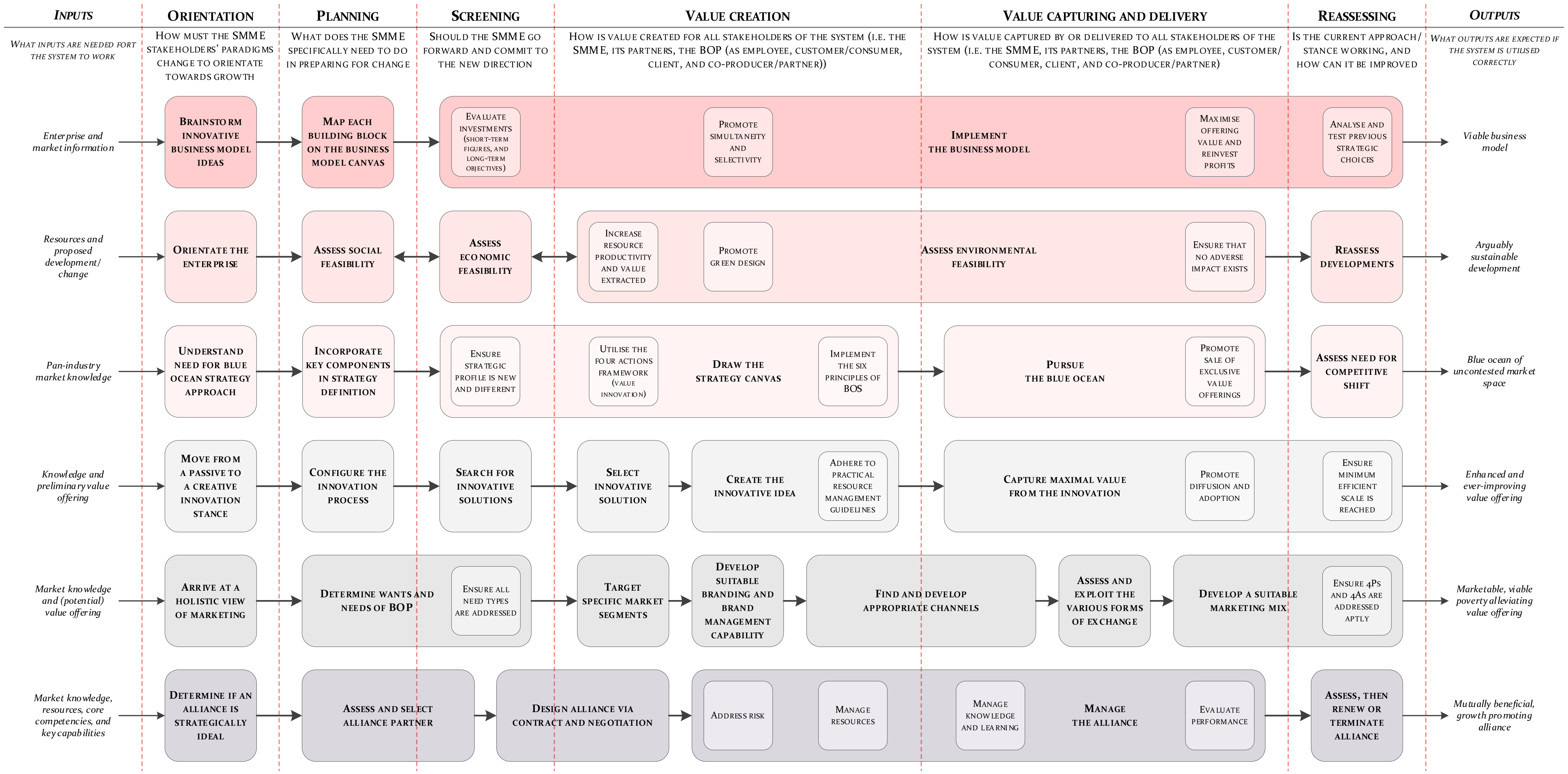


Figure 12-8 The high growth promoting framework for BOP targeting SMMEs

12.6.4 The high growth promoting BOP portfolio evaluation technique

In order to ensure that the conceptual models are of practical use in an SMME targeting the BOP, it is necessary to incorporate an evaluation process which complements the framework. This is done by combining the requirements of each system into a cohesive whole by making use of logical groupings, and converting them into questions which the SMME owners or managers can answer, and thereby determine the areas of the enterprise which are not consistent with the pursuit of high growth. This enables the owners or managers of the SMME to assess their enterprise's stance according to specific areas of the business, allowing for problems to be weeded out one by one.

12.6.4.1 Understanding the evaluation technique

The approach to evaluating the stance of SMMEs pursuing high growth at the BOP is outlined in Figure 12-9. It is advantageous in that it provides a visual and logical approach for SMME owners and managers to increase their enterprise's potential for attaining growth.

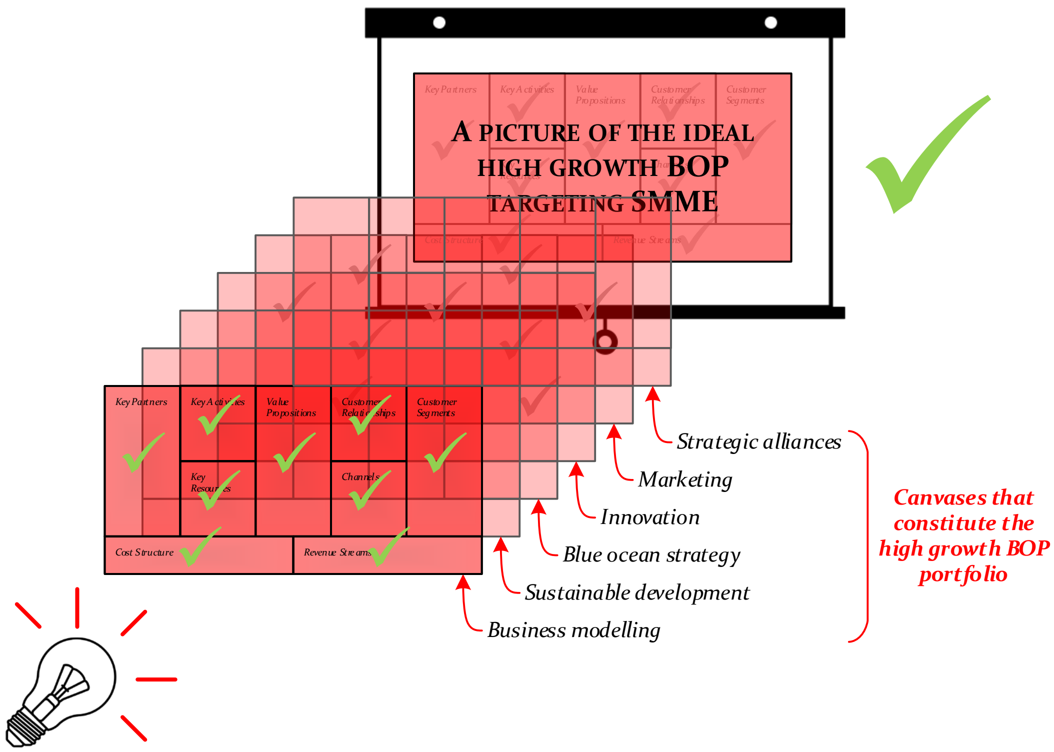


Figure 12-9 The high growth promoting BOP portfolio evaluation technique illustrated

In essence, the idea behind the evaluation portfolio is as follows. As the business model canvas is widely recognised as a reputable and all-encompassing view of the enterprise, due to its logical groupings of key areas of the enterprise (into the nine building blocks covered in Chapter 6), it was decided that the blueprint of the business model canvas be used as a template on which the requirements of the other high growth factors (and sustainable development) might be superimposed. In this way, each of the high growth factors is allocated a canvas of its own. This idea is more clearly seen in Figure 12-9 which shows each of the canvases aligned with one another as transparencies are in front of a projector. As the light of the projector shines through each of the transparent canvases, an increasingly clearer picture of the high growth BOP targeting SMME is arrived at, as shown on the screen in the background of Figure 12-9.

It is indeed true that some considerations for each of the factors are already addressed in the business model canvas itself, however not all the key factors are addressed. Beyond this, as will be discussed in the final chapter, through this portfolio approach it is easy to expand on each of the other high growth factors which have not been covered in this study.

12.6.4.2 EVALUATING THE ENTERPRISE'S GROWTH POTENTIAL

For brevity's sake, each of the questions which enterprise managers must answer when approaching the BOP market and managing the enterprise are laid out in Appendix P. The questions are divided primarily into the various systems of the framework and then into the building blocks of the business model canvas. Each list starts out with general questions regarding the necessary approach for each system.

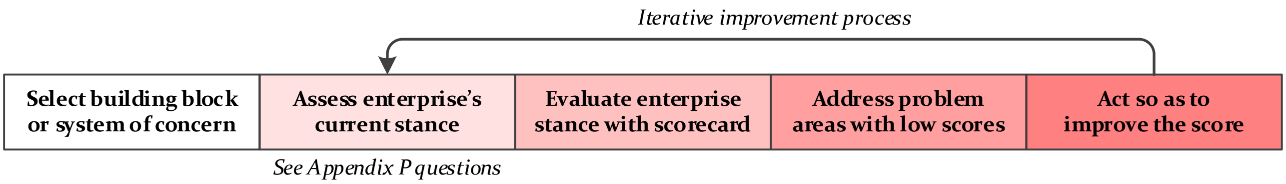


Figure 12-10 The process of the high growth promoting BOP portfolio evaluation technique

The expert evaluation process is portrayed in Figure 12-10. It must be understood that the procedure of analysing the position of the enterprise through the high growth BOP portfolio is an iterative one, requiring continual revision and reassessment. Osterwalder and Pigneur (2010:212) put it succinctly when they said "*like seeing the doctor for an annual exam, regularly assessing a business model is an important management activity that allows an organization to evaluate the health of its market position and adapt accordingly.*"

Table 12-3 portrays the BOP portfolio evaluation technique scorecard. It enables a consultant using the framework to assess the strategic stance of the SMME owners and/or managers by determining:

- The degree to which each system is correctly being used, and;
- The degree to which each of the building blocks of the enterprise are being addressed

Table 12-3 The BOP portfolio evaluation technique scorecard

Building blocks

Growth Factor Systems	General approach	Customer segments	Value propositions	Channels	Customer relationships	Revenue streams	Key resources	Key activities	Key partnerships	Cost structure	***Total system score***
BMS	∑YES	∑YES	∑YES	∑YES	∑YES	∑YES	∑YES	∑YES	∑YES	∑YES	∑∑YES ***/n***
SDS	∑YES	∑YES	∑YES	∑YES	∑YES	∑YES	∑YES	∑YES	∑YES	∑YES	∑∑YES ***/n***
BSS	∑YES	∑YES	∑YES	∑YES	∑YES	∑YES	∑YES	∑YES	∑YES	∑YES	∑∑YES ***/n***
INS	∑YES	∑YES	∑YES	∑YES	∑YES	∑YES	∑YES	∑YES	∑YES	∑YES	∑∑YES ***/n***
MAS	∑YES	∑YES	∑YES	∑YES	∑YES	∑YES	∑YES	∑YES	∑YES	∑YES	∑∑YES ***/n***
SAS	∑YES	∑YES	∑YES	∑YES	∑YES	∑YES	∑YES	∑YES	∑YES	∑YES	∑∑YES ***/n***
Total building block score	∑∑YES **/n**	∑∑YES **/n**	∑∑YES **/n**	∑∑YES **/n**	∑∑YES **/n**	∑∑YES **/n**	∑∑YES **/n**	∑∑YES **/n**	∑∑YES **/n**	∑∑YES **/n**	

Whereby:

- ∑YES equals the sum of affirmative yes responses for each question (listed in Appendix P) for each system's respective building block, or vice versa
- ∑∑YES represents the sum of the ∑YES responses for all systems pertaining to the building block being assessed
- **n** equals the total number of questions (listed in Appendix P) for all systems pertaining to the building block being assessed
- ∑∑YES represents the sum of the ∑YES responses for all building blocks pertaining to the system being assessed
- ***n*** equals the total number of questions (listed in Appendix P) for all building blocks pertaining to the system being assessed

Therefore, unity in every block of the **Total building block score** row and every block of the ***Total system score*** column represents full adherence to the framework's guidelines for each building block and each system respectively. The total framework score is the average of the sum of the scores for each building block or system, which should be unity for full adherence (i.e. maximum enterprise growth potential).

For sake of an example, a consultant evaluating an SMME owner's adherence to the framework's business modelling system would question the owner and sum up the total number of affirmative responses to the business modelling questions of Appendix P. The ratio of affirmative answers to the total number of questions would give an idea of the degree to which the owner has appropriately addressed business modelling at the BOP. Of course, this method does not account for the weighting of each question, but if that level of accuracy is desired, it would be up to the consultant to draw on his/her experience to add an importance weighting to the questions of the scorecard. It must be noted that different enterprise contexts at the BOP make coming up with a general weighting infeasible in the context of this study, e.g. industry characteristics, product life cycle stage, service versus product orientation, etc. The results of the survey findings of Chapter 13.5 would however provide a strong point of departure for a consultant seeking to incorporate this into their scorecard.

If unable to answer any of the questions with an affirmative *yes*, the SMME owners and/or managers pursuing higher growth would be guided by the consultant to the referenced section in the tables of Appendix P (for each respective question) of this document in order to address the specific concern in detail. In this way, the consultant can present the SMME owners and/or managers with the rationale behind making the necessary changes to adhere to the requirement, and will more likely influence their actions. A more detailed guideline for consultants is addressed in Chapter 14.3.

12.6.5 Reconciling the Framework with the Evaluation Technique

The reason behind utilising purposeful activity systems in the framework is for consultants to aid SMME owners and/or managers in relating the manner in which the enterprise will operate to its employees and stakeholders. This is put more succinctly by Checkland and Poulter (2010:226) who say:

> *In everyday situations, typical discussions among professionals are characterized by a remarkable lack of clarity. In a typical 'management' discussion in an organization, unless there is a chairperson of near-genius, different voices will be addressing different issues; different levels, from the short-term tactical to the long-term strategic, will be being addressed; different speakers will assume different timescales. The resulting confusion will then provide splendid cover for personal and private agendas to be advanced. Use of the models to help structure discussion enables us to do rather better than this.*

Therefore, the conceptual models which constitute the framework (i.e. its subsystems) are used by the consultant to bring about meaningful discussion with people at every level of the enterprise, whilst the evaluation portfolio is a specific tool for the consultant to utilise with the owners and managers to ensure all of the fundamentally relevant areas are addressed on an ongoing basis.

12.6.6 Framework Requirements Verification

Verification is required to check that a system meets a set of design specifications. For the purposes of this study, ensuring that the framework takes into consideration each of the requirements determined from Chapters 6 to 11 is sufficient to verify the framework, as the requirements are in actual fact the specifications which the framework must adhere to. Appendix G shows which primary process steps of the framework cover each requirement. The framework meets all of the requirements.

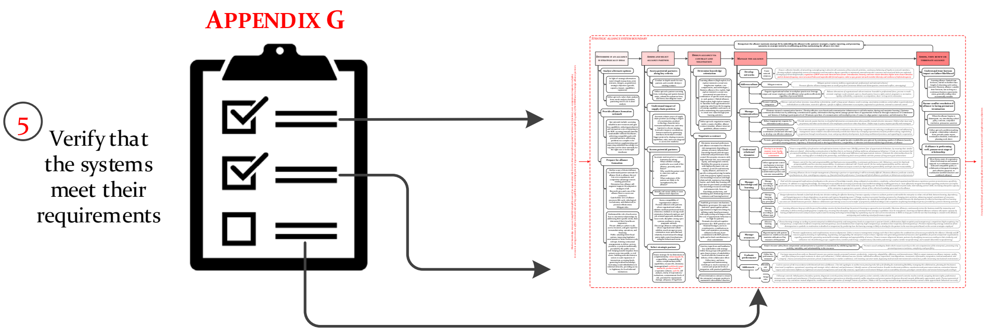


Figure 12-11 Verification step 5 illustration

Figure 12-11 illustrates step five of the design method, which is the verification of the systems and hence the framework, as outlined in Chapter 12.6.1.

12.6.7 Internal Evaluation of the Framework

In order to ensure the developed conceptual framework is credible, before the process of validating it externally began, it was necessary to ensure that it exhibited all of the key features of a framework, as established at the beginning of this chapter. The following factors are therefore explained to internally validate the framework and its subsystems:

1. **Integrative role:** the high degree of integration can be seen in how each of the high growth factors have been broken down into the nine fundamental building blocks of the business model canvas, effectively laying out the key constructs and presuming relationships among them
2. **Interpretative capacity:** the developed framework gives consultants a tool by which they can convey the necessary steps required of the owner and managers of an SMME for improving the growth potential. The framework thus provides a clear understanding of not only what will bring their enterprise to achieve higher growth but also how it should be attained through purposeful activity systems which supplement the framework
3. **Delivered understanding:** by providing the consultants, and thus the SMME owner and/or managers, with links to the respective sections of this study, a deeper understanding of the rationale for each consideration is given, bolstering their understanding

4. **Soft interpretation:** the framework aims to define the route which must be taken by SMME owners and managers (through counsel with a consultant) in developing an ideal BOP value offering to maximise sustainable impact, looking beyond just hard contextual facts
5. **Indeterminism:** the framework is indeterminist in nature in that it is a broad ranging model applicable to a host of environments with various inputs and outputs. Its goal is to aid in increasing the likelihood of achieving higher growth rates, not to predict the exact outcome of some or other set of activities. This is further evidenced by the fact that no single step in the framework can cause the entire construct to fail if not adhered to specifically. The whole is greater than the sum of its parts
6. **Constructability:** the framework was built through a process of qualitative analysis, in a repeatable manner, founded on a detailed systematic literature review process which would lead other researchers to a very similar, if not exact same, set of key factors
7. **Multi-disciplinary nature:** the various high growth factors incorporated into the framework ensure that it is a multidisciplinary construct, bringing about consensus among the different fields

Thus, the developed framework is preliminarily deemed as adequate, based on how it exhibits the key features of frameworks. In the following chapter, the means of externally validating the framework is discussed as well as the validation route that influenced the iterative development of the final framework portrayed in this chapter.

12.7 Conclusion

This chapter answered the main research question, as well as a few other research sub-questions, each of which were laid out in the beginning of the chapter. The answers to each of these questions are summarised now.

First off, each of the factors was applied to the BOP context in the previous six chapters. Firstly, the business model high growth factor was applied to the BOP in Chapter 6. Secondly, the sustainable development factor was applied to the BOP in Chapter 7. Thirdly, the business strategy high growth factor was applied to the BOP in Chapter 8. Fourthly, the innovation high growth factor was applied to the BOP in Chapter 9. Fifthly, the marketing high growth factor was applied to the BOP in Chapter 10. Lastly the strategic alliances high growth factor was applied to the BOP in Chapter 11.

A conceptual framework was found to be defined as a network of interlinked concepts that work together to deliver a comprehensive understanding of a phenomenon or phenomena. Conceptual frameworks were also shown to exhibit a number of essential features which include: an integrative role, an interpretative capacity, a delivered understanding, soft interpretation, indeterminism, constructability, and a multi-disciplinary nature.

The procedure determined for constructing the conceptual framework exhibits many similar characteristics to SSM (see Chapter 2.4.2) and the comprehensive systematic literature review method (see Chapter 5.3). The phases of the process for constructing the framework are:

1. Mapping the selected data sources
2. Extensive reading and categorising of the selected data
3. Identifying and naming concepts
4. Deconstructing and categorising concepts
5. Integrating concepts
6. Synthesis, resynthesis, and making it all make sense
7. Validating the conceptual framework (addressed in the next chapter)
8. Rethinking the conceptual framework

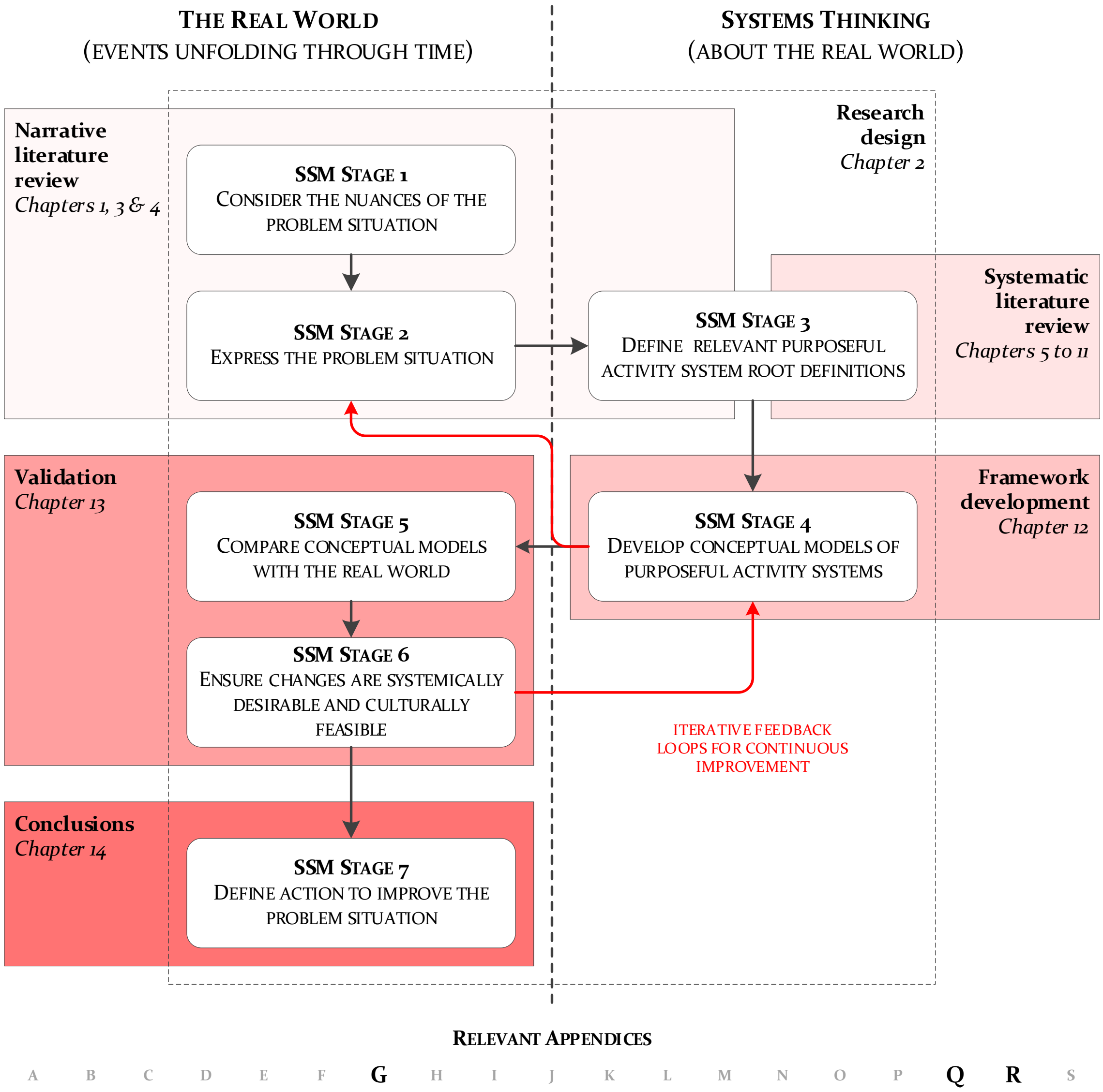
For a better understanding of the overlap between SSM and the conceptual framework development process, please see Chapter 12.5, specifically Table 12-1. The design method used for constructing the individual systems can be seen in Chapter 12.6.1.

The high growth promoting framework for BOP targeting SMMEs is portrayed in Chapter 12.6.3 in Figure 12-8 which shows the framework, essentially orientating the relationships which exist between each of the subsystems by aligning the systems with key steps in the value creation process. The conceptual framework combines the five high growth factors of business planning, business strategy, innovation, marketing, and strategic alliances with the extra vital factor of sustainable development, and brings them into a cohesive whole. It shows that each is unique yet complementary to one another, and to some extent even dependent on one another.

A high growth promoting framework specifically tailored to BOP targeting SMMEs was thus developed and an evaluation technique incorporated with it. The framework is advantageous in that it provides a means for consultants to guide SMME owners and managers in explaining to employees and stakeholders in what direction the enterprise must act, whereas the evaluation portfolio aids the consultant in determining what the stance of SMME owners and/or managers is with regards to their orientation towards growth.

CHAPTER 13

VALIDATION



"Essentially, all models are wrong, but some are useful."

Box and Draper (1987)

13.1 Introduction

In order to prove the accuracy of the developed framework, as well as its adequacy, the findings and the framework must be validated. According to the iterative tenet of SSM, the entire research process is one of continuous internal validation, although external validation is also needed so as to determine the practical value of the framework in reality. To this end, the various options available to validating the developed framework are deliberated upon and thereafter the routes to validation are discussed and shown.

As portrayed in Figure 2-1 of Chapter 2.2, this chapter constitutes stage five and stage six of the SSM approach used throughout this study (Checkland & Scholes, 1990:211).

The research sub-questions which are answered in this chapter include:

- What routes to validation exist?
    - How can a case study be used to validate the framework?
    - How can interviews with experts be used to validate the framework?
    - How can a survey be used to validate the framework?
- Are the framework and the findings of this study valid for the attaining of higher growth in BOP markets for SMMEs?

13.2 Various routes to validation

There exist four commonly utilised routes to validating claims made by researchers, including implementation, application to case studies, interviews with experts, and survey analyses. Each exhibits its own set of strengths and weaknesses.

The first available route to validating the framework is through implementation. Although it is the truest test of the workability of a concept, it requires time, resources, and repetition across a range of different factors and environments so as to be proven as broadly applicable. As already established in the limitations of Chapter 1.4.3.3, the time constraint on this study made it infeasible to test the framework practically through implementation. Furthermore, there are impracticalities that make implementing it improbable, even with sufficient time. For instance, finding an enterprise whose owner and/or managers would be willing to radically restructure their entire strategy and enterprise, or a consultant willing to risk their reputation by making use of an unproven framework to test its effectiveness is unlikely.

The second route to validating the framework is however suitable, and pertains to conducting a case study. By applying the framework to an appropriate case study, the framework can be shown to be useful in that it may bare resemblances to what worked in reality, or in that it shows how an enterprise might have avoided some negative repercussions from doing the wrong thing if only it had adhered to the framework's guidelines. However, case studies are easily manipulated due to hindsight bias, and are very specific to the setting in which they occur, making it difficult to apply the framework and validate its applicability across a broad range of factors. For this reason, interviews are used in conjunction with it, as will be discussed shortly.

The third route to validation is also deemed suitable, namely the use of interviews. Interviews are basically meetings in which information is obtained from the interviewee so as to refute or confirm the claims made by a researcher. The four forms of interviews described by Mouton (2011) include structured self-administered questionnaires, structured telephone interviewing, semi-structured interviewing, and free attitude interviewing methods. Of these forms, the semi-structured interviewing method was selected, as it allows for open discussion based on open ended questions, drawing on insights of the interviewees who can be chosen from various fields of expertise.

The fourth route to validation is through survey analyses. This is a quantitative approach to validating the framework, and requires the framework's components to be deemed necessary and useful by those whom it is intended to help. It is ideal however for the survey to be predicated on components of a deductively developed and screened framework whose validity has already been ascertained, so as to not waste time getting feedback that says its components are mostly irrelevant. Therefore, the survey is conducted after the screening interviews have validated the framework.

For the purposes of this study, the author has performed a case study, expert analyses via semi-structured interviews, and a survey analysis in a three-pronged approach to validating the findings. The first two approaches are qualitative in nature, subject to the interpretation of the validator and his choice of case study. For this reason, a survey instrument is advantageous in that it provides an empirical basis on which to strengthen claims of validity. Thus, the validation process is primarily qualitative in nature, yet backed by a quantitative survey tool.

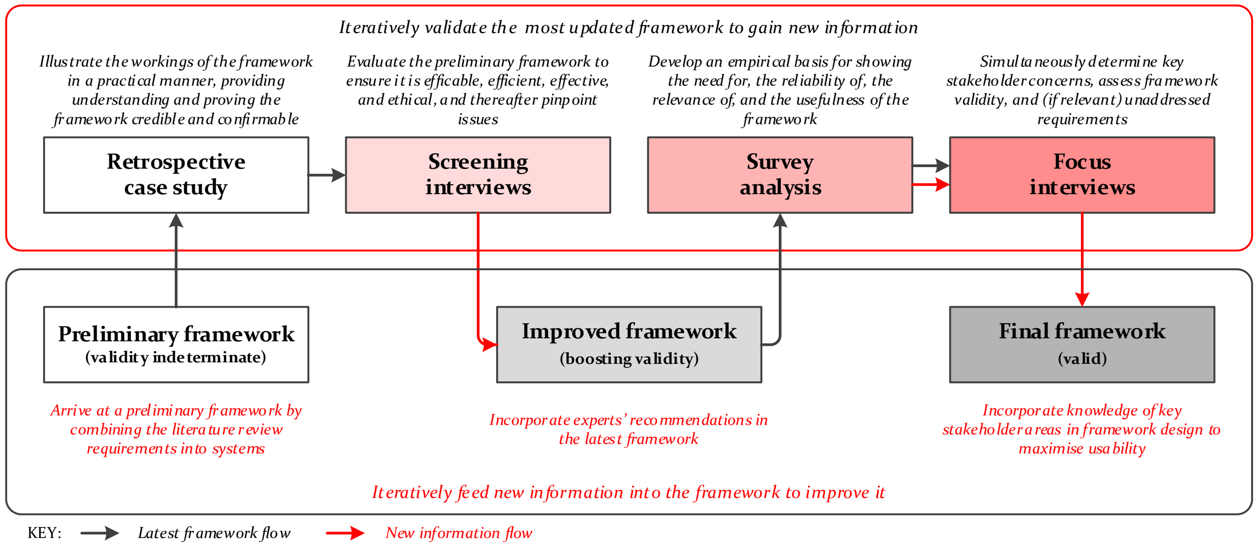


Figure 13-1 Route to validation

Figure 13-1 provides an outline of the logic surrounding the route to validation followed in this chapter. To begin with, a case study was conducted on the first iteration of the framework and its subsystems to prove the framework is credible and confirmable.

Thereafter, the framework and case study as they stood at that time were included in the screening interviews with experts which aimed at determining the framework's efficacy, efficiency, effectiveness, and that it is ethical. After each interview, the case study and framework (including all of its subsystems) were updated in an iterative fashion. After the first five interviews, the framework and case study had sufficiently congealed into a set form to allow the survey to be formulated. The assessment conducted to ensure that this point had been reached was based on the measures of performance defined by the SSM process in Chapter 2.2.6. Furthermore, the changes required for each iteration were minimal due to the very detailed and structured approach followed in the framework's development.

The survey instrument was then designed to incorporate all the key features of the framework at that point in time, so as to assess the framework's validity in an empirical manner and prove the need for the framework, its reliability, its relevance, and its usefulness. After receiving the feedback from 57 credible survey respondents who supported the validity of the framework, and who themselves are social entrepreneurs operating in the BOP, the final step of the validation process was ready to commence.

To finalise the validity of the framework and simultaneously increase its usefulness, the final semi-structured focus interviews with experts were used to determine both the validity of the framework, and the key areas that must be addressed prior to dealing with key stakeholders.

It must be noted that anonymity of all interview experts and survey respondents was guaranteed to promote honesty (e.g. if a survey respondent knew his name was going to be listed next to his feedback, it is only natural that he would be tempted to exaggerate his enterprise's standings if they are in reality undesirable, with the converse being true also), and furthermore to not deter them from divulging sensitive information that is useful.

13.3 Retrospective case study

Validation of the arrived at framework was first achieved through its application to a case study. In this section, the Jaipur Rugs case study is conducted to highlight the specific factors covered by the framework in the BOP context. Before diving into the case study, it is necessary to understand what approach will be used as well as what criteria need to be satisfied for the case study to be relevant, seeing as it is based on an international enterprise.

A case study can be defined as a "*systematic inquiry into an event or a set of related events which aims to describe and explain the phenomenon of interest*" (Bromley, 1990:302). According to California State University (2015), case studies "*do not focus on the discovery of a universal, generalizable truth, nor do they typically look for cause-effect relationships; instead, emphasis is placed on exploration and description*." Thus, a case study will be used to explore and describe the use of the framework in light of the case study.

In essence, the case study typically examines the interplay of a number of variables in the hopes of providing a clearer and more complete understanding of an event. This comprehensive understanding is arrived at through a process of thick description, providing "*an in-depth description of the entity being evaluated, the circumstances under which it is used, the characteristics of the people involved in it, and the nature of the community in which it is located*" (California State University, 2015). This requires that demographic and descriptive data, including cultural norms and community values, attitudes, and motives are addressed.

Case studies are furthermore ideal due to their ability to bring about holistic understanding of a situation through use of inductive logic, i.e. reasoning from specific to more general terms.

13.3.1 Case study approach

According to the California State University (2015), the researcher must first choose between a prospective and retrospective case study approach. Prospective studies, although novel due to the fact that they require new studies to be conducted for the first time, are more resource intensive and are often more ambiguous due to their relatively understudied nature. Retrospective studies on the other hand analyse pre-existing cases which do not require fresh involvement on the researcher's part with the entity under examination. This is advantageous in that these cases have generally already been established as relevant to a specific field. Due to this advantage, a retrospective approach will be used.

Four types of case studies commonly utilised include illustrative, exploratory (pilot), cumulative, and critical instance case studies (California State University, 2015). Illustrative ones are primarily descriptive in nature, looking at an instance of an event to show what a situation is like. They basically act so as to make the unfamiliar familiar to the reader and to provide readers with a common language regarding the topic in question, e.g. high growth enterprises acting at the BOP. Exploratory case studies help identify questions, and determine types of measurements that are suitable for a given investigation, thus they act as a pilot investigation before a large scale one is conducted. Cumulative case studies aggregate information from a number of sites, each collected at different times. It allows for greater generalisation in new studies which can build on past studies without the need for additional costs or repetition of studies, time and time again. Lastly, critical instance case studies are used to examine situations of unique interest, or to challenge a highly generalised or universal assertion.

For the purposes of this study, an illustrative retrospective case study is therefore deemed suitable for validating the framework.

13.3.2 Case study suitability criterion

In order to ensure that the case studies adopted for validating the framework are appropriate, it is important that it satisfies certain criteria which the framework was designed around. The case studies adopted must therefore adhere to the following criteria regarding the enterprise:

- **Comparability:** catering for the international nature of the case, the context of the case study (i.e. economic, political, and social) must be comparable to that of South Africa
- **Profit orientation:** the enterprise must operate with a for-profit approach
- **Size:** the enterprise must have started out as an SMME
- **Growth:** the enterprise must have experienced rapid growth
- **Social impact:** the BOP must have been impacted significantly and positively as a result of the enterprise's initiatives

13.3.3 The Jaipur Rugs case study

One such case which satisfies each of the aforementioned criteria is that of the Indian enterprise called Jaipur Rugs. Before diving into the case, it is prudent to ensure that its tenets are applicable to a South African context, and to ensure this, a brief comparison of the two countries was conducted. Once the case has been discussed, the importance of each of the factors addressed in the framework is shown in light of the Jaipur Rugs case. It should be noted that facts which are not backed up with a specific reference per se are all available in *The Fortune at the Bottom of the Pyramid* by Prahalad (2009).

13.3.3.1 Comparability of the South African and Indian BOP

According to the highly acclaimed statistical comparison website NationMaster (2015) and the Central Intelligence Agency (CIA, 2015) records, India and South Africa have many similarities which makes them relatively comparable regarding the BOP market. Table 13-1 gives a brief comparison of the two countries on some key measures based on these sources.

Table 13-1 Comparison of key BOP measures for India and South Africa

Key measure (year)	**India**	**South Africa**
Agricultural land	60.5%	79.4%
Environmental concerns	Deforestation; soil erosion; overgrazing; desertification; air pollution from industrial effluents and vehicle emissions; water pollution from raw sewage and runoff of agricultural pesticides; tap water is not potable throughout the country; huge and growing population is overstraining natural resources	Lack of important arterial rivers or lakes requires extensive water conservation and control measures; growth in water usage outpacing supply; pollution of rivers from agricultural runoff and urban discharge; air pollution resulting in acid rain; soil erosion; desertification
Languages (2015)	15	11
Age structure (2015)	0-14 years: 28.09% 15-24 years: 18.06% 25-54 years: 40.74% 55-64 years: 7.16% 65 years and over: 5.95%	0-14 years: 28.43% 15-24 years: 18.52% 25-54 years: 41.07% 55-64 years: 6.53% 65 years and over: 5.46%
*Dependency ratio (2015)**	Total dependency ratio: 52.4% Youth dependency ratio: 43.9% Elderly dependency ratio: 8.6% Potential support ratio: 11.7%	Total dependency ratio: 52.1% Youth dependency ratio: 44.5% Elderly dependency ratio: 7.7% Potential support ratio: 13.1%
Literacy (2015)	Definition: age 15 and over can read and write Total population: 71.2% Male: 81.3% Female: 60.6%	Definition: age 15 and over can read and write Total population: 94.3% Male: 95.5% Female: 93.1%
Unemployment, youth ages 15-24 (2012)	Total: 10.7% Male: 10.4% Female: 11.6%	Total: 51.5% Male: 47.1% Female: 56.9%
Legal system	Common law system based on the English model; separate personal law codes apply to Muslims, Christians, and Hindus; judicial review of legislative acts	Mixed legal system of Roman-Dutch civil law, English common law, and customary law
GDP composition by sector of origin (2014)	Agriculture: 17.9% Industry: 24.2% Services: 57.9%	Agriculture: 2.4% Industry: 28.5% Services: 69.1%
Labour force by occupation (India 2012, South Africa 2014)	Agriculture: 49% Industry: 20% Services: 31%	Agriculture: 4% Industry: 18% Services: 66%
Unemployment rate (2014)	8.6%	25.1%

Key measure (year)	**India**	**South Africa**
Population below poverty line (India 2010, South Africa 2012)	29.8%	35.9%
Cellular phone subscriptions per 100 inhabitants (2014)	76	150
Population with internet access (2014)	19.2%	46.9%
Rural population (India 2005, South Africa 2003)	488.84 people per square km of arable land	129.44 people per square km of arable land
Terrain	Upland plain (Deccan Plateau) in south, flat to rolling plain along the Ganges, deserts in west, Himalayas in north	Vast interior plateau rimmed by rugged hills and narrow coastal plain

** The dependency ratio is an age-population ratio of those typically not in the labour force (the dependent part), and those typically in the labour force (the productive part). It is used to measure the pressure on productive population*

It must be noted that an analysis of the similarities and differences between the two economies would require numerous pages of research, however for the purposes of this study, India provides a sufficiently comparable environment for business with respect to the South African BOP business climate. Both are still developing countries with relatively high poverty rates, and both face political upheavals which complicate matters for SMMEs. Though the nature of the difficulties may be different, they are still present and cause difficulties for SMME owners and managers.

Though the case of Jaipur Rugs may not be simply cut and paste into the South African context, it still provides a clear example of how the positive impacts an enterprise operating in a BOP market with multiple constraints and impediments to success can cause positive social change as well as remain strongly profitable.

13.3.3.2 Introduction to Jaipur rugs

The Jaipur Rugs case provides a clear example of how an enterprise can profitably benefit the poor through engaging with them in developing offerings for global markets. Jaipur Rugs achieves this through developing and coordinating a global supply chain which operates on a huge scale. Through redefining their business model, they have been able to develop human capability and skills from a grassroots level, whilst providing steady and often growing incomes for the poor men and women in India, even in the most poverty-stricken regions. This is achieved through connecting the local poor with global markets.

Thousands of workers operate independently to create consistently high-quality rugs. These independent workers operate on a complex, yet decentralised basis orchestrated by Jaipur Rugs. Not only are traditional weavers sought by the enterprise, but the enterprise also teaches people who know nothing about weaving what they need to know in a very short period of time. One of the enterprise's secrets is to select those people who exhibit potential and have an interest aligned with the enterprise's views of craftsmanship and quality.

Raw materials are brought in from all over the world, distributed to weavers around India, and then processed into high quality rugs with designs that are innovatively given to weavers. Through a resolutely well-maintained quality control procedure the end products are kept to standard.

In essence, Jaipur Rugs provides a unique yet dynamic example of the potential for developing profitable commercial links across not only the great wealth-poverty divide but also across countries.

13.3.3.3 BRIEF HISTORY OF JAIPUR RUGS

The founder of Jaipur Rugs, N. K. Chaudhary, grew up in a small Indian town in Rajasthan, where he graduated from the University of Rajasthan and began working for his family's shoe shop. Deciding to rather venture out on his own path, he looked to high-quality rug weaving which he had heard was in demand. After purchasing two looms and installing them at his house, he learned the tricks of the trade from local weavers and proceeded to expand his business, first purchasing six more looms for his house and then opening up extensions in six nearby villages.

Chaudhary's entrepreneurial drive eventually led him to Jaipur, the capital of Rajasthan, wherein he started his career in rug exports. Though he had initially been exporting with his brother, they split ways in 1999, after which Chaudhary officially registered his enterprise as Jaipur Rugs in 2006. By 2008 his enterprise was the biggest manufacturer and exporter of Indian hand-knotted rugs. The enterprise's fiscal annual revenue was as high as US$21.1 million, with a CAGR exceeding 38% from 2005 to 2008.

In terms of employees, Jaipur Rugs employs roughly 300 direct, full-time employees, of which: seven are family members, 226 are headquarters employees, and 70 are regional branch office staff (which includes 40 area commanders). Indirectly, Jaipur Rugs employs roughly 40,000 contractors of which 28,000 are weavers, and 12,000 are general labourers which are necessary for the manufacturing process.

13.3.3.4 JAIPUR RUGS ECOSYSTEM

Four separate entities, each managed by a member of Chaudhary's family, make up the Jaipur Rugs operation, with a detailed breakdown of the entities shown in Figure 13-2.

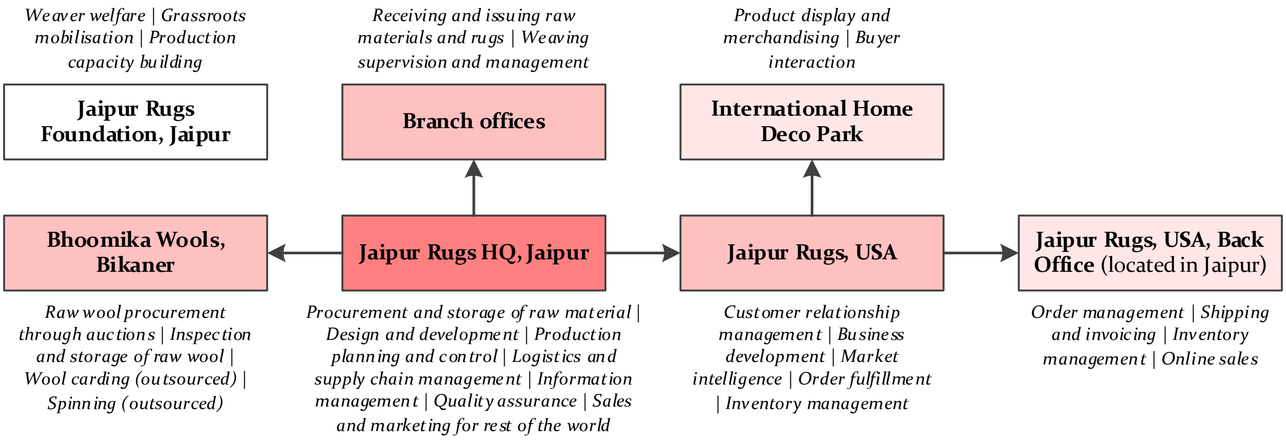


Figure 13-2 Jaipur Rugs entities breakdown

The entities and their respective responsibilities in the business are as follows:

- **Jaipur Rugs Company (JRC):** takes care of operations from raw material procurement to final sale, in every market except the USA. The JRC headquarters are in Jaipur, and the JRC showroom is at the International Home Deco Park (IHDP) in Delhi. Beyond this the JRC has 22 branch offices spread across northern and western India
- **Jaipur Rugs Incorporated (JRI):** is run from Atlanta, Georgia, and handles distribution, marketing, and sales in the USA. Only a handful of people work at JRI
- **Jaipur Rugs Foundation (JRF):** is an NPO which was established to promote enlistment of grassroots weavers, as well as to improve the lot of weavers (and their families) that already work indirectly for the enterprise. Employees working in this department act as field employees, working with the communities, with only a few at the headquarters
- **Bhoomika Wools:** exists solely to assist in the process of acquiring wool for Jaipur Rugs

13.3.3.5 Jaipur Rugs production process

The production process comprises a complex system from sourcing of raw materials all the way to delivering the finished product to end users across the globe. As mentioned the rugs are produced by 28,000 rural weavers across seven Indian states, with the support of 12,000 production workers, each of whose efforts are kept under surveillance with detailed quality control and logistics systems. Figure 13-3 shows a simplified version of the Jaipur Rugs supply chain.

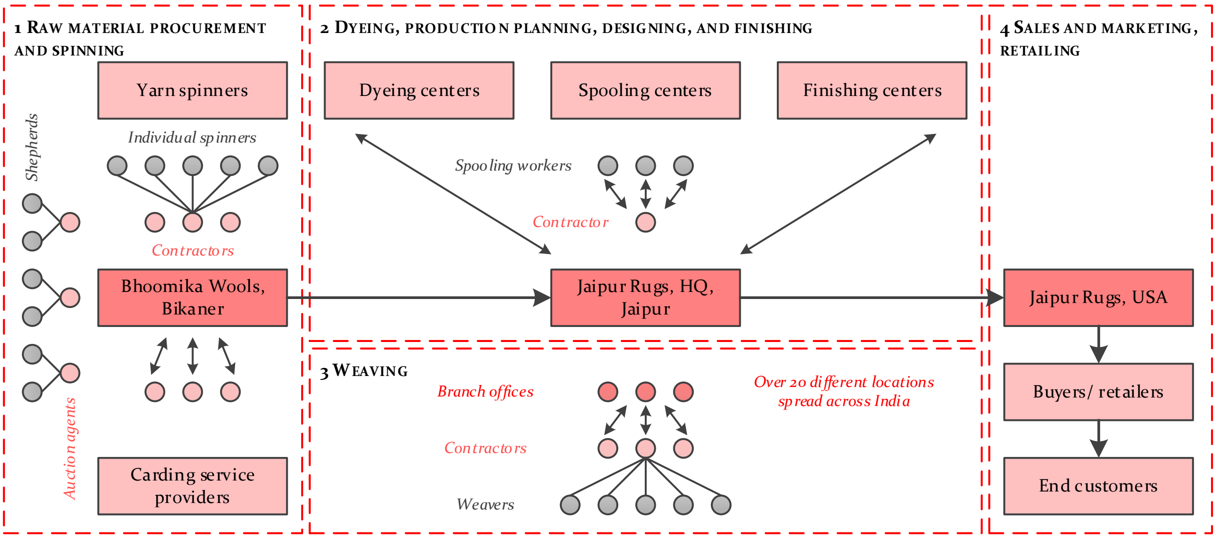


Figure 13-3 The Jaipur Rugs supply chain

As can be seen, Jaipur Rugs outsources the yarn spinning, carding, dyeing, spooling, weaving, and finishing to contractors. All of these procedures are however closely governed by the enterprise. It is due to Chaudhary's technical knowledge of how to make a high-quality rug, as well as knowledge of the intricate relationships between all of those involved in the rug manufacturing process that the enterprise is able to successfully produce high quality rugs in a supply chain with over 30 product handovers.

13.3.3.6 THEMES HIGHLIGHTING THE APPLICABILITY OF THE FRAMEWORK

In order to understand whether the framework encompasses all of the key concerns for the success of Jaipur Rugs (and more), it is necessary to understand those aspects of the case study which led to the success of Jaipur Rugs in light of the framework.

i. Business model

The business model of Jaipur Rugs departs significantly from the average rug manufacturing enterprise in India by utilising an approach which reduces capital intensity. This reduction is largely achieved by converting what are traditionally seen as fixed costs into variable costs. Not only does this minimise fixed costs, it also increases flexibility, due to the fact that:

- **Investment is decentralised:** manufacturing operations are decentralised due to the use of contractors. Capital requirements are minimised by not needing to own key manufacturing assets, e.g. dyeing equipment, washing facilities, carding machines (process of brushing wool in preparation for spinning), spinning machines, and most looms used for weaving
- **Management's influence on key functions is leveraged:** as already mentioned, only 300 employees are directly hired by Jaipur Rugs, with over 40,000 artisans operating on an entrepreneurial and contractual basis

- **Work is decentralised:** by using a pay for performance method, the quality of the rugs is maintained even though the whole operation is so decentralised. In this way, the major costs of labour and material remain variable
- **Middlemen are removed:** Jaipur Rugs strives to remove the middlemen who have historically been entrenched in the rug industry, and who deprive artisans of their deserved income. By helping weavers obtain their own looms through loaning, giving, or subsidising them, more weavers can work independently from middlemen, making it more lucrative and appealing to the poorest rural Indians. Contractors and entrepreneurs who act as go-between for the enterprise and the weavers are not middlemen in that they once were weavers themselves, and thus have a knowledge of the weaving process and exhibit key characteristics which Chaudhary deems necessary for working with the enterprise
- **Human capital is maximised:** in rural India, communication and distribution networks are often non-existent. By using area commanders posted at multiple branches, information (e.g. order status), materials, and finished products can be relayed back and forth with relative ease

ii. Sustainable development

To Chaudhary, CSR brings a number of benefits, including: a boost in brand image and reputation, increased sales and customer loyalty, reduction in operating costs, higher productivity and quality, improved attraction and retention of employees, and reduced regulatory oversight. Chaudhary (2009:386) believes that:

> *It is vital for a company to view and focus Corporate Social Responsibility (CSR) as a source of competitive advantage rather than a practice of philanthropy. CSR is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.*

In order to ensure that Jaipur Rugs adheres to international quality standards, the enterprise has gained ISO 9001:2000 certification to standardise the documentation of the enterprise's processes, as well as ISO 14000 certification which is basically an environmental audit, and SA8000 certification which is a social audit. In this way Jaipur Rugs has committed to real measures of sustainability in each of the economic, environmental, and social realms.

Beyond this, Chaudhary promotes sustainable development in innovative ways. His enterprise specifically focuses on impacting the lives of the those in dire economic and social need (Prahalad, 2009:201). Socially, it is evident from the Jaipur Rugs case that the enterprise's social values are central to its success, as evidenced by the enterprise's commitment to providing the following:

- **Access to healthcare and education:** JRF leverages its alliances with NGOs to provide improved health care and education to weavers

- **Competitive wages:** the level of income offered by Jaipur Rugs is competitive in that it better enables weavers to increase their quality of life when compared to other often seasonal jobs available in Indian villages
- **Investment in skills training:** JRF essentially operates to recruit and train new weavers. Due to the positive social impact of the enterprise, government subsidises costs associated with looms and training in the poorest regions
- **Opportunities for aspiring entrepreneurs:** as a result of Chaudhary's entrepreneurial spirit, he appreciates those contractors which display good character and a drive to succeed, and therefore rewards them by granting them loans. With these loans, the contractors are able to improve their standing in the overall production process. This has enabled many contractors to realise their talents and vastly improve their earnings

These strong social values allow Jaipur Rugs to benefit from dealings with contractors who easily recognise the positive impact the enterprise achieves, and this promotes closer relationships with contractors than other enterprises may be able to achieve. Agreements with contractors thus become more multifaceted in value than the more traditional contracts which focus solely on financial gain.

iii. Business strategy

Although Chaudhary has not claimed to follow a blue ocean approach directly, his enterprise's methods are highly congruent with the tenets of BOS. For an idea of how Jaipur Rugs has fostered a blue ocean, it is worthwhile drawing up a retrospective hypothetical strategy canvas based on the case study evidence. The hypothetical strategy canvas is shown in Figure 13-4.

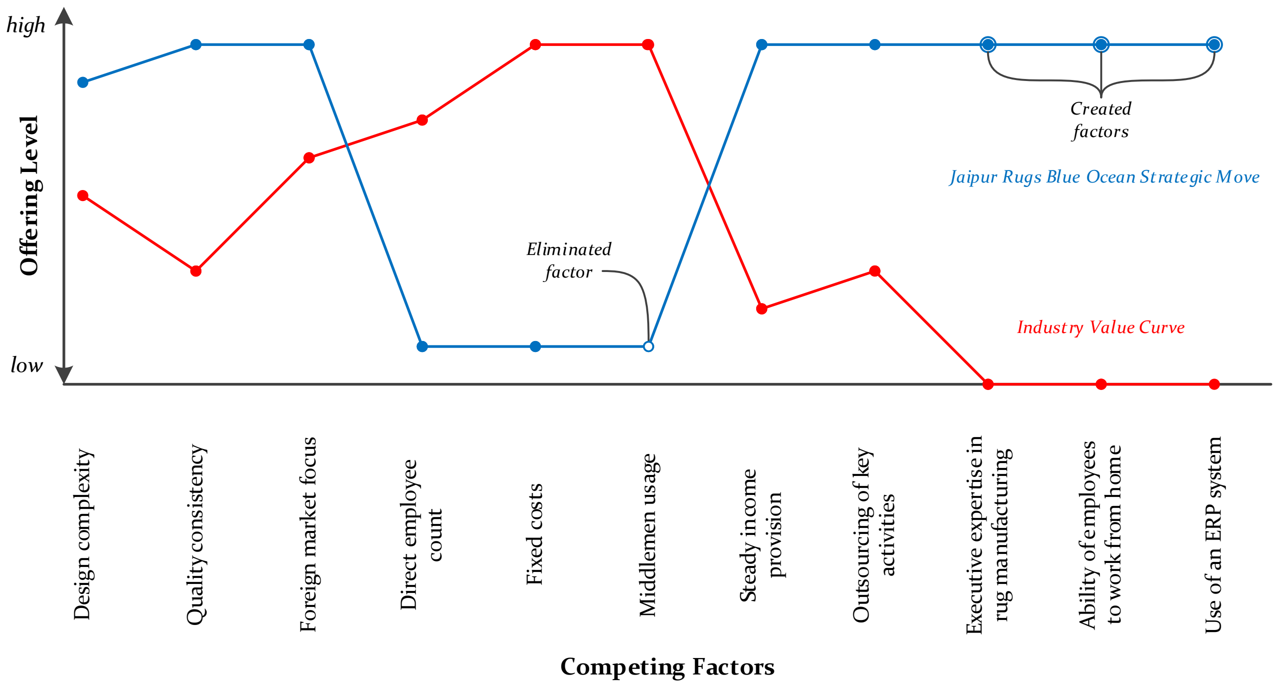


Figure 13-4 Hypothetical strategy canvas for Jaipur Rugs

The strategy canvas graphically depicts the relative performance of Jaipur Rugs across its key success factors, in comparison to the industry's value curve. Exhibiting divergence is ideal, and the value curve of Jaipur Rugs can be seen to deviate greatly from other rug manufacturers. This shows evidence of Jaipur Rugs having inadvertently created a blue ocean of uncontested market space. Each of the success factors referred to in the hypothetical strategy canvas will now be discussed briefly:

- The rug complexity which the undereducated BOP Indians can produce is very high due to the use of maps which are unique to Jaipur Rugs, which will be discussed in more detail in the next section
- Consistent quality is achieved through stringent quality checking procedures at each stage of production, from raw material selection to rug finishing and delivery to end customer
- Jaipur Rugs exports up to 98% of its rugs to foreign markets, with 90% going to the USA alone
- Jaipur Rugs has relatively few direct employees who earn a fixed salary, which is unconventional and gives the enterprise a lot of flexibility
- Fixed costs are minimised through outsourcing key operations and through not owning assets such as looms, with JRC rather helping the weaver to buy his or her own (also reduces costs which would be needed for maintenance)
- Middlemen who are common to the rug industry and who also minimise the earnings of the weavers have been cut out. Traditionally the middlemen own the looms and therefore detract much of what makes it profitable for weavers to make rugs. This is not the case with Jaipur Rugs which actively supports its weavers through either giving, subsidising up to 75% of the loom cost (Tyagi, 2014:438), or lending looms to weavers until they can buy their own
- Steady income provision is not the norm in India, where seasonality of agricultural jobs leaves many unemployed during different seasons. The rug industry is not so, and is thus appealing to many BOP Indians
- Outsourcing is utilised as earlier to minimise costs, however it also requires strategic alliances which Chaudhary has built up over the years to arrive at conducive agreements. Processes outsourced range from raw material procurement to production, and finishing
- Executives and area commanders are well versed in weaving, thus knowing the difficulties and intricacies associated with the process. This is not often the case with rug manufacturing enterprise owners who often just distribute raw materials to their weavers and leave the quality to be determined by those they hire
- In India, many workers must leave their villages even though they do not want to so as to earn a living. The business model of Jaipur Rugs allows people to work from their own homes

- As will be discussed just now, Chaudhary utilises a detailed Enterprise Resource Planning (ERP) system to integrate each of the production steps as well as their status into a central database from which customers can track their orders, and progress can be followed

The combined effect of the divergence of Jaipur Rugs from the rug industry across each of these success factors has led to a blue ocean of opportunity for the enterprise.

iv. Innovation

Above all else, Chaudhary (2009:394) understands the need to develop a business which operates in the BOP from the bottom up, as he believes that "t*he attitude of the population poses a serious hindrance to any mission that can be accomplished*." Understanding cultural differences, such as the difficulty for women to work outside their homes, the lack of transportation for many rural dwellers, and inherent beliefs regarding the geographical area one is from (for instance some people are almost destined to work as garbage collectors if they come from the *Dalit* community). This approach is congruent with the tenets of bottom-up innovation, as prescribed in the innovation system of the framework.

Jaipur Rugs has utilised innovative measures since its inception, each of which have been paramount to its success. This includes a focus on information and communication technology (ICT) infrastructure, and human interaction and training which promotes loyalty.

Misra and Chaudhary (2010:41) outline the innovation process employed at Jaipur Rugs, which is very similar to that prescribed in the innovation system of the framework. Basically, the process goes: conceptualisation, proof of concept, design, prototype, and then implementation. An example of innovation in the ICT infrastructure of the enterprise can be seen in how an ERP system has been utilised to optimise the supply chain of the geographically diverse business model. Though this was a substantial upfront investment Chaudhary made, and one not used by the vast majority of his contemporaries in the rug industry in India, it allowed for continual flow of work, formal quality assurance, and above all the ability to achieve scale. Area commanders are given a standardised evaluation booklet with which they can monitor the progress of unfinished rugs as they call in to check with each of the weavers in a given area. In this way JRC and the end customer can keep track of the status of each order.

A crucial component of the rug manufacturing process at Jaipur Rugs is the development of what are known as *maps*. Maps are basically standardised designs of build sheets, which are essentially laminated blueprints of the designs for the rugs. These maps provide the generally undereducated weavers with easily understandable instructions regarding where to place each of the coloured strands of yarn on their looms. Sample colours are included to minimise the risk of colour mix ups. This means that any weaver can make any design without the need for trials and training for each new design. Through this map, Jaipur Rugs is afforded the flexibility of testing new designs very cheaply, and the enterprise can respond rapidly to changing customer preferences.

Personalised training of weavers is another innovative approach taken by Jaipur Rugs in the rug industry. By providing training specifically tailored to those who have never woven before, novices can gain an understanding from carefully selected masters of weaving. The master weavers are chosen by JRF and are paid to take on the new weavers in an apprenticeship role. The training period is roughly six months, wherein the trainers live at the training centre and apprentices are provided food and free housing for the duration of the training. Another way in which Jaipur Rugs is innovative is in the specific training of women in an industry traditionally dominated by men. Not only does this empower the women of the villages, but these relationships have been found to be longer lasting, as women are more confined to their houses and villages whereas men show a higher tendency to abandon the rug trade to find other jobs. At Jaipur Rugs, roughly 70% of the weavers are women.

This training is even extended to spinners who produce too low-quality yarn. They are still paid in full the first time, but receive immediate training in how to maintain high quality. If the problem persists these weavers are still paid in full, but the obtaining of raw materials becomes their own problem which acts as an incentive to maintain higher quality of their yarn.

Training is also extended to weavers who have submitted finished rugs to the finishing department, albeit with minor defects. The system employed by Jaipur Rugs allows the weaver of particular rugs to be contacted and brought to the finishing centre, so that they can be trained in how to avoid reproducing the defect next time. This technique has minimised the rate of return of rugs to weavers for fixing to about 0.5% (Prahalad, 2009:198).

Jaipur Rugs has recently gone beyond just producing rugs, to further empowering rural Indians through its Jaipur Rural Tours initiative (Ahuja, 2012:57). This allows foreigners to explore rural rustic Indian villages and gives locals a chance to sell their other crafts directly to tourists.

v. Marketing

As the marketing system was designed to maximise the value created for the BOP market, the marketing system developed for the framework is specifically tailored for enterprises targeting the BOP not only as co-producers (as is the case with Jaipur Rugs for the most part), but also for when the BOP is the target market. It does however still hold true in principle when enterprises like Jaipur Rugs co-produce products with the BOP for the upper tiers of the economic pyramid and do not necessarily see the BOP as the target market per se.

In essence, the steps for marketing to the BOP as a market need to still be addressed for the case of Jaipur Rugs, as channels to and from the rug producing BOP personnel are imperative to Chaudhary's success. Well-designed communication networks are imperative to the delivery of raw materials, communication with weavers, and to determine how far specific rugs are progressing in remote villages without electricity. Without these communication channels progress would halt, as the entire process is human capital intensive. This procedure has been shown to work well with the enterprise, as only 5% of the yarn is rejected in general. A similar method is used for the outsourced dyeing procedure, if the colours are not up to standard the wool is not accepted, and the reject rate for dyeing remains around 7% (Prahalad, 2009:197).

Key to the success of Chaudhary is his "*model of building long-lasting relationships built on interdependence among employees and contractors at every level*" (Prahalad, 2009:205). The value Chaudhary puts in these relationships is seen by how he wants his son, the future heir of his title, to live in a rural village for two days per week for some time before he takes over, so as to connect with the villagers. The enterprise sees these connections between artisans and end-consumers as crucial to both sustainability and scalability.

In agreement with the marketing system of the framework, Jaipur Rugs monitors various important measures including: customer satisfaction, retention and profitability, supply chain efficiency, and employee training and development.

The complexity of material and rug handling is high for Jaipur Rugs. The enterprise uses people in the BOP, namely the area commanders, to distribute the raw materials and maps as well to collect the finished products from weavers. This simplifies matters a lot, as many of the weavers lack the means to transport themselves and the rugs to the branch offices.

vi. Strategic alliances

Jaipur Rugs benefits from outsourcing many of its operations which dramatically reduces fixed costs, as mentioned earlier, also enabling the company to achieve scale, and access key resources and capabilities. Bhoomika Wools only pays fixed costs of salaries and warehouses, otherwise all of the wool processing and transportation is handled by partner enterprises. This high degree of alliance formation is therefore crucial to the functioning of the enterprise.

Partnerships with thousands of local weavers in conjunction with an innovative map approach to exacting quality rugs from the weavers results in the ability of JRC to attain scale at little cost. By predominantly partnering with female weavers who are culturally inhibited from leaving their homes, the rug weaving from home approach utilised by JRC is ideal for the restrictions inherent in the BOP on a social front.

On a financial note, partnerships with local government enables extremely poor weavers to obtain looms for free or at a subsidised price, which is only the case as a result of the company's drive for positive social impact. By proving its ability to create social value, the government sees an alliance as beneficial to its interests, further enabling Chaudhary to grow his organisation. In essence, development engenders growth.

13.3.3.7 APPLICATION OF THE FRAMEWORK TO THE CASE STUDY

In order to establish the applicability of the framework to the case study it is necessary to undertake a detailed step-by-step analysis of the case study by making use of the framework itself. To do this, the specific concerns which were addressed, as well as the actions taken by the enterprise, will be portrayed on the framework systems themselves. In this way, one can even go further to see the potential flaws or inadequacies of the JRC approach. It must however be understood that any recommendations are hypothetical, as the detailed contextual factors not mentioned in the literature surely have a lot of influence as well.

Figure 13-5, Figure 13-7, Figure 13-8, Figure 13-9, Figure 13-6, and Figure 13-10 therefore show the application of each step of the high growth promoting framework for BOP action with regards to the business modelling system, sustainable development system, business strategy system, innovation system, marketing system, and strategic alliance system, respectively. The considerations are labelled numerically for ease of reading.

The versatility of the framework is clear in that although it was specifically designed for enterprises targeting the BOP as its primary market, it is also applicable when enterprises target upper tier markets but use the BOP as co-creators only. This case study mainly sees the BOP as co-creators to whom only looms and raw materials are sold and regards the foreign markets as the end customer. The application of the framework to the case study reveals a few areas where Jaipur Rugs may improve.

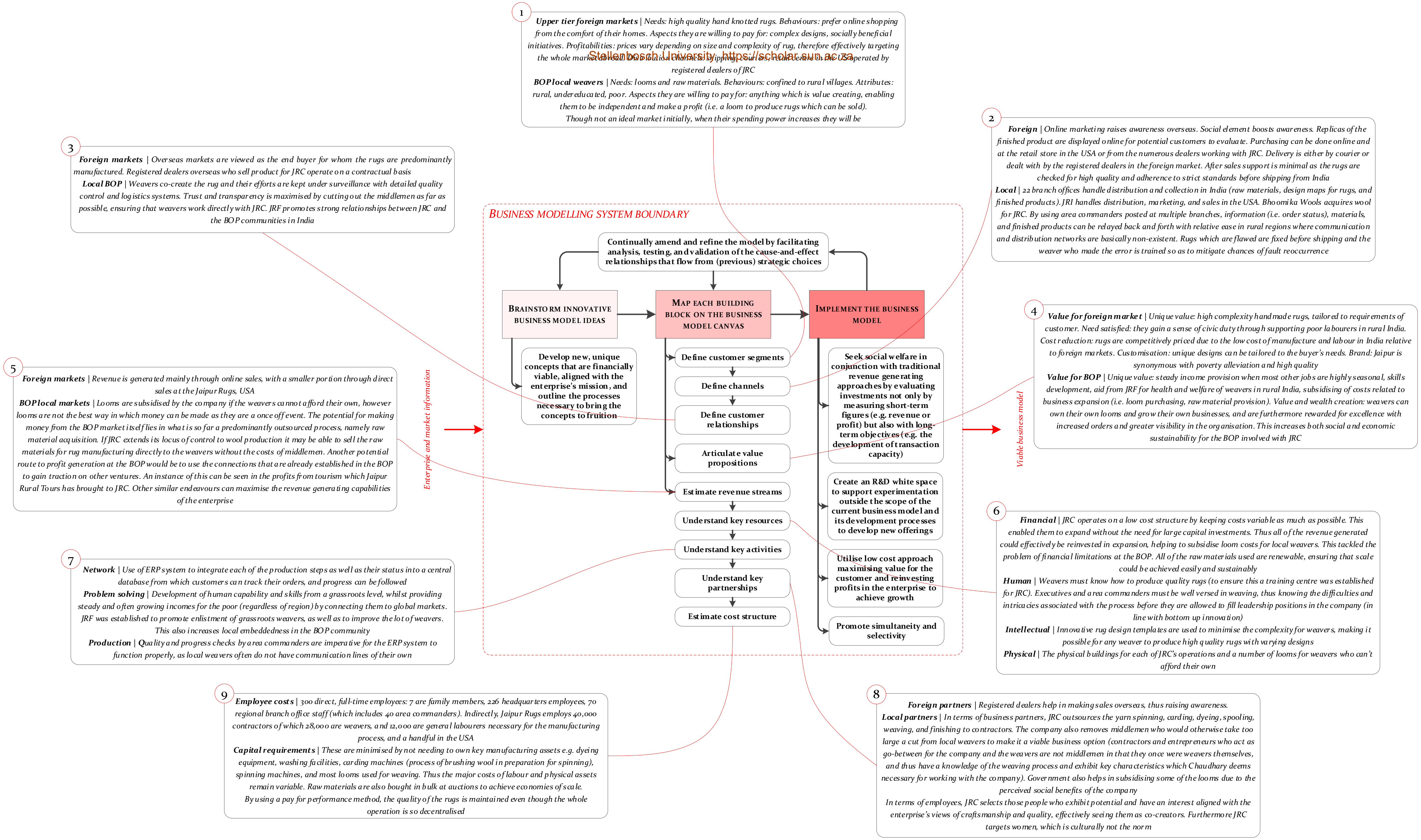


Figure 13-5 Framework application for the business modelling system

Stellenbosch University https://scholar.sun.ac.za

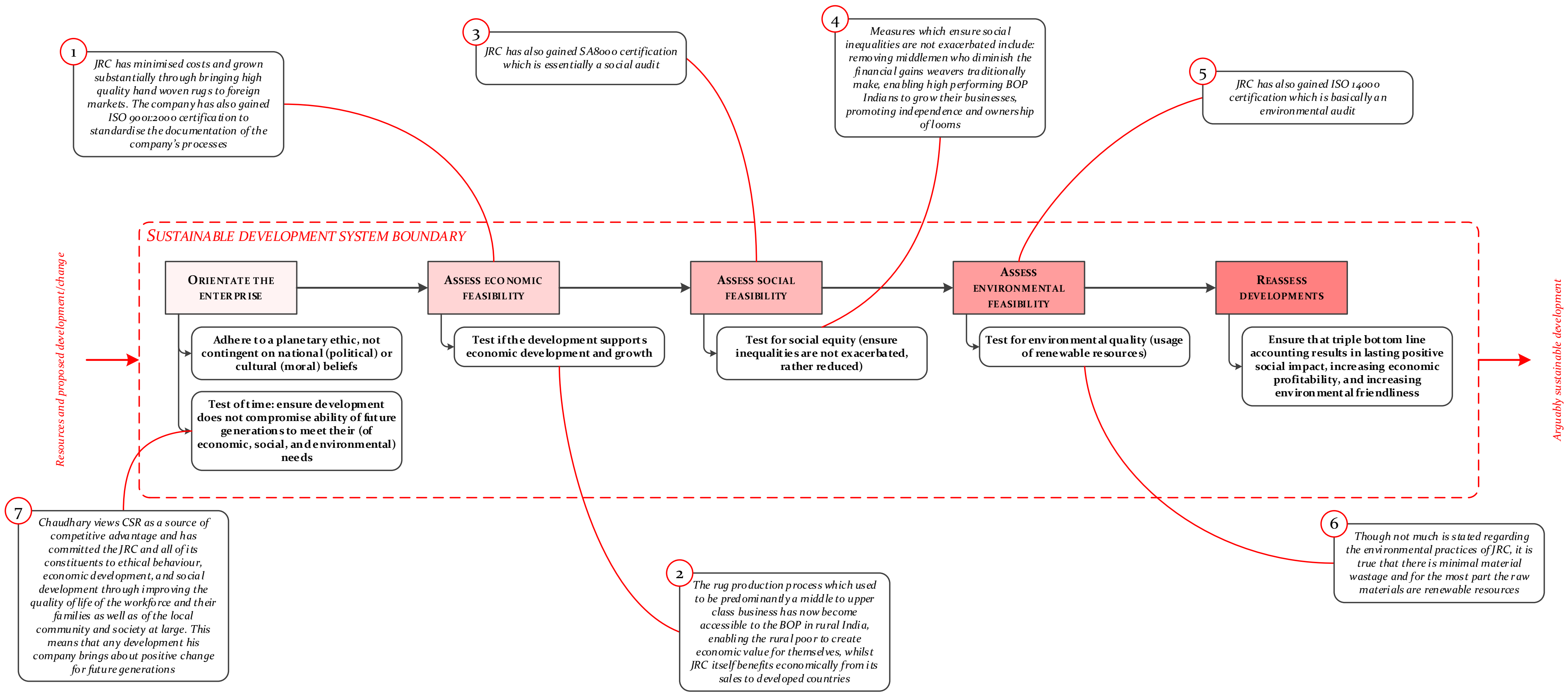


Figure 13-6 Framework application for the sustainable development system

Stellenbosch University https://scholar.sun.ac.za

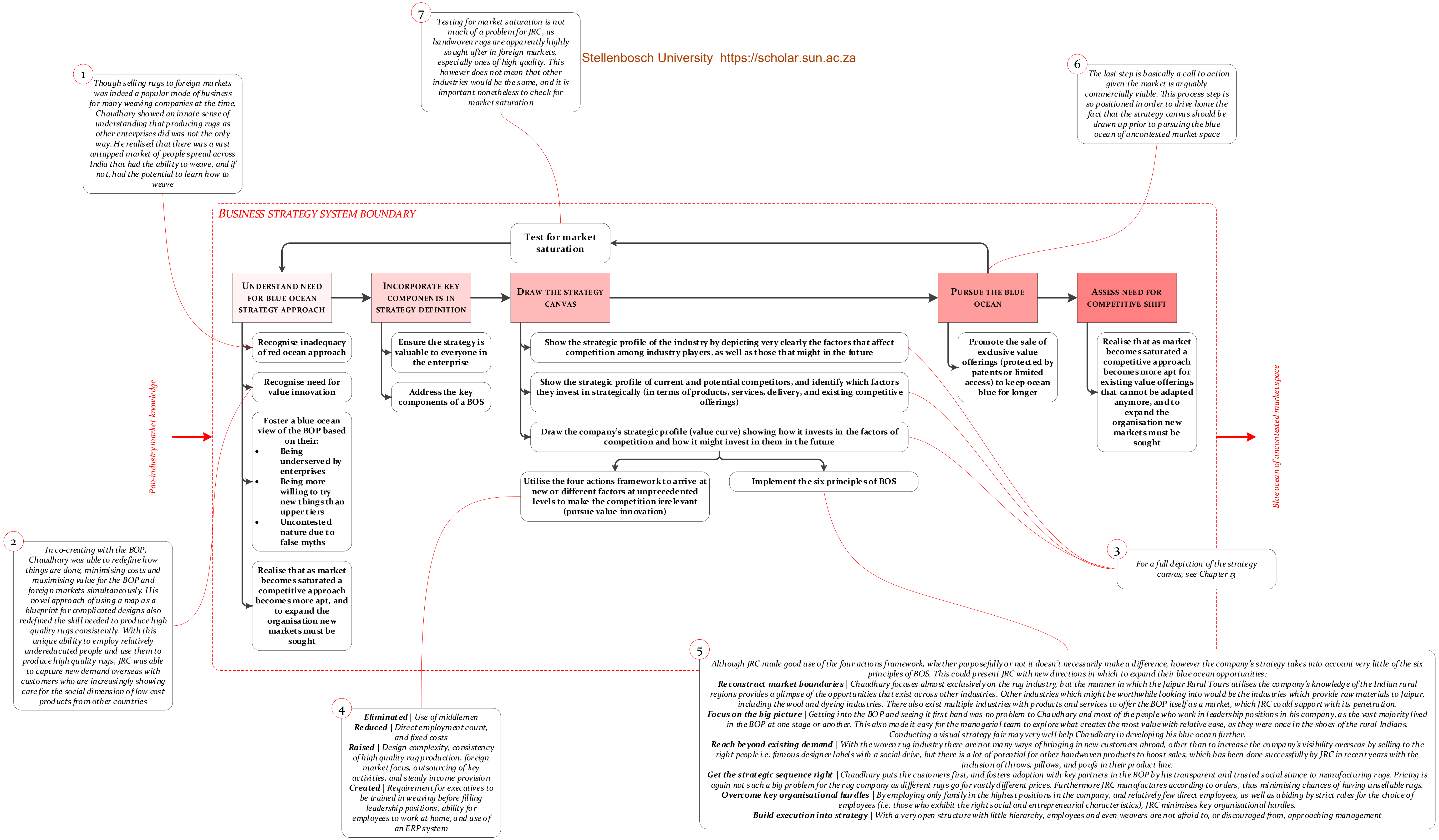


Figure 13-7 Framework application for the business strategy system

Stellenbosch University https://scholar.sun.ac.za

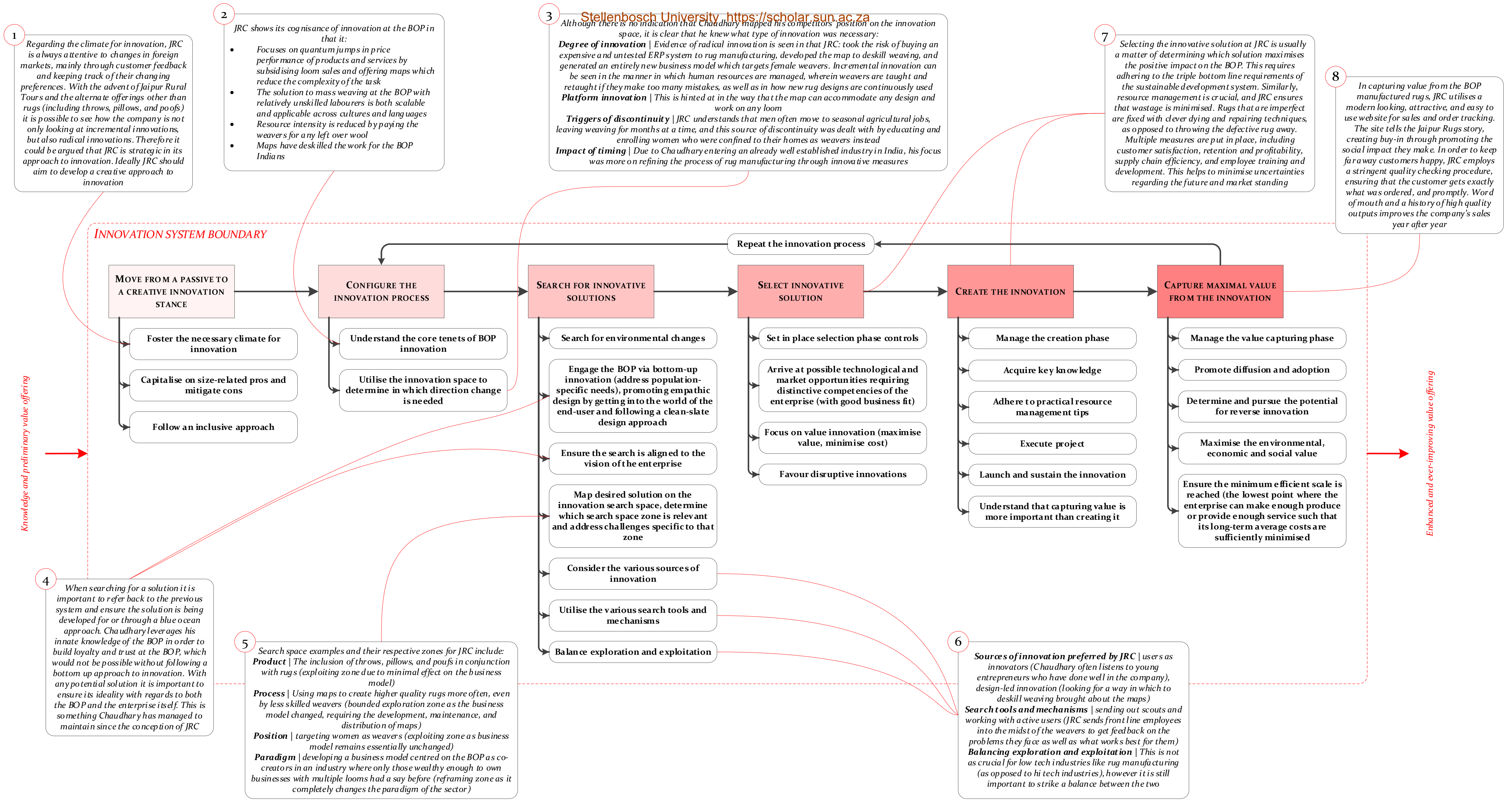


Figure 13-8 Framework application for the innovation system

Stellenbosch University https://scholar.sun.ac.za

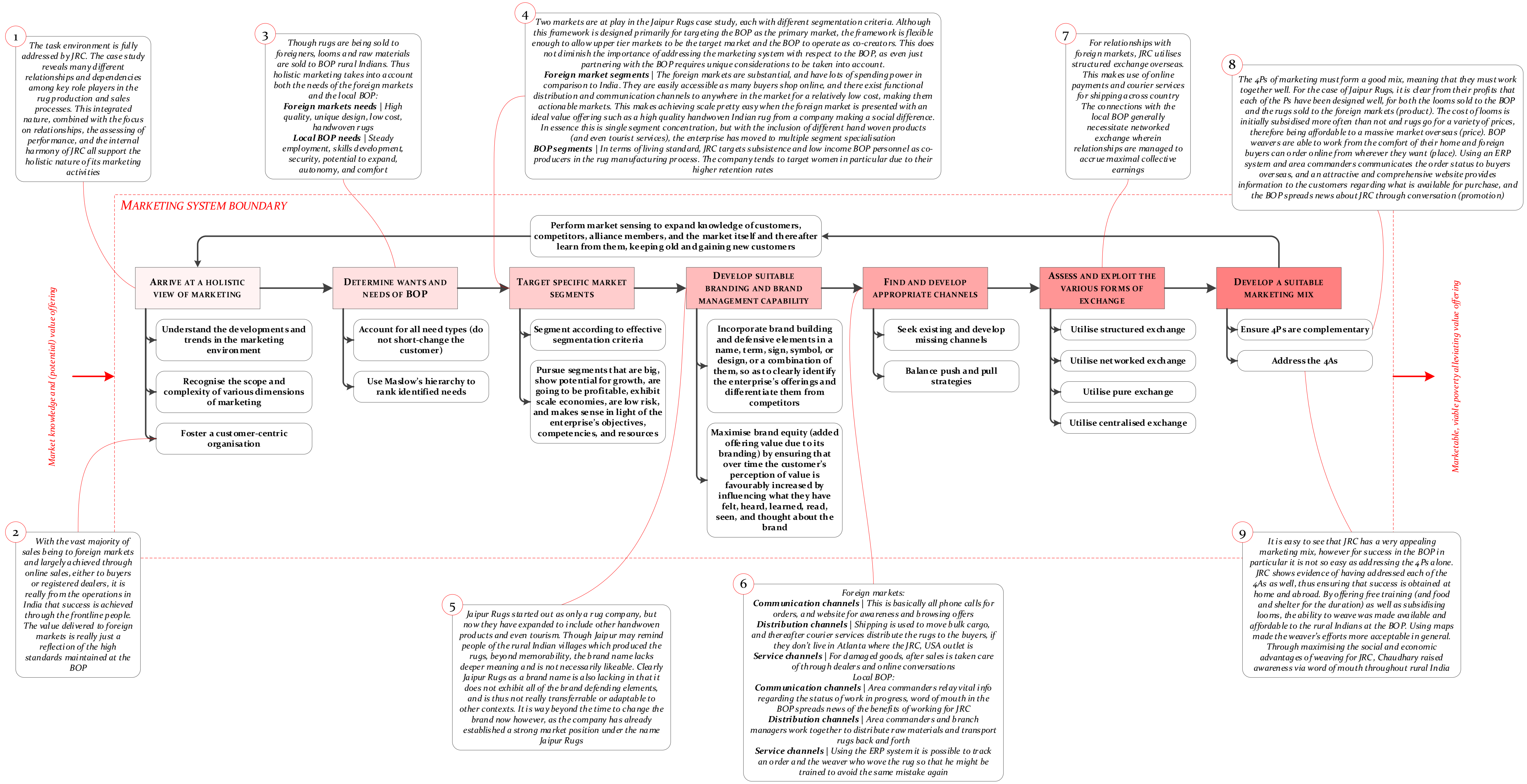


Figure 13-9 Framework application for the marketing system

Stellenbosch University https://scholar.sun.ac.za

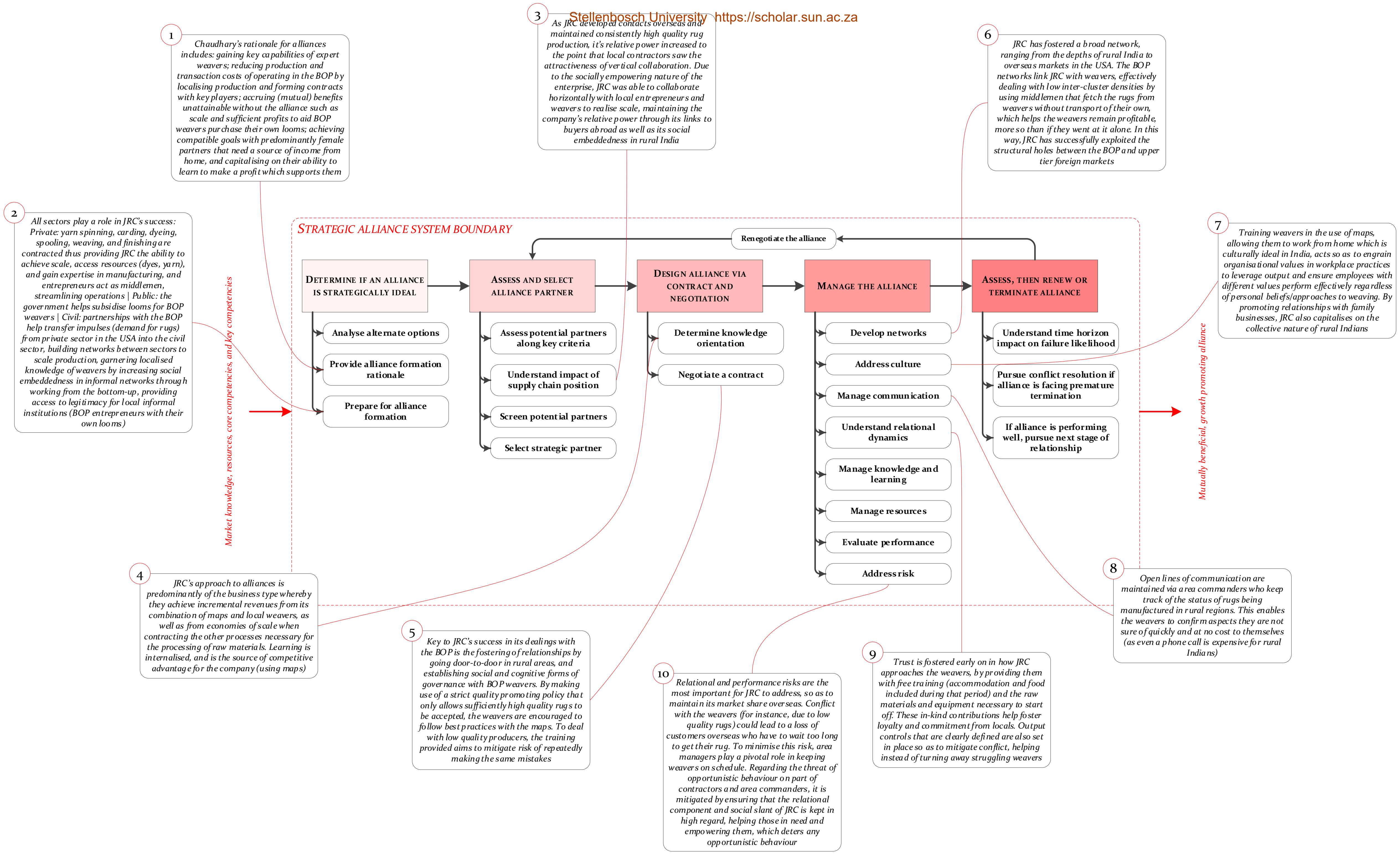


Figure 13-10 Framework application for the strategic alliance system

Therefore, it has been shown that the framework is applicable to the case of Jaipur Rugs. Beyond confirming the applicability of the systems, the framework also highlights a couple of areas in which JRC might improve so as to increase its potential for growth (e.g. looking across industries for additional blue ocean opportunities, developing stronger branding, and looking at the BOP as a market on its own due to the enterprise's already well-established presence in the market).

13.3.4 POTENTIAL FOR FUTURE STUDY

Although the case has been shown to regard each of the systems which constitutes the developed framework as relevant and necessary for the success of Jaipur rugs, there are other factors which were linked to the success of the enterprise.

As already established in Chapter 5, only six of the 25 determined high growth factors were specifically addressed in the framework, due to limitations of scope. Of the remaining factors not addressed in the framework, however recognised in the systematic literature review, the following factors were seen as relevant to the case of Jaipur Rugs:

- **Vision, mission, and communication:** Chaudhary emphasises family ties and strong personal loyalties in leading his enterprise. He focuses on empowering those weavers in the BOP who share his vision of profitability through mobilising grassroots people to produce high quality rugs. His approach ensures fairness towards and dignity for the BOP weavers, which instils in them a sense of loyalty to him. Chaudhary has been dubbed the Gandhi of the rug industry for his efforts, and his vision to transfer more ownership to the grassroots level (Prahalad, 2009:182)
- **Leadership qualities:** developing leaders is one of Chaudhary's favourite pastimes. To achieve this, Chaudhary facilitates employee leadership development through Sunday night conversations and the Book Share Program. In the Sunday night conversations, Chaudhary spends an hour conversing with the 50 employees who live at the JRC, talking mainly about the qualities of entrepreneurship and leadership. In this time, he is able to learn about the employees' specific talents. The Book Share Program is basically a library filled with up to 30 copies of each of the books. Themes include leadership, inspiration, and business management. The books are available to employees who are encouraged to read them in groups and then share their insights with one another. Prahalad (2009:199) provides a few of the numerous examples of upward mobility which is occurring at Jaipur Rugs

The importance of these factors is therefore undeniable, and promotes the need for further study. In this way, the framework can be extended to cover a broader range of growth promoting actions, improving its usefulness. Thus, the potential for future study does clearly exist.

13.3.5 CASE STUDY CONCLUSIONS

Case studies are advantageous in that they are flexible and contextual in nature, allowing for broad application, however there are disadvantages too. For instance, their inherent subjectivity due to their dependence on qualitative subjective data makes a case study only generalisable to a particular context. In order to counter these deficiencies, it is adequate to perform an expert analysis validation procedure in addition to the case study. This acts so as to establish validity through pooled judgment.

Little can be said to argue against the challenges regarding generalisability of case study approaches, however Merriam (1985:212) claims that "*most writers suggest that qualitative research should be judged as credible and confirmable as opposed to valid and reliable*." Thus, the case study, though not generalisable per se, has still acted so as to ensure the credibility of the framework through confirming it as applicable to the Jaipur Rugs case. The reliability of the framework is better judged by experts, as will be discussed in the next section.

13.4 Screening interviews

In essence, the aim of this section is to relate how the screening interviews validation phase was used to highlight the framework's shortcomings and identify areas that are lacking or missing.

13.4.1 THE PROCESS FOR VALIDATION VIA SCREENING INTERVIEWS

As established by Fuller, Warren and Argyle (2008), one manner in which the normative value of research can be tested is by the extent to which relevant individuals deem the framework and ideas behind it to be of value. The validating of this research is therefore further achieved via expert analysis. Expert analysis in the context of this study takes the form of an interview based assessment in which each interviewee (expert) gives his/her perspective as to the rationality of the findings and their applicability to providing an answer to the problem situation, as well as to gain key insights into what their motivations and recommendations were for each point in consideration.

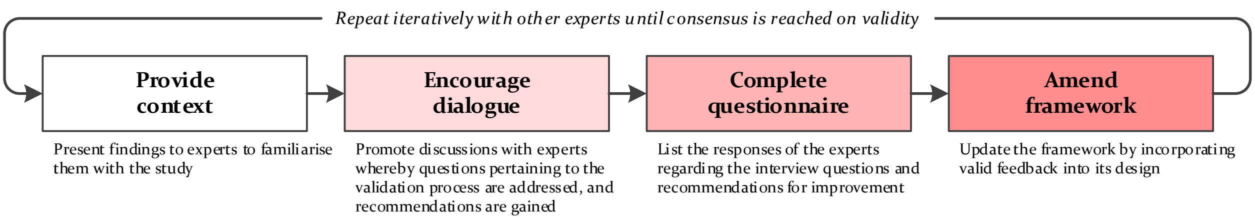


Figure 13-11 The expert interview validation process

Figure 13-11 depicts the validation process. As shown, the process begins with presenting the findings to the experts via a presentation to minimise any ambiguity regarding the findings, how they were arrived at, or how they are presented in the framework. The next step gives the interviewees the ability to question or discuss certain aspects of concern, before they fill in their answers to the validation questions. Once the questions are discussed, their answers are summarised before the necessary amendments are made to the framework.

13.4.2 Areas of expertise

Each of the experts autonomously indicated their areas of expertise, and the frequency of experts in each zone is indicated in Figure 13-12. The three areas of focus of this study are indicated clearly, namely the SMME, the BOP, and enterprise growth. The ideal interviewee has expertise/knowledge of all three areas, and is therefore positioned in the centre where all three areas overlap.

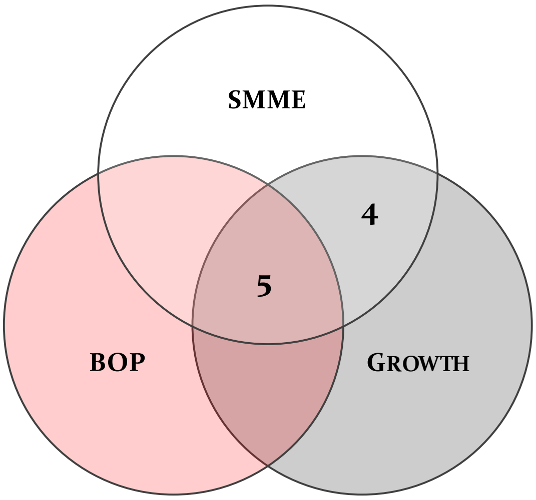


Figure 13-12 Frequency of interviewees' autonomously asserted areas of expertise

Selecting experts entailed ensuring their ability to provide credible and accurate information, and solid judgement regarding:

- **SMMEs:** by selecting experts with a keen understanding of strategy and enterprise engineering, focusing especially on smaller enterprises in the start-up phase of the business life cycle and with experience in project management across all three sectors (private, public, and civil) and an up to date knowledge of the South African regulatory environment
- **BOP:** ensuring experts are chosen that have practical knowledge of the BOP, that are at the forefront of best-practices and independent research within multiple industries in the BOP (e.g. proven by their involvement with business incubators), and with first-hand experience of dealing with the BOP and especially the problems and tricks to achieving socio-economic success. Candidates also had practical consulting experience and developed knowledge of the important factors contributing to achieving scale by leveraging skills sets in the BOP
- **Growth:** experts were selected that had years of experience in sustainable enterprise planning, formation, development, and growth, especially specialising in management of strategic, innovative, marketing, financial (venture capital and private equity), business partnerships,

and organisational design/architecture. Unique components brought in by some of the experts include: a thorough understanding of enterprise system robustness and antifragility, both of which are arguably important at the BOP; expertise in supply chain management; experience in systems and process development and improvement, and; consulting experience with numerous SMEs to promote growth

In this way, validators whose collective knowledge covers all three areas of the focus of this study were brought into the validation process. Convergence was found early on in the screening interview process, with the positive feedback indicating that in general the experts deemed the framework valid.

13.4.3 VALIDATION QUESTIONS

Regarding the purposeful activity systems, Checkland and Poulter (2010:205) put forward that in accordance with the requirements for SSM:

> *Given the different worldviews which will always be present in any human situation, this means finding possible changes which meet two criteria simultaneously. They must be arguably desirable, given the outcomes of using the models to question the real situation, but must also be culturally feasible for these particular people in this particular situation with unique history and the unique narrative which its participants will have constructed over time in order to make sense of their experience.*

By interviewing a number of experts, a varied perspective based on differing worldviews was achieved.

The validation questions posed to the expert interviewees were developed so as to establish the validity of the purposeful activity systems and therefore the conceptual framework, as well as its subsystems, and the evaluation technique. The validation questions are as shown in Table 13-2.

Table 13-2 Validation questions

Number	Validation question
1	Do you concur that each of the specified managerial subsystems are necessary for attaining sustained high growth at the BOP?
2	Are the concerns for the BOP well indicated?
3	In your opinion does the framework exhibit the essential features of a conceptual framework (i.e. an integrative role, interpretative capacity, delivered understanding, soft interpretation, indeterminism, constructability, multi-disciplinary nature)?
4	If correctly implemented, do you believe the framework will aid owners and/or managers in attaining higher enterprise growth rates when targeting the BOP market?
4.1	• If not, wherein do you think the problem lies?
4.2	• In your expert opinion, is the framework both systemically desirable and culturally feasible?
4.3	• Do each of the purposeful activity systems rank satisfactorily against the measures of performance (regarding their efficacy, efficiency, effectiveness, and ethicality)?
5	Does the framework incorporate a feasible evaluation process for owners and/or managers to assess their stance regarding their ability to attain high growth at the BOP?
6	Would you be prepared to implement the framework in a BOP targeting enterprise under your control?
7	Do you recognise any aspects which you believe should be considered in implementing the framework?

In line with SSM, it is necessary for the requirements set out in question 4.2 be adhered to for the framework and its associated models to be acceptable.

13.4.4 MEASURES OF PERFORMANCE

Beyond just seeking agreement on the degree to which questions were answered, SSM necessitates that the four measures of performance set out in the introductory chapter are incorporated for a feasible transformation, namely efficacy (E_1), efficiency (E_2), effectiveness (E_3), and ethicality (E_4), as shown in question 4.3. Each of the interviewees agreed that these measures do indeed ensure validity.

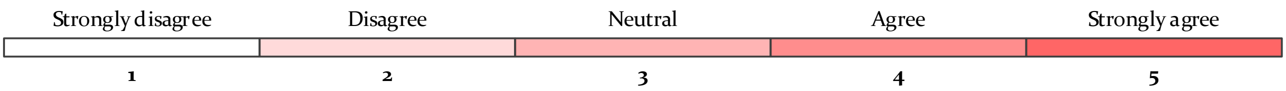


Figure 13-13 The measures of performance scale

In order to determine the degree to which the interviewees agreed or disagreed with the suitability of the findings pertaining to each subsystem of the framework along each of the measures of performance, the scale as portrayed in Figure 13-13 was utilised.

For a full copy of the screening interviews validation document which was used to relate the framework to the experts, see Appendix Q.1.

13.4.5 SCREENING INTERVIEW EXPERT FEEDBACK SUMMARY

After interviewing each of the experts, the conversations wherein they answered the interview questions, gave general comments and opinions, and recommendations for improvement were summarised and addressed.

13.4.5.1 SCREENING INTERVIEWS QUESTION ANSWERS

The feedback from the screening interviews' questionnaires is summarised in Table 13-3.

Table 13-3 Results summary of screening interviews

Question and aim	**Answer summary**
1. Reaching consensus on need for subsystems for sustained growth	The interviewees unanimously agreed that each of the specified managerial subsystems are necessary for attaining sustained high growth at the BOP. Though sustainable development is not a high growth factor per se, it was deemed necessary for lasting improvements to the BOP
2. Gaining clarity of BOP concerns	Each interviewee said they can identify the BOP considerations, and that they are well indicated. Adding to this, it was recommended that the framework include more info on worldviews and cultural characteristics of the BOP market in the model (as will be addressed shortly)
3. Exhibiting essential framework features	Every interviewee agreed that the framework does exhibit every one of the essential features of a framework
4. Determining ability to aid in attainment of growth	If correctly implemented, the interviewees all believe the framework will aid SMME owners and/or managers in attaining higher enterprise growth when targeting the BOP market. Strengths of the framework that were commended included that it is great in that it teaches people a new language, the literature base is strong, and it gives them a process to follow. However, on the downside its complexity was seen as a stumbling block in that it may make it more difficult for owners and/or managers to use the framework without clear guidance without clear guidance (as will be addressed shortly)

Question and aim	Answer summary
4.1. Identifying potential framework improvement areas	A sharp criticism was that implementing a framework of this detail would be difficult for the average SMME owner, however if they are serious about following a structured approach to growing at the BOP, it could be argued that they would read up on this framework of their own volition. However, this was agreed as being unlikely. It was also put forward that it is still a difficult task for each enterprise targeting the BOP to incorporate each consideration in their endeavours, but that the framework is "*as good as it gets*" if one has the time to go through it. No other problems were seen with respect to implementing the framework, on the contrary it was commended for its level of detail as from the experts' experience, many enterprises do not have any plan, so the framework "*can make all the difference*"
4.2. Assessing systemic desirability and cultural feasibility	With the exception of one expert, on the cultural feasibility of the framework every other interviewee deemed the framework both systemically desirable and culturally feasible for SMME owners and/or managers targeting the BOP market. The worry for the one expert is again that given the busy schedules and many worries of operating a business, SMME owners will not have the time to go through such a detailed approach. It was also clarified that the framework is indeed only suitable for upper tier entrepreneurs wanting to enter the BOP, as it is far too much for the average entrepreneur from within the BOP itself to grasp. As entrepreneurs originating in the BOP are not the intended users of this framework, it is not a problem. Another expert stated that with some education regarding the framework and once SMME owners and managers have familiarised themselves with it, they will "*need a disciplined, structured approach to go through it.*" The notion of using a consultation approach to familiarise users with the framework was thus addressed for the first time
4.3. Assessing systems' performance measures	All the interviewees agreed on average that the framework performs well, being efficable, efficient, effective, and ethical
5. Ensuring incorporation of feasible evaluation process	Four of the experts agreed that the framework incorporates a feasible evaluation process for owners and/or managers to assess their stance regarding their ability to attain high growth at the BOP. The last expert stated that the evaluation needs some sort of scale to be incorporated into its workings, so that the owners and/or managers of the SMME can ascertain where their problem area lies (this will be addressed shortly)
6. Determining hypothetical willingness of experts to implement framework	All of the validators claimed that they would indeed be prepared to implement the framework in a BOP targeting enterprise under their control, with a few of the experts commenting that to the best of their knowledge there is no existing framework with as detailed a process for targeting the BOP appropriately
7. Recognising aspects important for implementing framework	Regarding implementation of the framework, one expert reiterated the importance of training would-be users. Another mentioned that simplifying the framework and evaluation technique may be useful if the framework is ever utilised for consultative purposes, with yet another expert agreeing by saying that SMME owners are "*busy fighting fires all day,*" which makes a simpler approach more useful in their busy schedules

The results for question 4.3 are shown in Table 13-4, revealing that the rating on the framework's measures of performance indicate that the framework is indeed efficable, efficient, effective, and ethical.

Table 13-4 Measures of performance results

System	Efficable, E_1					Efficient, E_2					Effective, E_3					Ethical, E_4				
Expert	1	2	3	4	5	1	2	3	4	5	1	2	3	4	5	1	2	3	4	5
Business model	4	5	5	5	5	4	5	4	4	5	4	5	5	4	5	4	5	4	4	5
Business strategy	3	5	3	4	4	3	5	4	3	5	4	5	4	5	5	4	5	4	5	5
Innovation	4	5	3	4	4	4	4	4	3	4	4	5	4	4	5	4	4	4	4	5

System	**Efficable, E_1**					**Efficient, E_2**					**Effective, E_3**					**Ethical, E_4**				
Marketing	3	4	4	4	4	3	5	4	4	5	3	4	4	3	5	3	5	4	4	5
Sustainable development	4	5	4	5	4	4	4	4	3	5	3	5	4	4	5	4	4	4	5	4
Framework	**4**	**5**	**4**	**5**	**4**	**4**	**5**	**4**	**3**	**5**	**4**	**5**	**3**	**4**	**5**	**4**	**5**	**4**	**5**	**4**

Overall, each of the validation questions were answered positively, as desired, and validated the core system components of the framework. A few considerations were revealed for improvement, which will be addressed hereafter.

13.4.5.2 Recommendations for improvement

Although some of the following considerations may seem out of place given the place at which the study concluded, it must be understood that initially the framework was designed for SMME owners and/or managers to use by themselves. Due to the iterative nature of SSM, it is possible to incorporate these late findings into the solution for improving the problem situation. This is furthermore why screening interviews were used early on in the validation process.

- **Maximising value through consultations:** the difficulty of getting the framework to be employed by owners and/or managers of SMMEs by their own volition was pointed out. It was determined that although they are beneficiaries of the framework, it is really a consultant that would care enough to read up on a growth framework for the BOP for providing guidance to these owners and/or managers. This is due to the high level of detail which would deter owners and/or managers from spending sufficient time on it to understand and use it effectively. Academically however, the framework was confirmed unanimously as being ideal. The key concern is therefore that to get the real value from it one would have to guide SMME owners and managers through it. In the minds of the experts, the true value of the study lies in the BOP portfolio evaluation technique more so than in the framework, which is more ideal for being used as a visual aid in the process of helping orientate owners and/or managers after they have been questioned according to the evaluation process. To correct for this, the paradigm of the study shifted to one where the framework is more appropriately seen as an aid for consultants that are relating the results of the evaluation technique to the owner and/or manager of the SMME in their capacity to guide the SMME. This change is evidenced by the process steps outlined in Chapter 14.3, whereby the final definition of action to improve the problem situation focuses on the role of the consultant as framework and evaluation technique user with the SMME owner and/or managers acting as the client
- **Expert evaluation process calculation:** it was determined that the evaluation procedure for the high growth BOP portfolio should be accompanied by a measure of the degree to which the questions are answered. In order to deal with this inadequacy, the scorecard of Table 12-3

was developed, which allows the consultant to easily assess the degree to which enterprises adhere to the growth promoting requirements according to either the particular system or conversely the building block of the business model. The idea is not to just evaluate the enterprise's stance, but to go beyond this to pinpoint the areas which need to be addressed

- **Addressing cultural dynamics:** one expert indicated that it would be advantageous to include in the framework more information regarding the cultures and worldviews present in the BOP. However, the detailed cultural dynamics of the BOP market were omitted from this study, as indicated in the introductory chapter (see Chapter 1.4.3) due to the diversity which exists in South Africa. Studying the cultural dynamics of the BOP across South Africa is in itself a massive undertaking which would require a full ethnographic study, necessitating the researcher to get into the daily lives of multiple different cultural groups for valuable findings, which is infeasible. It was agreed however that the cultural dynamics of operating at the BOP are pivotal and thus were incorporated in other ways. First of all, the framework promotes bottom-up innovation which addresses the need for understanding the cultural slant of the BOP, and since the screening interview the role of inclusive innovation has come to the fore and also been included to address this. The LSM segmentation criteria also provide some understanding of the BOP culture. As will be discussed next, the strategic alliances system was only included after the screening interviews, and as such its detailed outline of cultural aspects was not seen by the expert. Thus, the cultural dynamics of the BOP have been adequately addressed after all

In addition to the abovementioned required changes, after much deliberation with the experts, it was deemed advantageous to address the role of strategic alliances in the study, as at the time of the screening interviews (evidenced by the framework as it stood in Appendix Q.1) it had been deemed as a predominantly external factor and therefore excluded. However, in the end, due to the fact that it is internally regulated, for the purposes of this study it is seen as being internal and crucial in the early phases of the business life cycle, and therefore was added to the framework as a complete subsystem and thereafter incorporated in the evaluation technique.

13.5 Survey analysis

After addressing the aforementioned problem areas and improving the conceptual framework, a survey was conducted on social entrepreneurs specifically focused on improving the lot of the BOP. The following sections discuss the design of the survey instrument developed from the framework as it stood at that point in time, and thereafter provide an analysis of the collected survey data to empirically ground the validity of the framework.

13.5.1 Constructing and conducting an effective survey

A survey is essentially a list of questions aimed at extracting specific data from a particular group of people, and ensuring the applicability of the survey to the framework is primarily dependent on the sample selection (Mathers, Fox & Hunn, 2009). In addition to applicability, it is crucial to ensure that the survey is designed to glean valuable knowledge and thereby reach some form of consensus on the subject matter. These aspects are addressed in the following subsections.

13.5.1.1 Validation by survey analysis

Figure 13-14 relates the importance and interrelationships between the data attained via the survey instrument for the purposes of contributing to the validation of the framework.

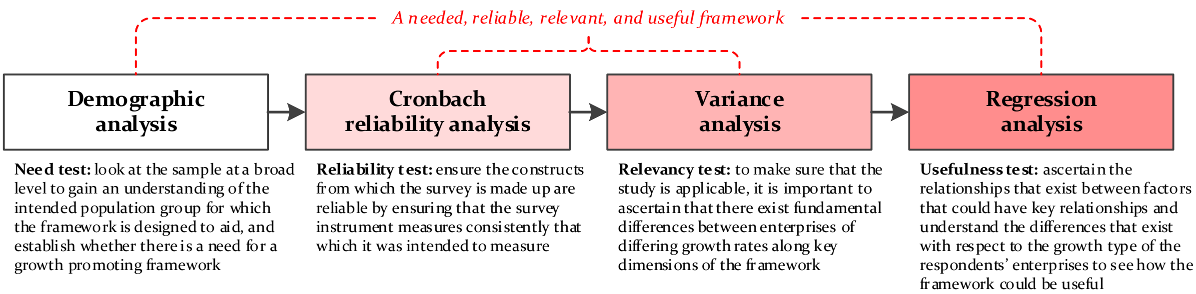


Figure 13-14 Validating the framework with the survey

Therefore, it can be said that the broadest aim of the survey is to ascertain the framework's:

- **Need:** that there exists a need for a framework to guide enterprises towards improved growth
- **Reliability:** that there are no redundant factors incorporated in it that make it ineffective (Tavakol & Dennick, 2011)
- **Relevancy:** that there exists a significant yet favourable discrepancy between the degree to which more successful enterprises adhere to the framework's guidelines than less successful ones do (Miller, 1997)
- **Usefulness:** that relationships between the sample data reveal the framework is useful for explaining differences that exist between enterprises of different growth rates (Laerd, 2013)

13.5.1.2 Sample selection

The target group are owners and/or managers of social enterprises who aim to alleviate poverty at the BOP through enterprise action locally, i.e. in South Africa. A good sample selection is key as it allows one to generalise the findings from the sample to the population, which is the whole purpose of survey research.

This was ensured by sourcing the majority of social entrepreneur survey respondents from the South African Breweries Foundation (SABF) database of social entrepreneurs, after having been granted access to it from the SABF's Executive Director. Other respondents were found via an ad hoc approach of: scouring the internet for social enterprise award winners (e.g. the Schwab Foundation's South African winners); querying personal and professional contacts with experience in the field, and; by directly contacting suitable social enterprises for credible social enterprises in their networks. As the majority of the respondents came from the SABF database and other award-winning social enterprises, the credibility of the respondents was ensured. Credibility in these instances is based on the fact that the enterprises had to be thoroughly assessed to win their awards.

13.5.1.3 Survey instrument design

The survey was constructed by breaking down the conceptual framework into logical statements reflecting its primary requirements and thereafter refining this list by reducing overlap and simplifying it. The survey instrument can be found in Appendix R. The list of questions pertaining to the framework is relatively long as far as surveys go (taking between half an hour and an hour to complete), but by telephonically contacting as many of the social enterprise owners and/or managers as possible so as to orientate them, they were encouraged to fill in the survey.

In total, 57 respondents completed the survey. An additional 11 incomplete responses were removed from the online survey tools' database (SurveyMonkey), due to the respondents having abandoned the survey after only having addressed the survey's demographic section. Judging by the demographic data captured prior to their impromptu exiting of the survey, it appears they were low growth rate respondents (having never been profitable or being in decline). After contacting some of these respondents, it became apparent that they abandoned the effort after seeing how few of the requirements they had a working knowledge of or familiarity with.

13.5.1.4 Appropriate data capture

In addition to acquiring demographic data for perspective, two primary questions were asked to obtain ordinal data regarding the enterprises, both of which comprise two components. Respondents were asked to:

- **Rank the perceived growth impact and managerial difficulty:** for each growth factor in accordance with their enterprises' experience
    - Perceived growth impact relates to the manner in which and degree to which the factors are thought to contribute to the growth of the enterprise
    - Managerial difficulty relates to how difficult the effective management of each factor is believed to be
- **List the priority in planning and manner of implementation:** for each growth factors' key requirements

- Priority in planning describes the importance of each framework requirement in reality
- Manner of implementation describes the degree to which the framework requirement is directly addressed

The information gathered consists of continuous, ordinal, and nominal data. Ordinal data is captured using an appropriate Likert scale. According to McIver and Carmines (1981:22), the Likert scale is:

> *A set of items, composed of approximately an equal number of favorable and unfavorable statements concerning the attitude object, is given to a group of subjects. They are asked to respond to each statement in terms of their own degree of agreement or disagreement. Typically, they are instructed to select one of five responses: strongly agree, agree, undecided, disagree, or strongly disagree. The specific responses to the items are combined so that individuals with the most favorable attitudes will have the highest scores while individuals with the least favorable (or unfavorable) attitudes will have the lowest scores. While not all summated scales are created according to Likert's specific procedures, all such scales share the basic logic associated with Likert scaling.*

Spector (1992:1) identifies four characteristics to ensure the scale used is a summated rating scale:

- A scale must comprise multiple items, each of which can be summated, implying that the multiple items combine to give a single output
- The measure of each individual item must have an underlying quantitative measurement continuum, i.e. it should measure a property of something that can vary quantitatively as opposed to just qualitatively, e.g. a qualitative feeling could vary quantitatively from very negative to being very positive
- There exists no correct answer for each item, which is where one can see the difference between a summated rating scale and a multiple-choice test
- Each item in a scale must be a statement, whereby respondents are instructed to provide a rating for each statement

13.5.2 DATA ANALYSIS

To obtain as much useful information out of the enterprise survey as possible, it is imperative that appropriate analyses are conducted on the obtained data. In the following sections, summary statistics are used to show the feedback of the 57 respondents.

13.5.2.1 DEMOGRAPHIC ANALYSIS

For the preliminary analysis, Microsoft Excel was used in processing the data. Summary statistics are used to describe the variables in the proceeding figures. This section aims to provide a clear outline of the social enterprises that formed the analysis sample in this study, and identify atypical relationships.

The distribution of enterprises in each particular growth rate group is broken down according to growth rate in Figure 13-15. The percentage breakdown of enterprises according to their growth rates is as follows: 5% more than doubled, 42% were more than inflation, 21% were in line with inflation, 28% were definitely declining, and 4% were in their founding year. Please see Appendix R.2.2 for a description of the sector codes shown in Figure 13-15.

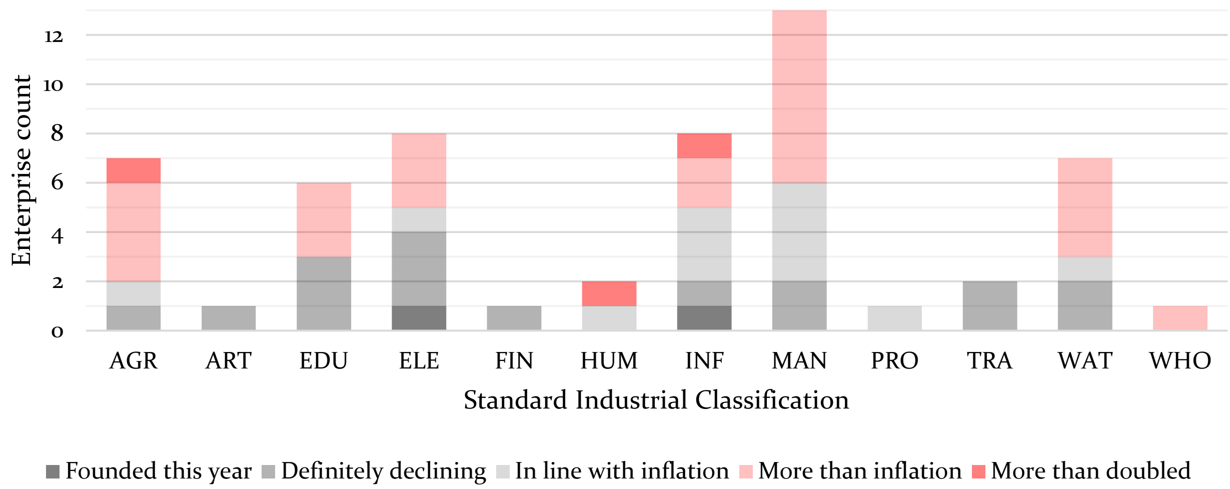


Figure 13-15 Enterprise growth rate according to SIC

As can be deduced from the data of Figure 13-16, the sample consisted of 14% medium-sized enterprises, 39% small-sized enterprises, 23% very small-sized, and 25% micro-sized enterprises. The total number of employees is determined as being the sum of permanent and temporary employees for each social enterprise. Note that the reason for some of the very small enterprises having more employees than the small ones is due to the definition of the SMMEs according to the SIC which varies according to sector.

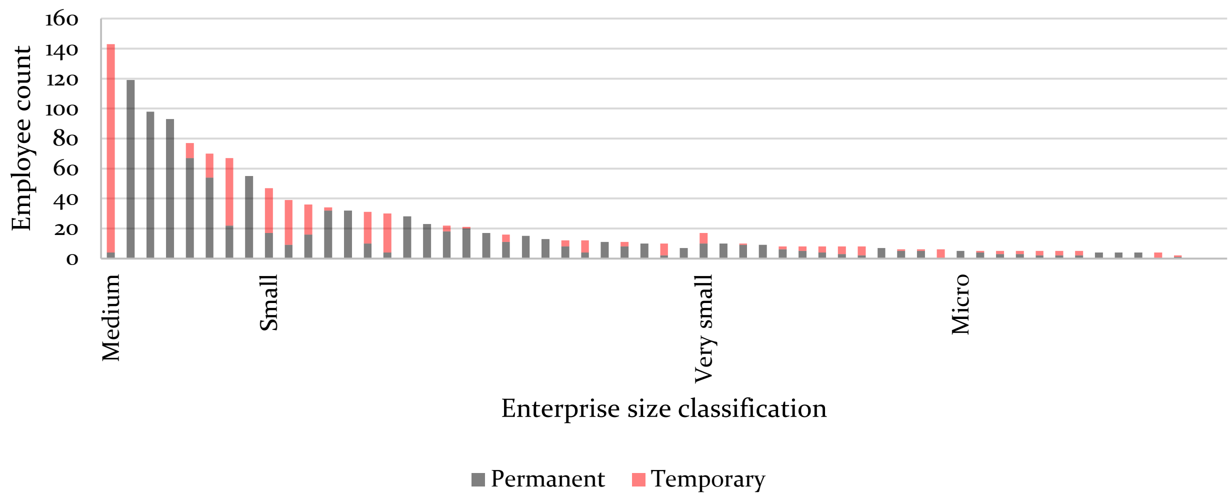


Figure 13-16 SMME breakdown according to permanent and temporary employee count

A clear outline of the enterprise sizes and their corresponding growth rates, ages, and consecutive years of growth are shown for each respondent in Figure 13-17. The results are rational, in that enterprises whose growth rate is positive have all experienced growth for one or more consecutive years, whereas those in decline have generally never experienced growth, or only in the past.

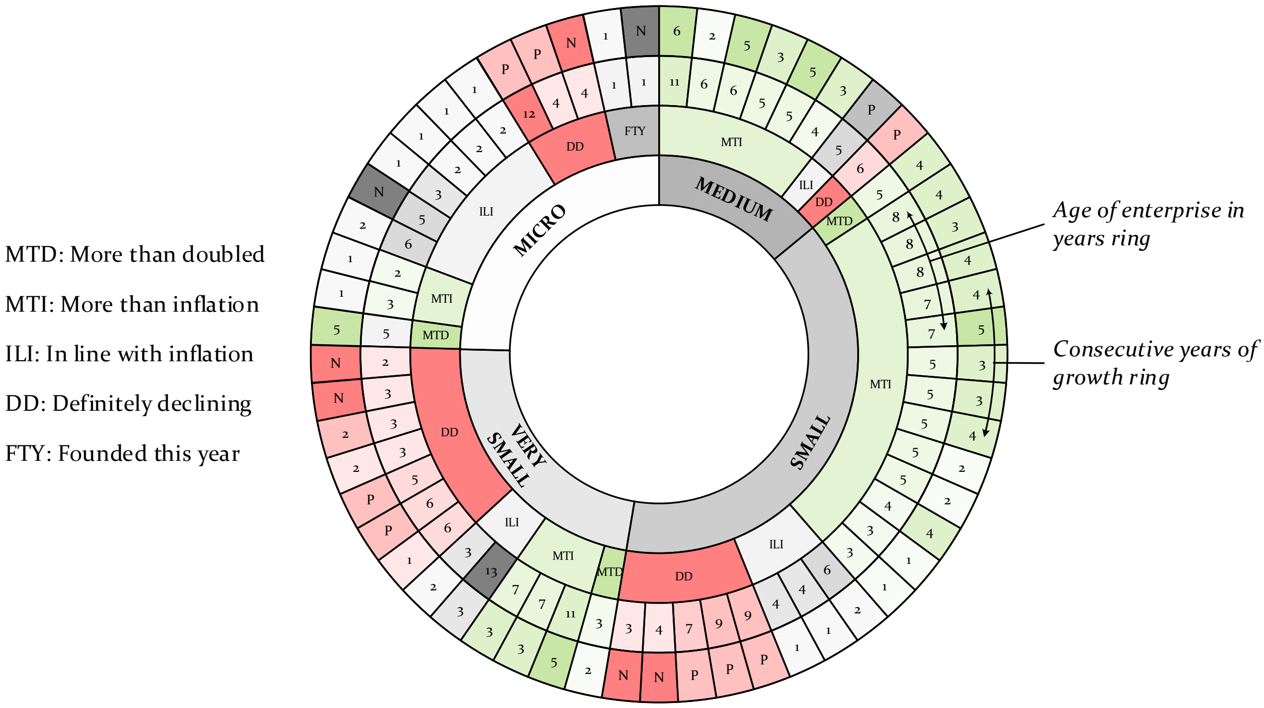


Figure 13-17 Social enterprise size, growth rate, age, and consecutive years of growth breakdown

As shown in Figure 13-18, the spread of BOP role/view according to industry is pretty uniform, with a couple exceptions that are rather predictable. For instance, though it is too small a sample to determine accurately, it appears the more technical sectors such as FIN, INF, and PRO do not view the BOP as employees or co-creators, probably due to the higher complexity of the value offerings offered to the BOP market.

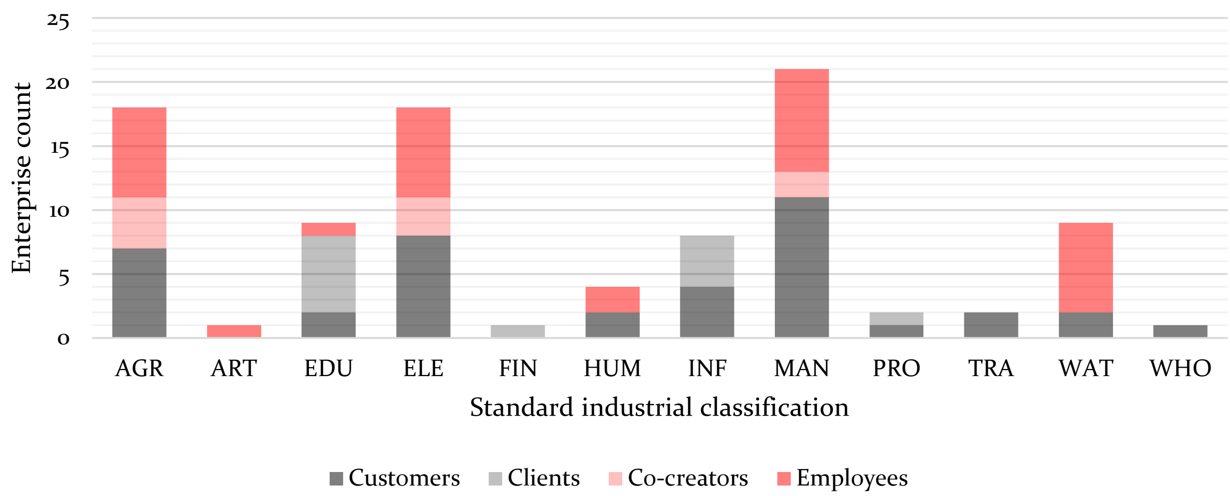


Figure 13-18 BOP role according to industry

Similarly, there is no notable difference between social enterprises with different growth rates and how they relate with the BOP as employees, co-creators, clients, and customers, as shown in Figure 13-19. This would therefore promote the notion that although enterprises may understand the importance of relating to the BOP in a number of ways, it is how these relationships and roles are managed that determines success.

Figure 13-19 BOP role and enterprise growth rate breakdown

With regards to the clarity of the value proposition, Figure 13-20 supports the notion that enterprises with higher growth rates are more able to describe their value propositions clearly than their neutral and negative growth counterparts.

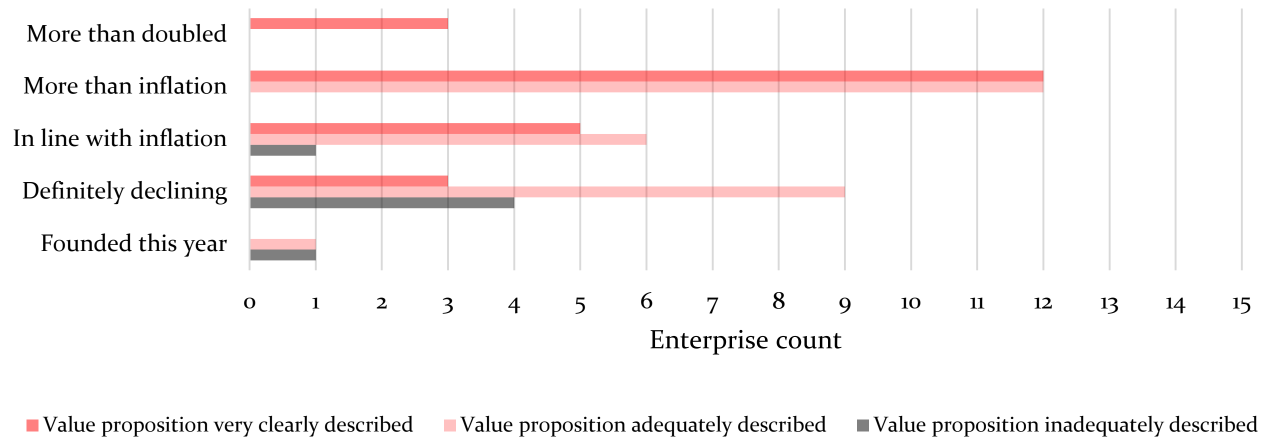


Figure 13-20 Value proposition clarity according to growth rate

In a similar manner, it is evident from Figure 13-21 that although a competitive approach is still the norm, many of the social enterprises in the sample that are attaining positive growth have effectively utilised a non-competitive approach to attaining growth.

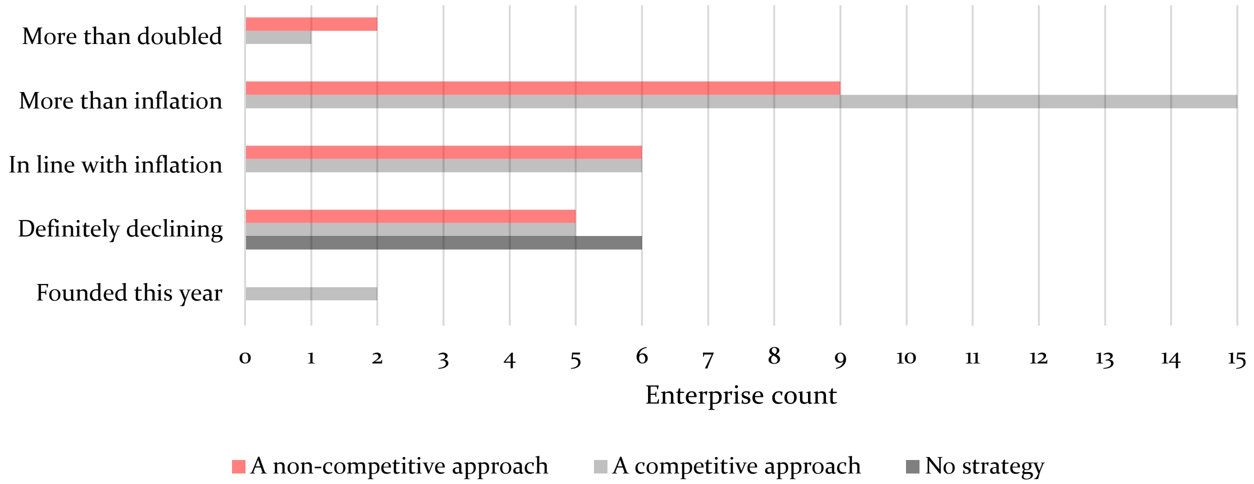


Figure 13-21 Strategic stance according to growth rate

Oddly enough, Figure 13-22 reveals that for this sample the ability of enterprises to approach innovation creatively is evenly distributed and does not tend to be more commonly exhibited by more successful firms. This may be due to an inadequate understanding of what entails a creative innovation strategy in declining enterprises. For the most part, it can be seen that enterprises with a strategic stance to innovation tend to exhibit the best growth rates.

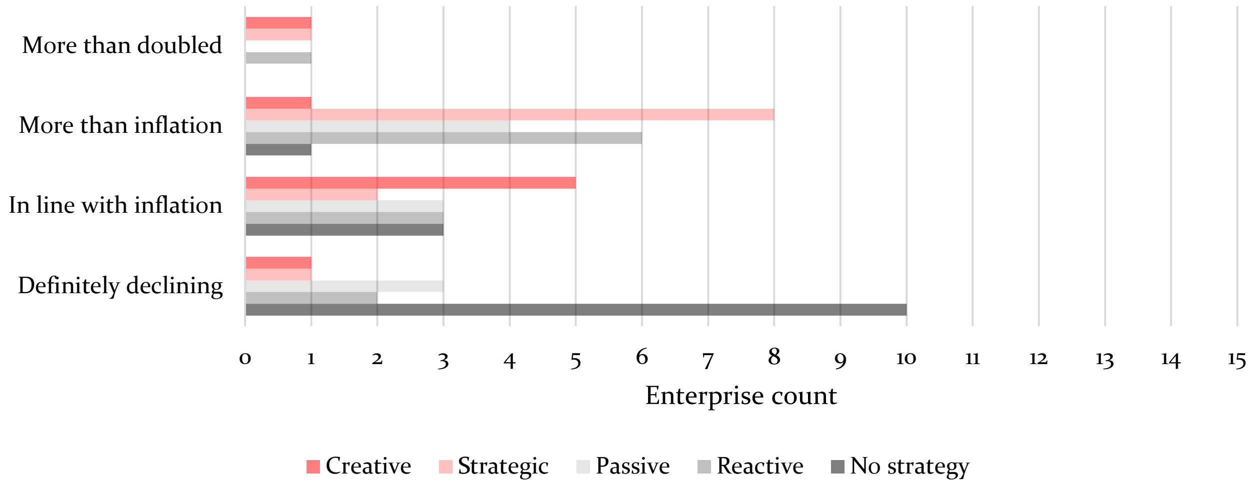


Figure 13-22 Innovation stance according to growth rate

Figure 13-23 provides details on how many enterprises have experienced consecutive years of growth for each enterprise growth rate group. The results make sense, as the enterprises that have positive growth rates have a longer track record of positive growth than enterprises that are in decline. The vast majority of enterprises in decline have no years of consecutive growth whatsoever. Of the 16 enterprises not having experienced consecutive years of growth, 44% had never experienced growth, and 56% had experienced positive growth in the past. Interestingly, three of the enterprises that had experienced consecutive years of positive growth were actually in decline.

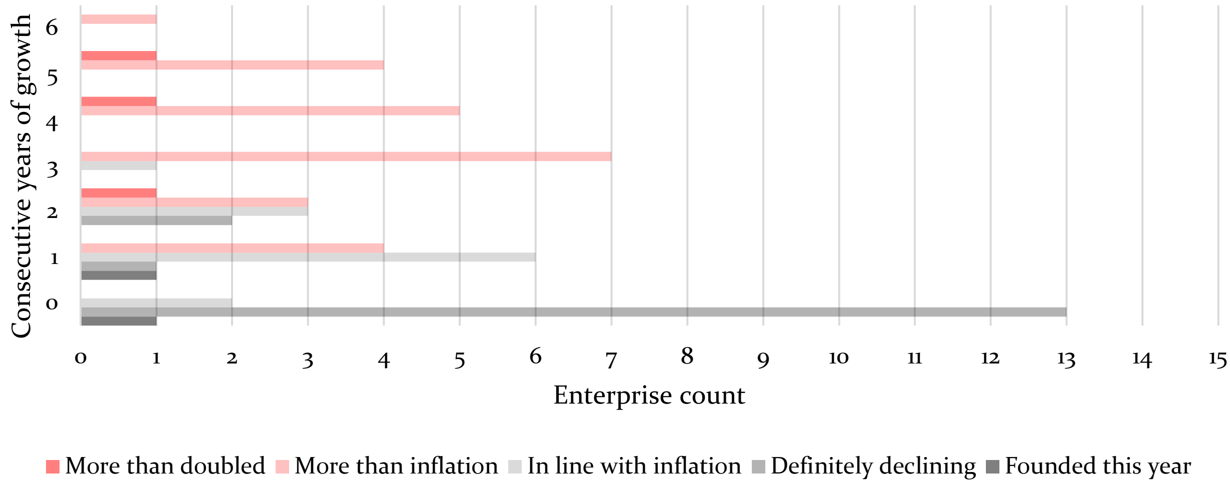


Figure 13-23 Consecutive years of growth according to enterprise growth rate

13.5.2.2 STATISTICA ANALYSIS

For a more detailed analysis, STATISTICA version 13 (Dell Inc., 2015) was used in analysing the data. Medians or means are used as the measures of central location for continuous and ordinal responses, along with standard deviations and quartiles as indicators of spread. Relationships between two variables are analysed with regression analysis, and the strength of the relationships are measured with the Pearson correlation coefficient, or if the continuous variables are not normally distributed the Spearman correlation coefficient is used, which is most often the case in the proceeding analyses. The relationships between continuous response variables and nominal input variables are analysed using appropriate analysis of variance (ANOVA). When comparing ordinal response variables with a nominal input variable, non-parametric ANOVA methods are used. A p-value of $p < 0.05$ represents statistical significance.

i. Cronbach reliability analyses

The reliability and validity of a measuring instrument, such as a survey questionnaire, can be ascertained via the Cronbach reliability test. Validity is concerned primarily with the extent to which an instrument measures what it is intended to measure, whilst reliability relates to the ability of an instrument to measure consistently (Tavakol, Mohagheghi & Dennick, 2008). An instrument "*cannot be valid unless it is reliable*" (Tavakol & Dennick, 2011). And, seeing as the survey instrument is a reflection of the framework, the reliability of the survey instrument constitutes the reliability of the framework.

Cronbach's alpha is a measure of internal consistency, i.e. how closely related a set of items are as a group. It is considered to be a measure of scale reliability, and is used in this analysis as it is "*the most widely used objective measure of reliability*" (Tavakol & Dennick, 2011). The underlying assumptions on which Cronbach's alpha is based will now be discussed.

Developed in 1951 by Lee Cronbach, alpha aims to measure internal consistency of a scale or test, and is expressed as a number between zero and one. Internal consistency is effectively a measure of the inter-connectedness of items in a test, and as such describes the degree to which each and every item in a test measure the same construct (e.g. perceived growth impact, managerial difficulty, etc.). Having too few items in the test can decrease alpha unwittingly, and it is therefore recommended that more related items should be added when testing the same concept as it increases reliability of the test (Nunnally & Bernstein, 1994; Streiner, 2003). As each framework subsystem is represented by multiple requirements in the survey, this is not of concern.

Using this alpha in an improper manner can result in the scale or test being wrongly discarded or criticised as not arriving at trustworthy results. Understanding the concepts of internal consistency, homogeneity, and unidimensionality help improve alpha's use. Internal consistency relates the interconnectedness, whereas homogeneity refers to unidimensionality. Unidimensional measures are those that measure a single construct or latent trait (e.g. enterprise growth rate for business modelling considerations). Internal consistency is a necessary but insufficient condition for measuring homogeneity or unidimensionality (Cortina, 1993; Green, Lissitz & Mulaik, 1977), yet the concept of reliability is predicated on the assumption that unidimensionality exists (Miller, 1995). If it does not exist, reliability can be greatly underestimated (Tavakol & Dennick, 2011). As the constructs (i.e. perceived growth impact, managerial difficulty, priority level in planning, and manner of implementation) in the analyses conducted on the survey instrument each focus on their respective notion, they are unidimensional in nature.

If a test is made up of more than one construct, as is the case in the survey instrument, Tavakol *et al.* (2008) and Nunnally and Bernstein (1994) argue for, and Tavakol and Dennick (2011) states that, "*alpha should be calculated for each of the concepts rather than for the entire test or scale*." To not undermine reliability, it is important that alpha is grounded in the *tau equivalent model* which assumes that each of the constructs and sub-constructs measure the same latent trait and are measured on the same scale (Green & Thompson, 2005).

Various researchers report different acceptable alpha ranges, from 0.70 to 0.95 (Nunnally & Bernstein, 1994; Bland & Altman, 1997; DeVellis, 2003). Essentially, "*the closer Cronbach's alpha coefficient is to 1.0 the greater the internal consistency of the items in the scale*" (Gliem & Gliem, 2003). Low alphas may be due to lower numbers of questions, poor inter-item relatedness, or heterogeneous constructs. Poorly correlated items can be discarded to improve alpha. Although not a problem, a very high alpha (in excess of 0.90) may mean there exists some degree of overlap between questions (Streiner, 2003). This suggests some items may be redundant and the test length may benefit from being made shorter. George and Mallery (2003:231) provide the rules of thumb for alpha values shown in Figure 13-24.

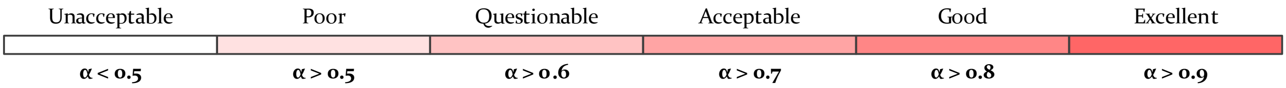


Figure 13-24 Cronbach's alpha rules of thumb

Alpha is hereafter reported for each of the constructs, namely: perceived growth impact, managerial difficulty, priority level in planning, and manner of implementation. The reliability of each of the sub-constructs is also ascertained, i.e. that of each best practice: business modelling, sustainable development, strategy, strategic alliances, innovation, and marketing. The respective alpha values are shown in Table 13-5, whereby particular concerns that would raise the alpha value meaningfully if omitted from the survey (and therefore the framework) are included in the comments.

Table 13-5 Construct and sub-construct reliabilities

Construct	**α**	**Alpha improvement if component is deleted**
Perceived growth impact	0.744	No improving moves
Managerial difficulty	0.815	No improving moves
Priority level in planning	0.97460	Practically addressing environmental needs of the poor (+0.00012) Addressing key organisational hurdles for optimal strategy implementation (e.g. motivational, resource) (+0.00006)
• *Business modelling component*	0.825	Estimating revenue streams by calculating the predicted revenues less costs to determine likely earnings and estimating the cost structure by calculating and describing all of the costs that are incurred in operating the business model (+0.003)
• *Sustainable development component*	0.794	No improving moves
• *Business strategy component*	0.858	Addressing key organisational hurdles for optimal strategy implementation (e.g. motivational, resource) (+0.002)
• *Strategic alliance component*	0.954	No improving moves
• *Innovation component*	0.934	No improving moves
• *Marketing component*	0.900	No improving moves
Manner of implementation	0.976	No improving moves
• *Business modelling component*	0.837	No improving moves
• *Sustainable development component*	0.762	Practically addressing social needs of the poor (+0.021)
• *Business strategy component*	0.856	Addressing key organisational hurdles for optimal strategy implementation (e.g. motivational, resource) (+0.002)
• *Strategic alliance component*	0.954	No improving moves
• *Innovation component*	0.938	No improving moves
• *Marketing component*	0.896	No improving moves

Note that given the satisfactory alpha values, no changes need to be made to increase the reliability. As shown in the *Alpha improvement if component is deleted* column, the positive impacts of removing the listed factors is miniscule. Therefore, the reliability of each of the survey's constructs, and therefore the reliability of the framework, was proven. This means that the requirements of the framework are reliable in that they exhibit:

- **Internal consistency (interconnectedness):** which makes sense seeing as the requirements are derived from logical consecutive processes working together towards a final common objective
- **Homogeneity (unidimensionality):** which is understandable as the requirements measure the degree to which an enterprise adheres to best practices necessary for growth

Having thus established the reliability of the collected data, it is worthwhile performing a more detailed and descriptive analysis of what the findings mean.

ii. Variance analyses

ANOVA stands for *analysis of variance*. It is used to determine whether there exist any statistically significant differences between the means of independent (unrelated) groups (Miller, 1997). For the purposes of this study, the groups pertain to the growth rate of the respondents' enterprises. The analysis that follows will therefore relate to the following growth rates:

- *Definitely declining (i.e. between 6% and -44% per annum)* which has 16 responses
- *In line with inflation (i.e. close to 6% per annum)* which has 12 responses
- *More than inflation (between 6% and 106% per annum)* which has 24 responses
- *More than doubled (i.e. better than 106% per annum)* which has only 3 responses

The components of box and whisker plot are outlined in Figure 13-25, to familiarise the reader with the way the following figures outline the means and confidence intervals of each growth factor's growth rates for each of the survey question categories.

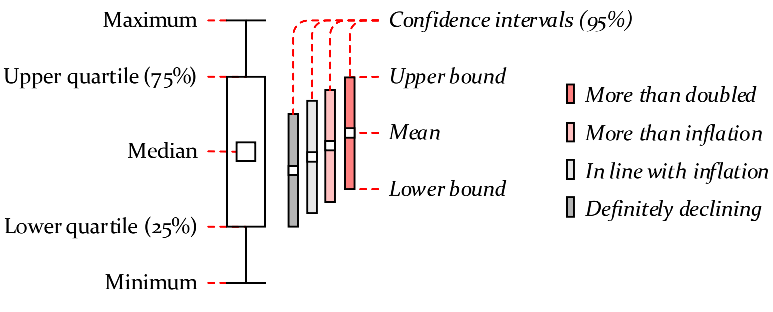


Figure 13-25 Histogram and confidence interval components

A confidence interval is by definition a range of values so defined that there is a specified probability that the value of a parameter lies within it, in this case the parameter being the score for the perceived growth impact, managerial difficulty, priority level in planning, and manner of implementation, and the range of values relates to the different growth type of the respondents' enterprises. The confidence interval is a description of the uncertainty associated with the sampling method (StatTrek, 2017), and as such, a 95% confidence interval indicates the chances that the mean response for the whole population of social enterprises is in that given range. This means that the smaller the sample size, the broader this range will be as the likelihood of the responses gathered representing the true mean is lower. For example, as shown in the next few figures, the confidence intervals of the 3 responses for *More than doubled* have relatively wide 95% confidence intervals in comparison to other growth rate categories with more responses. Due to the low number of responses, a t-distribution was used to analyse the feedback.

Regarding the question category pertaining to the survey respondents' responses for the perceived growth impact of each growth factor, Figure 13-26 relates their responses. Ideally, respondents perceive the growth factors as improving their growth, adding net value to the enterprise.

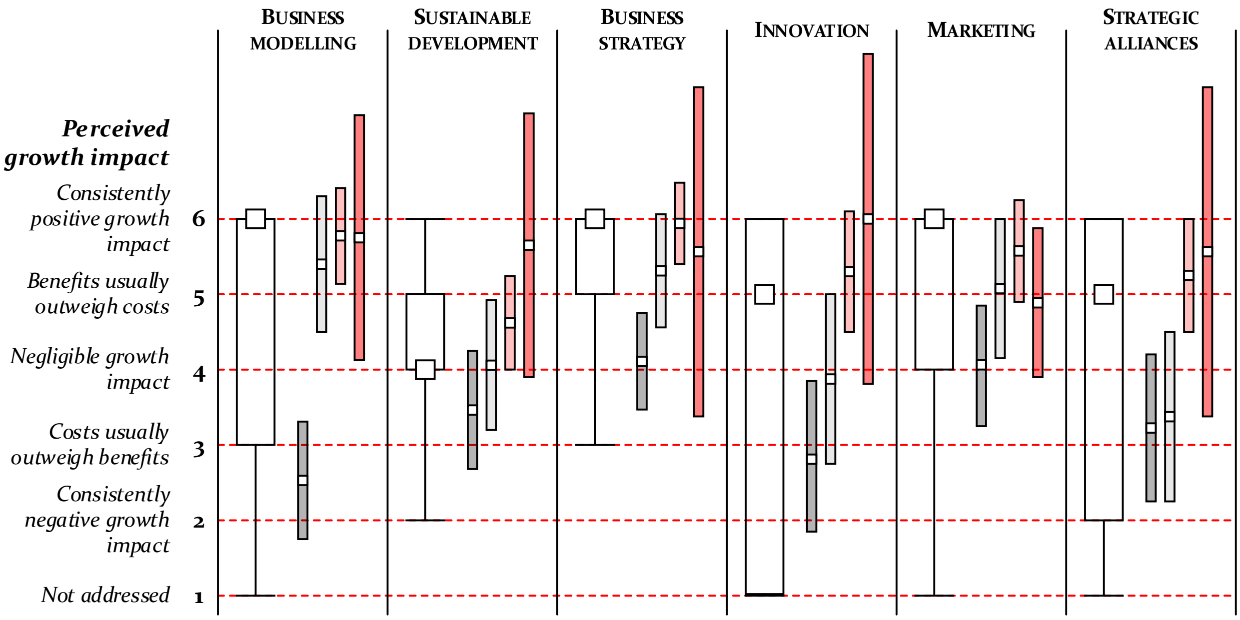


Figure 13-26 Perceived growth impact according to growth factor and growth rate

As can be seen above, there is a general upwards trend for the perceived growth impact as the growth rate of respondents increases, in line with the tenets of this study. The highest growth category is limited in its ability to confidently relate the perceptions of the whole population as the response rate is so small.

Shown in Figure 13-27 below is the response summary for the managerial difficulty question which broadly asks how difficult each growth factor is to manage. Ideally, the growth factors are seen as relatively difficult to manage by respondents, showing that the factors are being addressed at a detailed level, so as to be consistent with the framework requirements. Please see Appendix R.2.3 for a detailed breakdown of the questions pertaining to the following two figures.

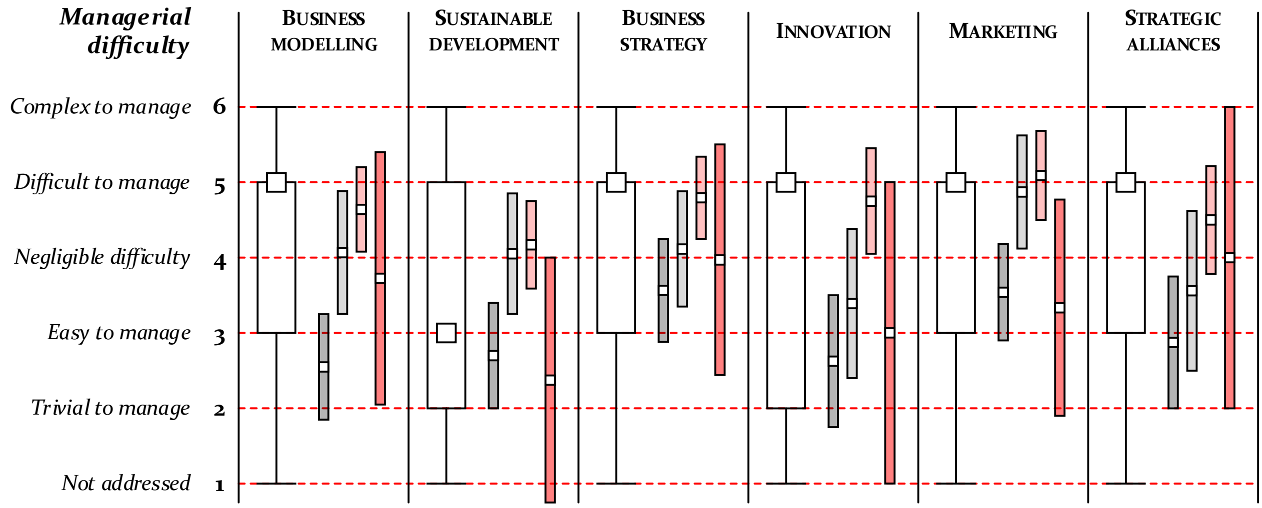


Figure 13-27 Managerial difficulty according to growth factor and growth rate

Interestingly, it appears that as the enterprises increase in growth, the difficulty of managing the growth factors increases only up to a point. It is hypothesised that in moving from decline to positive growth, respondents tend to see the underlying complexities of each of the growth factors, and that once they have dealt with them, the processes become natural and engrained in the enterprises, making their managerial difficulty decrease. Failing enterprises show a decidedly lower perception of managerial difficulty, which likely indicates a low regard for a structured approach to growth. Thus, it appears that the perceived difficulty is a necessary precursor to positive growth attainment whereas viewing it too simplistically may lead to trivialising its importance and thus not advancing.

Figure 13-28 below shows the respondents' responses to the survey question relating to the priority level with which respondents plan for the managing of each growth factor. Ideally, the priority level is listed as important (regardless of urgency) for orientating the enterprise for growth, in accordance with the framework requirements. It must be noted that here, the results shown are dependent on multiple framework requirements whereas the two preceding figures only addressed the highest order growth factors, not their sub-requirements. Please see Appendix R.2.4 for a detailed breakdown of the questions pertaining to the following two figures.

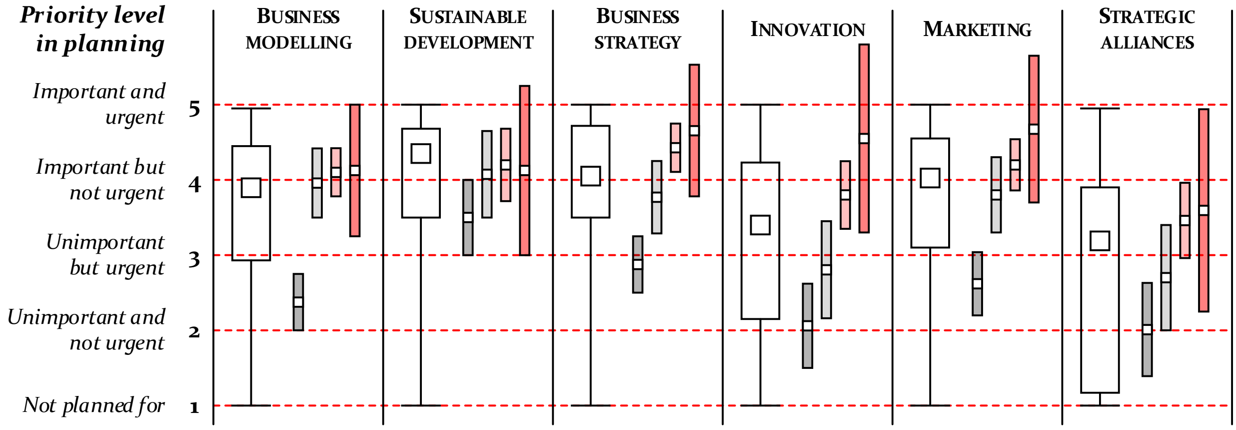


Figure 13-28 Priority level in planning according to growth factor and growth rate

As shown above, respondents with higher growth rates regard the growth factors as increasingly important to plan for. The necessity of planning for business modelling and sustainable development seems to be generally well accepted across the range of enterprises with different growth rates. Planning for innovation, marketing, and strategic alliances seem to however exhibit very clear differences between the growth categories, with more successful enterprises viewing planning for these as much more important and urgent. Very interesting here is the manner in which even social enterprises in decline prioritise planning for sustainable development, however their inability to grow (in accordance to the framework), can be seen by how very low they view the importance of planning for all of the growth factors.

Figure 13-29 below relates to the results of a detailed analysis of numerous requirements for each growth factor, detailing the manner in which each is implemented by the respondents. Ideally, the sub-requirements are addressed directly/explicitly to best position the enterprise for growth, in accordance with the framework requirements.

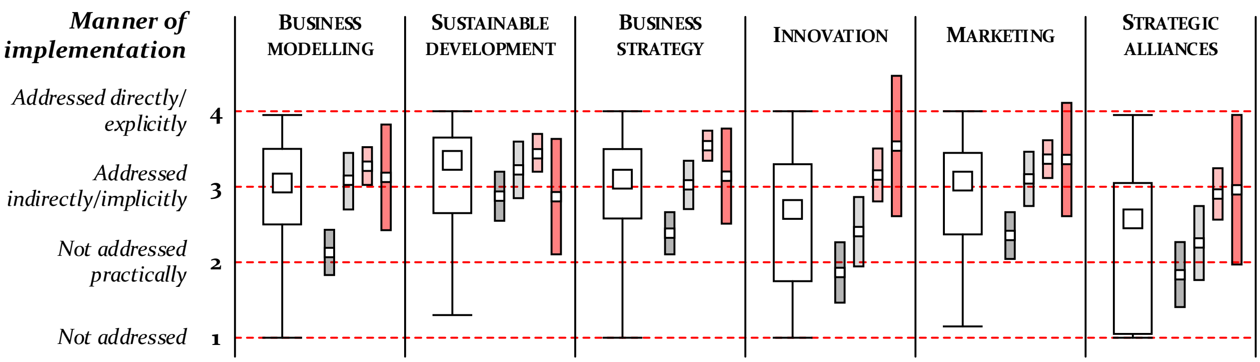


Figure 13-29 Manner of implementation according to growth factor and growth rate

A general increasing trend is depicted above, showing that higher growth enterprises tend to more directly and explicitly address the requirements of the growth factors, in comparison to their less successful counterparts. It is possible that as business strategy becomes engrained in the operations of the successful enterprises, it becomes a less pressing concern that is addressed implicitly, accounting for the lower mean of the highest growth rate enterprises.

iii. Regression analysis

Regression analysis is a statistical process that estimates the relationships among variables, generally focusing on the relationship between a dependent variable (X, the explanatory variable) and one or more independent variables (Y, the response variable or predictors).

Two correlation types are associated with regression analysis, including Pearson's product-moment correlation and Spearman's rank-order correlation. Pearson's correlation is used for parametric statistics (i.e. when the data is required to fit a normal distribution) and Spearman's is the nonparametric version that by definition is the Pearson correlation coefficient between the ranked variables.

According to Laerd (2013), "*Spearman's correlation determines the strength and direction of the monotonic relationship between your two variables rather than the strength and direction of the linear relationship between your two variables, which is what Pearson's correlation determines*." Monotonic relationships are those whereby as the value of one variable increases, so does the other, or else as the value of one variable increases the other decreases. A general rule of thumb is that if a scatterplot shows a linear relationship one should run a Pearson's correlation as it tests the strength and direction of the linear relationship, and if it is not linear but is monotonic then a Spearman's correlation is suitable to determine the strength and direction of the monotonic relationship (Laerd, 2013).

Data used in this survey that is predominantly ordinal (rather than continuous), with few outliers (rather than many outliers), and represents monotonic relationships (rather than linear relationships), will therefore utilise the Spearman correlation (rather than the Pearson correlation) to report the strength and direction of association of correlations. The range of Rho values, which relate the strength of the correlation between variables, is given in Figure 13-30.

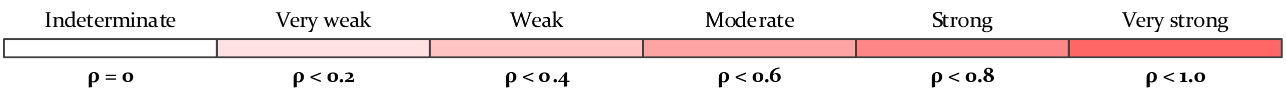


Figure 13-30 Correlation strength according to rho value (StatsTutor, 2017)

The general regression analyses shown in Table 13-6 were conducted to gain an understanding of the broad relationships that exist predominantly regarding the respondents' demographics.

Table 13-6 General regression analyses

X	Y	ρ	Discussion
Enterprise age	Total employee count	0.17	The apparently non-existent relationships between these factors can be understood along a number of dimensions which were surmised from analysing the enterprise profiles of the respondents: • Firstly, social enterprises often lack the finances to directly employ a large workforce, thus not creating many jobs • Secondly, partnerships whereby the BOP are not directly employed by the enterprise are much more common at the BOP than in conventional markets, which also contributes to the low job creation rates over time • Thirdly, for enterprises that grow, these partnerships with the BOP don't end, but rather evolve and create more value for those involved, reducing their need for direct employment • Fourthly, as with many of the respondents, the value offering for the BOP is not always labour intensive, and thus does not necessitate the creation of jobs to scale its impact (e.g. mobile phone health and education apps, developing financial solutions to manage their money, designing affordable prosthetics for sale at government hospitals) • Fifthly, the value generally created for the BOP enables them to create value for themselves, effectively becoming their own bosses, which trumps employing them
Consecutive years of growth	Total employee count	0.35	
Total employee count	Enterprise growth rate	0.29	
Enterprise growth rate	Perceived growth impact	0.67	There exists a strong correlation between the enterprises' growth rates and the respondents' perceptions of how important the growth factors are for attaining it
Innovation strategy	Enterprise growth rate	0.55	A moderate correlation exists between innovation strategy and enterprise growth rate
Consecutive years of growth	Perceived growth impact	0.60	A strong correlation exists between the consecutive years of growth and the perceived impact that growth factors have on enterprise growth, which is supportive of the findings of this study which argue that successful enterprises are those that address these factors consistently over time
	Managerial difficulty	0.54	As a sanity check, this positive correlation makes sense, showing that as the enterprises get older, the difficulty of managing the enterprises increases

It should be noted that the output for regression analyses for growth rates including *More than doubled (i.e. better than 106% per annum)*, *Less than half of previous year (i.e. worse than -44% per annum)*, and *My enterprise was only founded this year* are meaningless in this study has too few or no respondents that exhibit these definitions. The analysis that follows will therefore only relate to the remaining growth rates.

The regression analyses of Table 13-7 were conducted on the level of the enterprise growth rate so as to determine key differences among the survey measures and between growth categories. In order to provide more useful feedback in the following analysis summary, telephonic conversations with the respondents were utilised soon after each respondent completed the survey. Thus, the motivation for the variances provided in Table 13-7 are not mere speculations. Of course, the detailed analysis had not been conducted at the time of the communications, however the online survey platform (SurveyMonkey) provided sufficiently detailed summary statistics to query respondents effectively.

Table 13-7 Pointed regression analyses focusing on differential growth rates

X	Y	ρDECLINING	ρIN LINE WITH INFLATION	ρABOVE INFLATION	Discussion
Perceived growth impact (as shown in Figure 13-26)	Managerial difficulty	0.80	0.36	0.47	Enterprises in decline with low views of the impact each factor has on growth, have commensurately low view of the difficulty of managing them, i.e. they think all growth factors have low impact on growth and are easy to manage. This results in a very strong positive correlation (0.80) which betrays that they consistently have the wrong perception of growth impact and orientation towards effectively managing for growth Enterprises in line with and above inflation tend to have appropriately high views of the impact each factor has on growth, but due to the fact that they simultaneously have more moderate views of the managerial difficulty associated with each, the curve which relates the growth impact to the managerial difficulty is much flatter, resulting in weak correlation coefficients (0.36 and 0.47)
Priority level in planning	Perceived growth impact	0.79	0.46	0.34	Enterprises in decline consistently do not plan for the growth factors that they believe have no positive impact on enterprise growth, thus the strong positive correlation (0.79) of low values with low values on the priority level in planning versus perceived impact plot Enterprises in line with and above inflation tend to understand that although the various growth factors are all very important to growth, they exhibit different levels of importance with respect to how they should be planned for, as not all of them have the same urgency on a daily basis (e.g. updating the business model, versus getting into the field and building networks/relationships which is a continuous process). This results in a relatively flat distribution when plotting priority level in planning versus perceived growth impact, and thus the moderate (0.46) and weak (0.34) correlation coefficients
	Managerial difficulty	0.51	0.35	0.34	Interestingly, the priority level in planning appears to have very little relation to or impact on the difficulty of managing the growth factors. This may be due to the nature of BOP endeavours, wherein the uncertainty and unique problems characteristic of that environment causes planning to be of comparatively lesser effectiveness/use than in conventional markets which are more predictable However, this can only be said of enterprises operating in line with and above inflation, as they do plan for growth (albeit to different appropriate extents). Declining enterprises however do not often plan appropriately, and therefore there is no reason for any relationship between planning and managerial difficulty to exist
	Manner of implementation	0.98	0.97	0.96	As this has a strong correlation across the board, it is evident that the findings are valid in that when respondents listed the factors as being important in planning for growth, they addressed the requirements in a commensurate manner. The different growth rate types of the enterprises may all have very strong correlations between priority level in planning and the manner in which the requirements were implemented, however the difference lies in the appropriateness with which they prioritised and implemented steps to address the requirements
Manner of implementation	Perceived growth impact	0.8	0.53	0.31	Very interestingly, the manner of implementation has almost no connection to the perceived growth impact for enterprises growing at a rate above inflation. This indicates that positive growth

X	Y	$\rho_{\text{DECLINING}}$	$\rho_{\text{IN LINE WITH INFLATION}}$	$\rho_{\text{ABOVE INFLATION}}$	Discussion
					enterprises are good at implementing all requirements effectively, regardless of how much they are perceived to impact growth For enterprises in decline, this points at the fact that they focus too much on the very limited factors which they deem necessary for improving growth. Note that respondents in line with inflation are stuck in-between and would do well to follow an approach that consistently addresses the entirety of the growth factors in an applicable manner
	Managerial difficulty	0.52	0.34	0.31	The low correlations show that how the factors were implemented had little bearing on the difficulty associated with their management. This is good because it shows that the requirements are not trivial, and that even when implemented appropriately, they are still complex enough to require a framework to guide the enterprises towards sustained growth. Furthermore, this is to be expected, as not all factors need be addressed directly/explicitly in every situation (e.g. following a clear strategy which can be documented once, and thereafter addressed implicitly in the enterprise's approach)

In summary, it can be said that the regression analyses according to respondent growth rate have revealed that the framework is indeed useful in that it:

- Provides an understanding of what is important for growth, and a means of addressing those concerns so as to help them cope more effectively with managing them
- Gives a broad enough view that concerns that are important on a daily basis (i.e. operational concerns) can be differentiated from those that are long-term (i.e. strategy), helping entrepreneurs address concerns at an appropriate level
- Helps not only plan for, but also manage the particular concerns that are necessary for success at the BOP (via the host of concerns addressed in the framework that were not included in the survey)
- Promotes the appropriate implementation of growth factor requirements
- Addresses a broad array of concerns, which although may not appear to be precursors to improved growth, do contribute to its attainment nonetheless
- Addresses concerns that are not trivial, as evidenced by the fact that how well the factors are implemented does not make the management thereof easy, even for growing enterprises

13.5.3 Potential for future study

Future studies would do well to focus on how much positive impact these social enterprises are making in conjunction with their improved growth rates, to see if monetary gain is the primary drive or if social impact is equally important.

13.5.4 Survey conclusions

In accordance with the aim of the survey, namely to further validate the framework, the analyses revealed that the framework is:

- **Needed:** via the demographic analysis, the existence of a need for a growth promoting framework to guide enterprises towards improved growth is clearly evident due to the high incidence of struggling enterprises (shown by the high number of enterprises failing or just breaking even, as well as the low number of enterprises with a long track record of continued growth, i.e. consecutive years of growth)
- **Reliable:** via the Cronbach reliability analysis, it was determined that there are no redundant factors incorporated in the framework that make it ineffective, as evidenced by the appropriately high alpha values of the test
- **Relevant:** via the variance analysis, it was clearly evident that there exist statistically significant discrepancies between enterprises of different growth rates, in favour of the framework in that the components that make up the framework are much more often addressed appropriately by the more successful enterprises than their less successful counterparts
- **Useful:** via the regression analysis, the nuances of the relationships between the sample data were useful in explaining the differences that exist between enterprises of different growth rates, which points to the framework's usefulness

It must be noted that in order to ensure the survey was completed correctly by respondents, the vast majority of respondents were telephonically guided through the survey prior to their completing it. Furthermore, it is clear from the significant time spent by each respondent on the survey as evidenced by the time stamps of the online survey that respondents were not expedient in their answering.

13.6 Focus interviews

The focus interviews aimed at achieving two validation goals, namely to determine:

- **Key stakeholder concerns:** the stakeholders listed below were determined as being key due to the listed reasons, and therefore the focus interviews aimed to determine which requirements must be addressed prior to social entrepreneurs dealing with them

- *Enterprises:* due to the ability of private enterprises to help scale production and lend their core capabilities to the social enterprise through partnerships, private enterprises were deemed key stakeholders for the social entrepreneur
- *Money lenders:* accessing financial capital is difficult when operating a social enterprise due to the difficulty of achieving scale, which makes financial organisations that are more forthcoming with funds oriented about sustainable development, they were determined as key stakeholders (e.g. venture capitalists, angel investors)
- *BOP:* in accordance with the tenets of inclusive innovation, fostering relationships with the BOP beyond only consumers is key and therefore they have been included as key stakeholders
- *NGOs:* due to the frequency with which they are referred to in literature as being ideal partners owing to their more developed knowledge of the BOP market, they have been included as key stakeholders

- **Completeness of the framework:** the focus interviews were used to query experts on all their knowledge pertaining to the enterprise at the BOP, and as such they were not confined to the framework's paradigm. This approach offered insight into new factors, which although are outside the scope of this study at many times, still provide assurance that those factors within the scope of this study have been addressed

13.6.1 THE PROCESS FOR VALIDATION VIA FOCUS INTERVIEWS

The visual aid shown in Figure 13-31 was taken to each focus interview along with the framework, its subsystems, and the case study, so as to provide experts with a full understanding of the study.

	Key Stakeholders			
Key Areas	Enterprises	Money lenders	BOP	NGOs
Business modelling	?	?	?	?
Sustainable development	?	?	?	?
Business strategy	?	?	?	?
Innovation	?	?	?	?
Marketing	?	?	?	?
Strategic alliances	?	?	?	?

What concerns are necessary to address as a social entrepreneur operating in the BOP before/ when dealing with the key stakeholders for each key area?

Figure 13-31 Focus interview discussion tool

13.6.2 FOCUS INTERVIEW EXPERT FEEDBACK SUMMARY

The key requirements from the framework that must be addressed prior to engaging with the key stakeholders, as determined from the focus interviews, have been incorporated in the tables of Appendix G. A cross indicates relevant concerns and a plus indicates important concerns that were addressed by the experts on multiple occasions.

An extensive list of recurring themes pertaining to the focus groups are included in Table Q-1 of Appendix Q.2. Furthermore, no conflicting views were uncovered with respect to the framework's requirements, i.e. the experts confirmed the validity of all the requirements that were discussed and merely phrased the key requirements in a slightly different manner to that of the framework but still with the same principles backing them.

13.6.3 CONCURRENT PROOF OF VALIDITY

During the course of the framework validation process, the author and his supervisor and co-supervisors successfully submitted a conference paper entitled "*The Base of the Pyramid (BOP): Towards a High Growth Framework for Small to Medium-sized Enterprise (SME) Action*" (Van der Merwe, Grobbelaar, Schutte & Von Leipzig, 2017) to the prestigious 26th International Association for Management of Technology Conference in Vienna (IAMOT, 2017). Furthermore, the conference paper won the award for best paper at the conference.

This is significant for the validation process in that the contents of the paper relate to a summary snapshot of the framework that was comparatively trivial in relation to the framework captured in this dissertation, yet it was deemed worthy of winning the award. A stringent review process was conducted whereby nomination and selection of the winner was determined via the Conference Vice President of Education, Research and Publications, in conjunction with an ad-hoc committee with a representation from the Publications Committee. As the assessment for excellence was conducted by experts in the field of technology management, it is apt that the winning paper was based on the preliminary findings of an engineering oriented dissertation.

13.7 Conclusion

The two research sub-questions stated at the beginning of this chapter, regarding validation of the framework and findings of this study, were answered, and are discussed now.

It was determined that there exist four possible routes to validating the framework and the findings of this study, namely validation through implementation, application to a case study, interviews with experts, and survey analyses. Implementation was determined as infeasible and therefore the chosen routes to validation included an illustrative retrospective case study, interviews with experts, and a survey analysis.

Firstly, the Jaipur Rugs case study was conducted and successfully proved the preliminary framework's credibility and confirmability. After explaining the contextual factors surrounding the enterprise, the framework was applied to the case study. Due to its complementary nature, and also due to the fact that the framework addressed all of the concerns which are attributed with JRC's success, the case study route to validating the framework was deemed successful. By making use of the framework, some areas which would arguably help the enterprise grow even more were identified.

Secondly, the conceptual framework was further validated via a round of screening interviews with experts in the fields of SMMEs, enterprise growth, and the BOP, which successfully ascertained that the framework is efficable, efficient, effective, and ethical. Important considerations revealed by the experts were incorporated into the framework's design, specifically the evaluation technique scorecard and the importance of leveraging the usefulness of the framework via a consultative approach of guiding social enterprise owners and/or managers towards improved growth. After amending the framework to its latest iteration, the necessary level of confidence for developing the survey from the framework's requirements was reached.

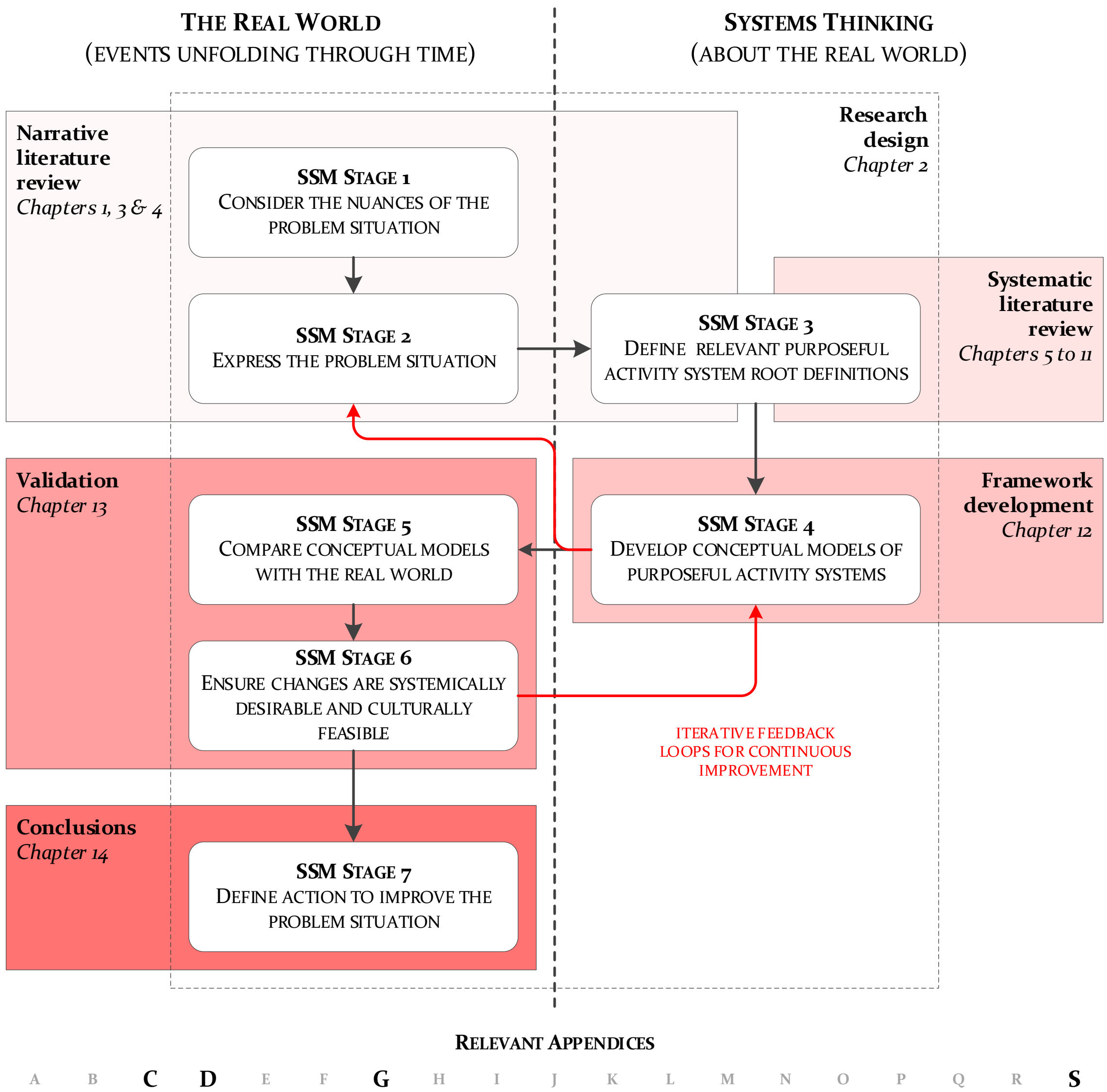
Thirdly, the survey was carried out on social enterprises in South Africa, with 57 respondents filling out the survey. This provided the empirical basis from which the need for the framework could be proven, in addition to the framework's reliability, relevance, and usefulness. The need was determined via the demographic analysis, the reliability via Cronbach's reliability analysis, the relevance via the analysis of variance, and the usefulness via the regression analysis.

Lastly, the final focus interviews with experts were conducted to determine the key requirements of the framework that need to be accounted for prior to and when dealing with a number of key stakeholders, and uncover any omitted framework requirements of which there were none of any significance.

Thus, all routes to validation confirmed the validity of the findings and opened up directions for future research, which are summarised in Chapter 14.4.1.

CHAPTER 14

CONCLUSIONS AND RECOMMENDATIONS



"To succeed, jump as quickly at opportunities as you do at conclusions."

Benjamin Franklin

14.1 Introduction

In this chapter, a summary of the findings of this study is provided, after which the potential for future research is addressed and the sections of this report which answer the research sub-questions and main research question are provided. The summary provides a rather detailed account of the conclusions arrived at in each chapter, and the potential for future research looks at how future research might continue from the already well-established foundation of this study.

This chapter constitutes stage seven of the SSM approach used throughout this study, as portrayed in Figure 2-1 of Chapter 2.2 (Checkland & Scholes, 1990:211).

The research sub-questions which are answered in this chapter include:

- What are the findings of this study?
    - Taking into account the findings of the validation process, what does the final framework look like?
    - Who is the framework useful to?
- Is there potential for future research?
    - In what way would future research best be conducted?

14.2 Framework usefulness for various user archetypes

Although the destination at which one arrives gives a good idea of the value of one's journey, it is necessary to look at the whole journey to capture all of that value. For that reason, the key findings of each chapter are recounted in detail in Appendix S.

Having provided the summary of the dissertation which discusses multiple stakeholders that play a part in the growth of the enterprise, it is important to determine more specifically who this research is useful to. The aim of this section is thus to outline for whom the framework delivers value, and understand in what ways this value is evident.

As Jobs (2005) states:

> *Your work is going to fill a large part of your life, and the only way to be truly satisfied is to do what you believe is great work. And the only way to do great work is to love what you do. If you haven't found it yet, keep looking. Don't settle. As with all matters of the heart, you'll know when you find it.*

Thus, this framework is first and foremost applicable to those who want to positively impact the lives of the poorest in society. These are the people who believe that enriching the lives of those less fortunate is valuable in and of itself. Within this view, the framework is more specifically useful to those stakeholders that want to follow a structured approach when operating at the BOP.

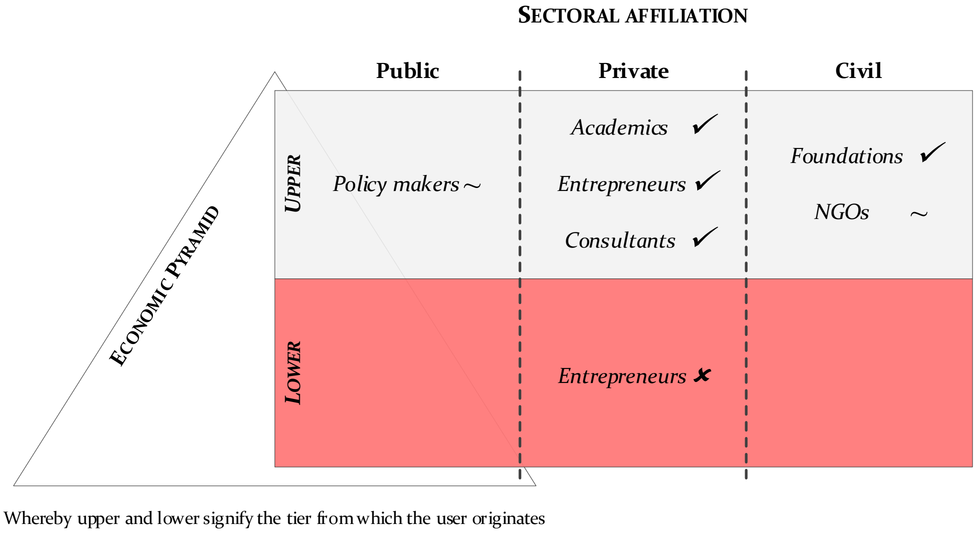


Figure 14-1 Ideal framework users according to economic tier and sector origin

Figure 14-1 illustrates the most prominent potential users of the framework, and indicates the usability of the framework for them, with a tick indicating very clearly useful, a tilde (~) signifying questionable usefulness, and a cross meaning not clearly useful. It must be understood that the framework has not been designed for use by entrepreneurs originating from within BOP itself. Furthermore, it is not aimed at entrepreneurial dreamers, as a structured approach to promoting growth is the foundation on which the framework is built, which is fundamentally at odds with their thinking. In their case, it is likely only through consultation with an expert guiding them through the framework that it will be of use to them.

Agreement was reached with the screening interview experts and the focus interview experts as to the usefulness of the framework, the sentiments of which are incorporated throughout the discussion in the following list which outlines the usefulness of the framework from a number of vantage points for a number of more likely user archetypes (e.g. entrepreneurs, foundations, NGOs), including the:

- **Entrepreneur's economic tier:** upper tier versus lower tier (i.e. BOP) users
    - *Upper tier:* though the framework is designed with the intention of helping upper tier entrepreneurs operating in the BOP achieve growth, it is unlikely that many entrepreneurs will spend sufficient time and energy in understanding or applying the framework without it having first been explained to them (see role of consultants below). For large enterprises (corporates), the framework could be a useful tool in helping them see that targeting the BOP in a structured manner is possible, and that as a market it does constitute a profitable one. However, without the framework being discussed with them and its benefits effectively portrayed, it is unlikely that they will adopt it (see also the role of consultants below)

  - *Lower tier:* though the framework may be of use to some entrepreneurs originating from within the BOP itself, it is often the case that their commonly low education levels and lack of familiarity with such detailed systems and concepts would permit the framework to be of much use to this stakeholder group without being aided by a consultant
- **Organisational sector:** public, private, civil, and education sector users
  - *Public sector:* the framework addresses multiple pressing concerns in South Africa, in particular the ability of SMMEs to succeed in their endeavours and grow as well as the promotion of sustainable development, or more specifically social and economic empowerment of the poor. With funding for this study being provided by the NRF, its usefulness to their core values can be assumed *a priori*
  - *Private sector:* the goal of the framework is to aid private sector for-profit enterprises, so it definitely exhibits usefulness for the private sector as it has been validated by and through private sector entrepreneurs and experts
  - *Civil sector:* as a means of assessing the stance of enterprises, specifically their likelihood of achieving growth in accordance to the degree with which they address the framework's requirements (i.e. the evaluation tool of Chapter 12.6.4), the framework is indeed valuable to foundations that seek to distribute funding wisely. For other civil sector organisations, such as NGOs, the framework may be minimally useful in its capacity to help them better understand how to maximise their impact in the BOP, however, without the small size related advantages of for-profit SMMEs they are unlikely to be as effective
- **Profit orientation:** for-profit versus not-for-profit users
  - *FPOs:* a primary goal of the framework is to arrive at an economically sustainable approach to operating in the BOP, and therefore it is indeed useful to all FPOs, regardless of if they call themselves social entrepreneurs or not. What makes it more useful to social entrepreneurs is the incorporation of sustainable development on social and environmental fronts as well
  - *NFPOs:* as already discussed, specific forms of NFPOs, such as foundations and NGOs may indeed have use for the framework, however NPOs for instance are unlikely to gain much value from using the framework as they tend to address the needs of the extreme poor BOP segment which is not the ideal target market in the framework
- **Institutional form:** academic versus business users
  - *Academic pursuit:* for academics, the framework is useful in two primary ways. Firstly, in that it constitutes an academic foundation on which further studies/research can be

built due to its systematic approach (either through expanding on the framework's existing considerations, or by expanding the framework in terms of the yet unaddressed high growth factors). Secondly, due to the basis by which it provides academics with a list of key concerns that can be empirically tested to further refine the framework

- *Business role:* as the overarching aim of the framework is indeed to provide consultants with an objective approach to guiding SMMEs towards (a higher likelihood of) attaining growth, it is useful to them more so than any other user type. It enables consultants to address a plethora of concerns with a holistic view of the necessary action needed to deal with the majority of business practice concerns. For SMME owners and/or managers, the framework is equally as useful, however the likelihood of an SMME owner and/or managers finding time to understand and implement the framework is unlikely, making the consultant a necessity for pinpointing areas of concern and selling the usefulness of the framework to the SMME, thereby maximising its effectiveness

- **Enterprise life cycle stage:** start-up versus early-growth versus maturity versus death-decline life cycle stage users
  - *Start-up stage:* due to their high failure rates, the framework is indeed designed to be useful to start-ups (that fit the characteristics outlined in Chapter 1.4.3.4) in that it will give them a clear idea of what all must be addressed for a functioning enterprise, however it will not help them effectively navigate the myriads of regulatory and context-dependent red tape. Furthermore, being guided through the framework by an experienced consultant would be imperative in order to strategically target the most important areas of concern first
  - *Early-growth stage:* the framework is equally useful for early-growth social enterprises as they are the most likely to maximise social impact in an economically sustainable (profitable) way. Via the guidance of consultants, the enterprises' pre-established resources and capabilities can leverage outputs and maximise scale relatively quickly, thus helping the SMME grow
  - *Maturity stage:* the framework is indeed useful to mature social enterprises, and could be a source of inspiration for them to expand by understanding how they might branch off into other industries/markets and grow more
  - *Death-decline stage:* the framework may indeed invigorate struggling and/or failing social enterprises by helping them see the errors of their ways, or more possibly the incompleteness of their ways
- **Structural paradigm:** entrepreneurial dreamer versus strategy practitioner

- *Entrepreneurial dreamers:* these are users that believe in following an ad-lib approach, whereby intuitive capabilities and a just do it mindset result in their low regard for formalised or structured approaches. Thus, the framework is not useful to these users
- *Strategy practitioners:* these are users that appreciate the systems approach to solving problems as outlined in Appendix D. They include consultants and entrepreneurs who have enough initiative to circumvent the need for a consultant's help in navigating the framework. The framework is likely to be most valued by strategy practitioners who would tend to view it as a key tool for developing a structured approach that is imperative to success. Thus, the framework is useful in that it helps the entrepreneur avoid pitfalls along the way, and helps them gain new insights into enterprise growth at the BOP

Less financially secure users with less resources at their disposal won't necessarily be able to gain sufficient market insight or develop the necessary infrastructure and capabilities for the framework to function optimally. In this case, the user would be wise to pursue funding from appropriate institutions. The reader is referred to Appendix C for government backed sources of funding and support. Usability of the framework for upper tier users is naturally expected to increase as their resource and capability levels increase.

14.3 Final definition of action to improve the problem situation

In accordance with the seventh stage of the SSM approach, it is worthwhile defining the process by which the problem situation identified in Chapter 1 might be improved. Figure 14-2 depicts these steps.

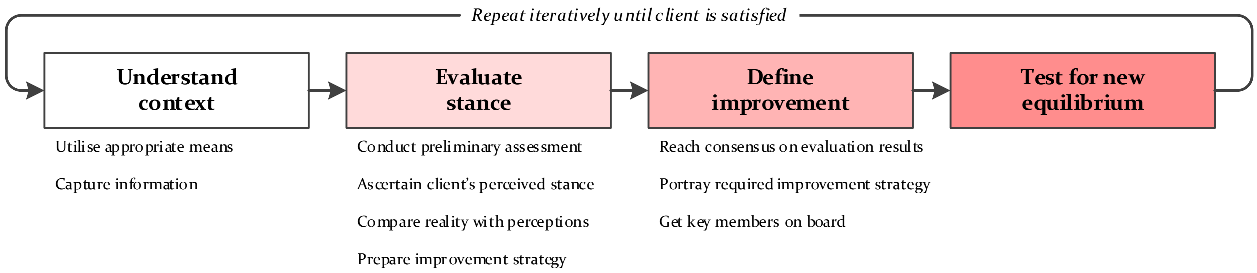


Figure 14-2 Final action to improve the problem situation

From the perspective of a consultant guiding a social enterprise client (i.e. the owner and/or managers of the enterprise), the following process acts so as to effectively use this study's findings (i.e. the framework, its subsystems, and the evaluation technique) to promote the growth potential of the enterprise:

1. **Understand context:** gain an understanding of the context in which the enterprise operates

   a. *Utilise appropriate means:* a good approach would incorporate focus groups or interviews with key stakeholders, but most ideal is getting into the field and experiencing first-hand the context within which the social enterprise operates
   b. *Capture information:* take notes, collect data, and understand the processes of the enterprise in accordance with the framework's subsystems
2. **Evaluate stance:** assess the stance of the enterprise
   a. *Conduct preliminary assessment:* fill in the BOP portfolio evaluation technique scorecard of Table 12-3 on behalf of the client prior to meeting with him/her in the next stage
   b. *Ascertain client's perceived stance:* question the client according to the evaluation technique scorecard, ideally face to face in a prearranged meeting (preferably in person)
   c. *Compare reality with perceptions:* note the points of disparity between the preliminary assessment scorecard and that of the client in conjunction with areas commonly accepted as being under or not addressed to arrive at recommendations for improvement
   d. *Prepare improvement strategy:* outline key areas on the framework and its subsystems that need to be discussed with the entrepreneur as well as outlining which areas are most important when dealing with each key stakeholder group of Appendix G
3. **Define improvement:** meet with the client and relate areas of weakness that need to be addressed
   a. *Reach consensus on evaluation results:* firstly, discuss agreed upon problems, then address disparities between actual and perceived problem areas and reach consensus on them
   b. *Portray required improvement strategy:* make use of visual aids prepared in the previous step to relate the required changes and areas that must be addressed, providing the client with an understanding of the relative importance and desired order of each proposed improvement
   c. *Get key members on board:* ensure that the client relates the need for change to key personnel, ideally utilising group events such as workshops
4. **Test for new equilibrium:** meet with the client to ascertain his/her adherence to the agreed upon improvement strategy
5. **Reassess stance:** after sufficient time has passed for changes to be made, it is useful to reassess the enterprise's stance by repeating this process in an iterative manner until the client is satisfied

By following this process, the framework is most likely to result in improved growth for SMMEs operating at the BOP. This section therefore concludes the final iteration of the SSM process.

14.4 Potential for future research

In the same way that the framework utilises the visual depiction of a number of transparent canvases through which light shines to form a complete image of the requirements that must be addressed in arriving at an ideal high growth BOP targeting enterprise (see Figure 12-9), it is possible to continue this research with a similar view of what progress might entail.

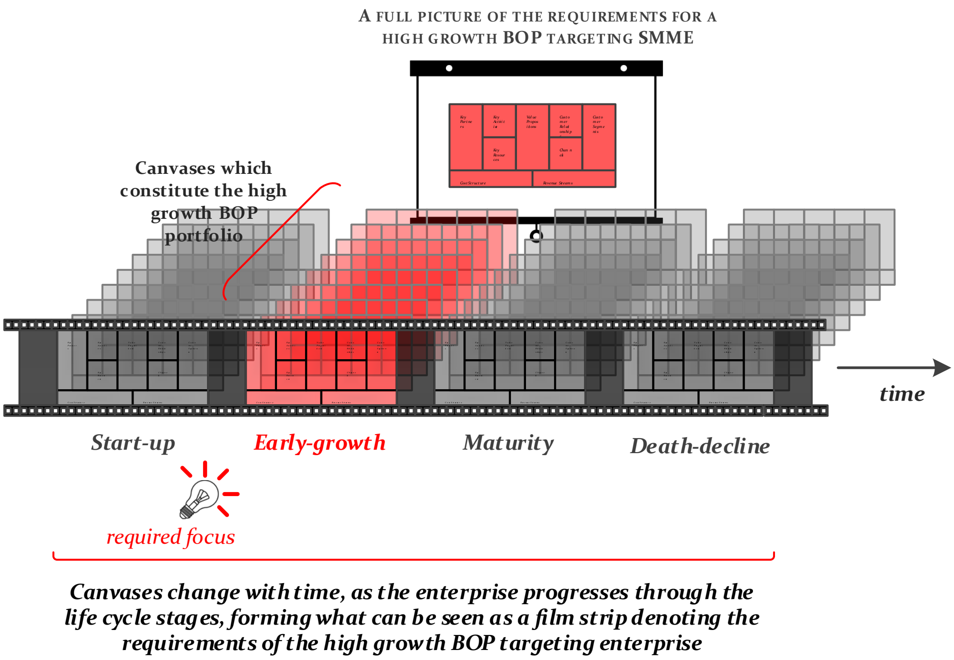


Figure 14-3 Depiction of potential for future research

Figure 14-3 shows the thinking behind how future research can continue from where this study concluded, by addressing the remaining high growth factors which were not within the scope of this specific study, but nonetheless impact the potential for attaining growth. As can be seen, the transparent canvases which constitute the requirements for each factor can be combined to provide a fuller picture of the high growth BOP targeting enterprise. Even beyond this, for sake of analogy, these canvases can be extended into a film strip which signifies the time dependent nature of the requirements laid out in each canvas. As the enterprise progresses from start-up, through early-growth, to maturity, different challenges will present themselves, requiring a constant updating of the requirements which must be adhered to for promoting sustained high growth.

14.4.1 Recommendations for future research

In accordance with the key features of a conceptual model, one can ascertain the direction in which future research might be directed:

- **Integrating systems:** the collection of concepts contained in the framework and its subsystems have numerous areas of overlap, which was limited to the level of the business model building block. Future research might be conducted on the interrelationships between these systems in a more sophisticated manner, to reveal codependencies among the sub-steps of the framework. Although time is the biggest obstacle to many deterministic studies, future researchers may be able to ascertain the causal linkages between the high growth factors through a longitudinal approach that time constraints did not permit this study. By combining both cross-sectional and longitudinal studies, one may be able to better ascertain the causality behind enterprise growth, especially for the BOP context, given its unique difficulties
- **Empirical testing:** the framework's subsystems could perhaps be tested by real life application (i.e. validation by implementation) and thereafter refined via a thorough empirically backed investigation into the impact that application of the framework has on the social enterprise. Also, for a more accurate measure of the importance of each of the growth factors, performing a meta-analysis would allow one to arrive at an aggregated weighting of the factors, which would enable the researcher to determine their statistical significances
- **Improving usability:** to make the framework more user-friendly for SMME owners with little time on their hands and less familiarity with the concepts contained in the framework and its subsystems, it would be useful for future research to be conducted on how to optimise the framework's interface for users other than consultants
- **Further development:** as the framework was developed through a process built on systems thinking, it is relatively easy to expand upon by both refining the existing subsystems and by addressing other pivotal growth factors (e.g. the human resource related factors) in light of the BOP context. In this way, the framework can derive added value from new multi-disciplinary fields of study
- **Increasing depth of survey analysis:** the validation process survey holds valuable information that is sufficiently useful for the purposes of this study. However, with respect to its ability to accurately determine key differences across sectors, it falls short due to its small sample size of 57. This promotes the need for a much bigger survey to be conducted on social enterprises wherein at least 30 samples are obtained per sector for researchers to perform a cross-sectoral analysis which would add more value to the framework in terms of its ability to deduce key requirements particular to each sector when dealing with key stakeholders. Furthermore, it is not easy to measure the impact social enterprises are making in their ecosystems, but including this information in a future empirical analysis could add valuable insight into whether those enterprises with the highest growth rates are doing the most good, or if there is some degree of exploitation occurring

14.5 Answering the research questions

As the aim of the dissertation itself is to answer each of the research questions, it is fitting to show which sections of this document answer each of the research questions as outlined in Chapter 1. Table 14-1 gives each of the research sub-questions as well as the section of this document wherein the answer to each question can be found.

Table 14-1 Research sub-questions and where to find their answers

Chapter heading	**Research sub-questions**	**Chapter**
Introduction	What is the rationale for addressing poverty and poverty alleviation within the context of the BOP in South Africa?	1.2.1
	• How has BOP literature progressed in recent times?	1.2.2
	• What approaches (paradigms) exist with regards to poverty alleviation in society?	1.2.4
	What is the motivation behind focusing on SMMEs as mechanisms for poverty alleviation?	1.2.5
	• What is the rationale for developing a decision support framework for SMME owners operating in the BOP?	1.2.6
	• What view of social enterprises is most suitable to the purposes of this study so as to avoid any ambiguity?	1.2.7
Research design	What methodology would be well suited to the social nature of BOP endeavours?	2.2
Base of the pyramid market	What is the BOP?	3.2
	• What is the economic breakdown of the South African BOP?	3.3
	• Is the South African BOP a viable market?	3.3.1
	• How is the BOP commonly segmented in South Africa?	3.3.2
	• What are the determinants of poverty in a South African context?	3.3.3
	What are the consumption patterns of the poor in the South African BOP?	3.4.1
	• How does the cash flow of the BOP work?	3.4.2
	• What does this spending pattern mean for SMMEs operating in the BOP?	3.4.3
	As a market, how does the BOP compare to other tiers of the economic pyramid (i.e. what are its critical dimensions)?	3.5
	What impediments to SMME action exist at the BOP?	3.6
Small, medium and micro-sized enterprises and social entrepreneurship	How are SMMEs important for the South African economy?	4.2
	Is entrepreneurship important for SMME growth?	4.5
	• What is the definition of entrepreneurship?	4.5.2
	Is social entrepreneurship necessary when targeting the BOP market?	4.6
	• What are the differences between commercial and social entrepreneurship?	4.6.2
	• Is a for-profit or a not-for-profit approach better suited to poverty alleviation via SMME action?	4.6.4
Enterprise growth (and subsequent chapters)	How is enterprise growth measured?	5.2.2
	Do consistently growing enterprises exhibit many of the same or similar characteristics or factors?	5.2.3
	What systematic approach to compiling a comprehensive list of growth factors can be used?	5.3
	What factors promote growth?	5.4
	• Which of these factors are within the scope of this research?	5.5.1
	• What other considerations are crucial for the BOP context?	5.5.3
Conceptual framework development	How can each of these factors be applied to the BOP context?	5.5.2, 6, 7, 8, 9, 10 & 11
	What is a conceptual framework?	12.2

Chapter heading	Research sub-questions	Chapter
	• What are the essential features of a conceptual framework?	12.2.3
	How can a conceptual framework be constructed?	12.3
Validation	What routes to validation exist?	13.2
	• How can a case study be used to validate the framework?	13.3
	• How can interviews with experts be used to validate the framework?	13.4 & 13.6
	• How can a survey be used to validate the framework?	13.5
	Are the framework and the findings of this study valid for the attaining of higher growth in BOP markets for SMMEs?	13.7
Conclusions and recommendations	What are the findings of this study?	12.6.3
	• Taking into account the findings of the validation process, what does the final framework look like?	
	• Who is the framework useful to?	14.2
	Is there potential for future research?	14.4
	• In what way would future research best be conducted?	14.4.1

The main research question, namely "*what does a framework designed to guide and evaluate SMMEs in their simultaneous pursuit of profitable growth and sustainable poverty alleviation at the BOP in South Africa look like?*" was answered in Chapters 12.6.2, 12.6.3, and 12.6.4.

14.6 Conclusion

The research sub-questions listed at the beginning of this chapter were answered, and will now be summarised in conclusion. The findings of this study are numerous, however for sake of brevity the more important conclusions include that:

- Enterprise growth is a multi-dimensional phenomenon as evidenced by the 25 high growth factors which were systematically compiled from a comprehensive high growth enterprise literature base
- The BOP context changes multiple aspects for each of these factors, making it impossible to just employ the traditional approaches of upper tier targeting SMMEs at the BOP. Even high growth factors must be specifically tailored to the BOP context
- Factors that are necessary for increasing the growth rate of SMMEs operating at the BOP include: business modelling, sustainable development, business strategy (particularly BOS), innovation, marketing, and strategic alliances
- The framework is useful for multiple users; however, it is most ideal when used as a consultative tool for consultants to guide SMME owners/managers in their endeavours at the BOP

Due to the relative ease with which the framework can be amended, potential for future research does indeed exist. Regarding the manner and direction in which one might continue, it was determined that it would be most beneficial if the remaining high growth factors were each addressed in turn, in essence building onto the foundation that the arrived at framework has established. The importance of the other identified growth factors is not only theoretically based (from the systematic literature review), but also pragmatically based due to the fact that that the Jaipur Rugs case shed light on the importance of quite a few of the factors outside the scope of this study.

In conclusion, a high growth promoting framework for BOP targeting SMMEs was developed and validated for use by consultants in their guiding of SMME owners and/or managers in their pursuit of sustainable high growth at the BOP.

REFERENCES

References

Aaker, D.A. & Jacobson, R. 1994. The financial information content of perceived quality. *Journal of Marketing Research*, 31(2):191-201.

Aaker, D.A. & Joachimsthaler, E. 2012. *Brand Leadership*. New York: Simon and Schuster.

Aaker, D.A. 2009. *Managing Brand Equity*. New York: Simon and Schuster.

Aaker, D.A. 2012. *Building Strong Brands*. New York: Simon and Schuster.

Aaker, J.L. 1997. Dimensions of brand personality. *Journal of Marketing Research*, 34(3):347-356.

Abedian, I. 2004. *Beyond Budget 2004. Job Creation & Poverty Alleviation in S.A.: What Should We Be Doing?* Public Symposium, Institute for Justice and Reconciliation, Breakwater Lodge/UCT Graduate School of Business. V&A Waterfront: Cape Town.

Abell, D.F. 1980. *Defining the Business: The Starting Point of Strategic Planning*. New Jersey: Prentice Hall.

Abelson, R.P. & Levi, A. 1985. Decision making and decision theory. *Handbook of Social Psychology*, 1(1985):231-309.

Abernathy, W.J. & Utterback, J.M. 1978. Patterns of industrial innovation. *Technology Review*, 3(4):254-228.

Abor, J. & Quartey, P. 2010. Issues in SME development in Ghana and South Africa. *International Research Journal of Finance and Economics,* 39(2010):218-228.

Achrol, R.S., Scheer, L.K. & Stern, L.W. 1990. *Designing Successful Transorganizational Marketing Alliances*. s.l.

Acs, Z.J. & Mueller, P. 2008. Employment effects of business dynamics: Mice, Gazelles and Elephants. *Small Business Economics,* 30(1):85-100.

Acs, Z.J., Armington, C. & Zhang, T. 2007. The determinants of new-firm survival across regional economies: The role of human capital stock and knowledge spillover. *Papers in Regional Science*, 86(3):367-391.

Acs, Z.J., Parsons, W. & Tracy, S. 2008. High-impact firms: Gazelles revisited. *Handbook of Research on Entrepreneurship and Regional Development: National and Regional Perspectives*, 133(1):1-87.

Adelman, I. & Morris, C.T. 1973. *Economic growth and social equity in developing countries*. Revised edition. California: Stanford University Press.

References

Adner, R. & Helfat, C.E. 2003. Corporate effects and dynamic managerial capabilities. *Strategic Management Journal*, 24(1), October: 1011-1025.

Agarwal, R., Croson, R. & Mahoney, J.T. 2010. The role of incentives and communication in strategic alliances: An experimental investigation. *Strategic Management Journal*, 31(4):413-437.

Aghaei Chadegani, A., Salehi, H., Yunus, M.M., Farhadi, H., Fooladi, M., Farhadi, M. & Ale Ebrahim, N. 2013. A comparison between two main academic literature collections: Web of Science and Scopus databases. *Asian Social Science*, 9(5):18-26.

Aghion, P. & Bolton, P. 1997. A theory of trickle-down growth and development. *The Review of Economic Studies*, 64(2):151-172.

Ahuja, G. 2000. Collaboration networks, structural holes, and innovation: A longitudinal study. *Administrative Science Quarterly*, 45(3):425-457.

Ahuja, V. 2012. Success through social responsibility: A unique business model of Jaipur Rugs foundation. *IUP Journal of Corporate Governance*, 11(1):52.

Ailawadi, K.L., Lehmann, D.R. & Neslin, S.A. 2003. Revenue premium as an outcome measure of brand equity. *Journal of Marketing*, 67(4):1-17.

Akintoye, A., Beck, M. & Hardcastle, C. (eds.). 2008. *Public-private partnerships: Managing risks and opportunities*. s.l.: John Wiley & Sons.

Akter, S., Ray, P. & D'Ambra, J. 2013. Continuance of mHealth services at the bottom of the pyramid: The roles of service quality and trust. *Electronic Markets*, 23(1):29-47.

Alcock, P. 1997. *Understanding Poverty*. Second edition. London: Macmillan Press LTD.

Aldrich, H. 1999. *Organizations Evolving*. California: Sage Publications.

Aldrich, H.E. & Pfeffer, J. 1976. Environments of organizations. *Annual Review of Sociology*, 2(1):79-105.

Ale Ebrahim, N., Salehi, H., Embi, M.A., Danaee, M., Mohammadjafari, M., Zavvari, A., Shakiba, M. & Shahbazi-Moghadam, M. 2014. Equality of Google scholar with web of science citations: Case of Malaysian engineering highly cited papers. *Modern Applied Science*, 8(5):63-69.

Allen, T.J. 1977. *Managing the flow of technology: Technology transfer and the dissemination of technological information within the research and development organization*. Massachusetts: MIT Press.

Almus, M. & Nerlinger, E.A. 1999. Growth of new technology-based firms: Which factors matter? *Small Business Economics*, 13(2):141-154.

Almus, M. 2002. What characterizes a fast-growing firm? *Applied Economics*, 34(12):1497-1508.

Alsop, R.J. 2004. The 18 immutable laws of corporate reputation. *Dow Jones & Company*, 2004:17-18.

Altenburg, T. & Lundvall, B. 2009. Building inclusive innovation systems in developing countries: Challenges for IS research. *Handbook of innovation systems and developing countries: Building domestic capabilities in a global setting*, 2009:33-56.

Alter, S.K. 2007. *Social Enterprise Typology. Virtue Ventures.* [Online]. Available: http://www.4lenses.org/setypology/print [2016, January 30].

Alvord, S.H., Brown, L.D. & Letts, C.W. 2004. Social entrepreneurship and social transformation: An exploratory study. *The Journal of Applied Behavioral Science*, 40(3):260-293.

Amason, A.C. 1996. Distinguishing the effects of functional and dysfunctional conflict on strategic decision making: Resolving a paradox for top management teams. *Academy of Management Journal*, 39(1):123-148.

Amburgey, T.L., Kelly, D. & Barnett, W.P. 1990. Resetting the Clock: The Dynamics of Organizational Change and Failure. *Academy of Management Journal*, 1990(1):160-164.

Amram, M. & Kulatilaka, N. 1998. Real Options: Managing Strategic Investment in an Uncertain World. *OUP Catalogue*. Oxford: Oxford University Press.

Amul Dairy. 2015. Kaira District Co-operative Milk Producers' Union (Amul). [Online]. Available: www.amuldairy.com [2014, August 12].

Anand, B.N. & Khanna, T. 2000. Do firms learn to create value? The case of alliances. *Strategic Management Journal*, 2000:295-315.

Anastas, P. & Zimmerman, J. 2007. Design through the 12 principles of green engineering. *IEEE Engineering Management Review*, 3(35):16.

ANC. 2017. African National Congress: Introduction to the Reconstruction and Development Programme. [Online]. Available: http://www.anc.org.za/content/reconstruction-and-development-programme-introduction-rdp [2017, October 5].

Anderson, J. & Billou, N. 2006. Innovation through Market Orientation–Smart Communications Inc. Philippines. Unpublished case study. Berlin: European School of Management and Technology.

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

Anderson, J. & Markides, C. 2012. Strategic innovation at the base of the pyramid. *MIT Sloan Management Review*. [Online]. Available: http://sloanreview.mit.edu/article/strategic-innovation-at-the-base-of-the-pyramid/ [2015, November 11].

Anderson, J., Vedpuriswar, A.V. & Khan, A. 2005. Smart Communications Inc., Case A and Case B. Unpublished case study. Berlin: European School of Management and Technology.

Anderson, J.C., Håkansson, H. & Johanson, J. 1994. Dyadic business relationships within a business network context. *The Journal of Marketing*, 1994(1):1-15.

Anderson, M.B. 1990. *Analyzing the costs and benefits of natural disaster responses in the context of development*. World Bank Policy Planning and Research Staff, Environment Department.

Anderson, M.B. 1999. The Impacts of Natural Disasters on the Poor: A Background Note, submitted to Cornell University under Consulting Agreement Number 35113-9382 for use in development of the World Bank's WDR (2000/2001).

Anderson, R.C. 1967. *A sociometric approach to the analysis of interorganizational relationships*. East Lansing, MI: Institute for Community Development, Michigan State University.

Anderson, S.W. & Dekker, H.C. 2005. Management control for market transactions: The relation between transaction costs, incomplete contract design and subsequent performance. *Management Science*, 51(12):1734-1752.

Anderson, S.W., Christ, M., Dekker, H.C. & Sedatole, K.L. 2014. The use of management controls to mitigate risk in strategic alliances: Field and survey evidence. *Journal of Management Accounting Research*, 26(1):1-32.

Andersson, A., Hallberg, N. & Timpka, T. 2003. A model for interpreting work and information management in process-oriented healthcare organisations. *International Journal of Medical Informatics*, 72(1):47-56.

Andreasen, A.R. 1995. Profits for nonprofits: Find a corporate partner. *Harvard Business Review*, 74(6):.47-50.

Andreasen, A.R., Kotler, P. & Parker, D. 2003. *Strategic marketing for nonprofit organizations*. New Jersey: Prentice Hall.

Andrews, K.R. & Roland, C. 2012. About Strategy. IDBM Papers. Volume 2. *We can't solve problems by using the same kind of thinking we used when we created them*. s.l.

Angle, H. & Perry, J. 1981. An empirical assessment of organizational commitment and organizational effectiveness. *Administrative Science Quarterly,* 26(1):1-14.

Anh, V.T. 2005. Implementation of the National Programs for Poverty Reduction in Vietnam: Impact of socioeconomic changes on the livelihoods of people living in poverty in Vietnam. *Annual Socio-Economic Development Plan*, 2005(71):17-52.

Anheier, H.K. & Seibel, W. (eds.). 1990. *The third sector: Comparative studies of nonprofit organizations*. Volume 21. Berlin: Walter de Gruyter.

Anheier, H.K. 2000. *Managing non-profit organisations: Towards a new approach*. London: Centre for Civil Society, London School of Economics and Political Science.

Anheier, H.K. 2014. *Nonprofit Organizations: Theory, Management, Policy*. London: Routledge.

Ansari, S., Munir, K. & Gregg, T. 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.

Argyris, C. 1952. *The impact of budgets on people*. New York: Controllership Foundation.

Arnold, D.J. & Quelch, J.A. 1998. New strategies in emerging markets. *MIT Sloan Management Review.* [Online]. Available: http://sloanreview.mit.edu/article/new-strategies-in-emerging-markets/ [2015, November 11].

Arnould, E.J. & Mohr, J.J. 2005. Dynamic transformations for base-of-the-pyramid market clusters. *Journal of the Academy of Marketing Science*, 33(3):254-274.

Arora, S. & Romijn, H. 2012. The empty rhetoric of poverty reduction at the base of the pyramid. *Organization*, 19(4):481-505.

Arrow, K. 1962b. Economic welfare and the allocation of resources for invention. *The rate and direction of inventive activity: Economic and social factors*. Princeton: Princeton University Press.

Arrow, K.J. 1962a. The economic implications of learning by doing. *The Review of Economic Studies*, 29(3):155-173.

Arthurs, J.D. & Busenitz, L.W. 2006. Dynamic capabilities and venture performance: The effects of venture capitalists. *Journal of Business Venturing*, 21(2):195-215.

References

Audretsch, D.B. 1995. Innovation, growth and survival. *International Journal of Industrial Organization*, 13(4):441-457.

Audretsch, D.B. 2004. Sustaining innovation and growth: Public policy support for entrepreneurship. *Industry and Innovation*, 11(3):167-191.

Audy, J.F., D'Amours, S., Lehoux, N. & Rönnqvist, M. 2010, January. Coordination in collaborative logistics, in *International workshop on supply chain models for shared resource management.* Brussels: s.n.

Austin, J. & Kohn, T.O. 1990. *Strategic Management in Developing Countries: Case Studies*. New York: The Free Press.

Austin, J. & Reficco, E. 2008. Corporate social entrepreneurship. *International Journal of Not-for-Profit Law*, 11:86.

Austin, J., Stevenson, H. & Wei-Skillern, J. 2006. Social and commercial entrepreneurship: Same, different, or both? *Entrepreneurship Theory and Practice*, 30(1):1-22.

Austin, J.E. 2000. Strategic collaboration between nonprofits and business. *Nonprofit and voluntary sector quarterly*, 29(1):69-97.

Austin, J.E. 2002. *Managing in developing countries: Strategic analysis and operating techniques*. New York: Simon and Schuster.

Austin, J.E. 2010. *The collaboration challenge: How nonprofits and businesses succeed through strategic alliances*. Volume 109. John Wiley & Sons.

Austin, J.E., Leonard, H., Reficco, E. & Wei-Skillern, J. 2004. Corporate social entrepreneurship: A new vision of CSR. *Harvard Business School Working Paper Number 05-021*. Massachusetts: Harvard Business School.

Autio, E. & Rannikko, H. 2016. Retaining winners: Can policy boost high-growth entrepreneurship? *Research Policy*, 45(1):42-55.

Autio, E., Sapienza, H.J. & Almeida, J.G. 2000. Effects of age at entry, knowledge intensity, and imitability on international growth. *Academy of Management Journal*, 43(5):909-924.

Aw, B.Y. 2002. Productivity dynamics of small and medium enterprises in Taiwan. *Small Business Economics*, 18(1):69-84.

Axelrod, R.M. 2006. *The Evolution of Cooperation*. s.l.: Basic books.

Ayyagari, M., Demirgüç-Kunt, A. & Maksimovic, V. 2011. Small vs. young firms across the world: Contribution to employment, job creation, and growth. *World Bank Policy Research Working Paper Number 5631*.

Badaracco, J. 1991. *The knowledge link: How firms compete through strategic alliances*. Harvard: Harvard Business Press.

Baddeley, A.D. 1997. *Human memory: Theory and practice*. Sussex: Psychology Press.

Badry, D. 2009. *Multinational Companies in Low-Income Markets*. Wiesbaden: Gabler Verlag.

Bailey, D. & Koney, K. 2000. *Strategic alliances among health and human services organizations*: *From affiliations to consolidations*. California: Sage Publications.

Bain, J.S. 1951. Relation of profit rate to industry concentration: American manufacturing, 1936–1940. *The Quarterly Journal of Economics*, 65(3):293-324.

Baker, M.J. 1983. *Market development*. Harmondsworth: Penguin.

Baker, W.E., Faulkner, R.R. & Fisher, G.A. 1998. Hazards of the market: The continuity and dissolution of interorganizational market relationships. *American Sociological Review*, 63(1):147-177.

Balakrishnan, S. & Koza, M.P. 1993. Information asymmetry, adverse selection and joint-ventures: Theory and evidence. *Journal of Economic Behavior & Organization*, 20(1):99-117.

Balisacan, A. & Tubianosa, C. 2004. The population-poverty nexus: The Philippines in comparative East Asian context. Unpublished paper. Quezon City: Asia Pacific Policy Center and Philippine Center for Population and Development.

Ball, N. & Ramachandran, V. 2006. *Beyond structural adjustment: The institutional context of African development*. New York: Palgrave Macmillan.

Ballon, R.J. 1979. A lesson from Japan: Contract, control, and authority. *Journal of Contemporary Business*, 8(2):27-35.

Balu, R. 2001. *Strategic Innovation: Hindustan Lever Ltd*. [Online]. Available: http://www.fastcompany.com/43028/strategic-innovation-hindustan-lever-ltd [2015, November 20].

Bamiatzi, V.C. & Kirchmaier, T. 2014. Strategies for superior performance under adverse conditions: A focus on small and medium-sized high-growth firms. *International Small Business Journal*, 32(3):259-284.

References

Bandura, A. 1997. *Self-efficacy: The exercise of self-control*. New York: Freeman.

Banerjee, A.V. & Duflo, E. 2007. The economic lives of the poor. *The Journal of Economic Perspectives: A Journal of the American Economic Association*, 21(1):141.

Banks, N. & Hulme, D. 2012. The role of NGOs and civil society in development and poverty reduction. *Brooks World Poverty Institute Working Paper Number 171.*

Barbero, J.L., Casillas, J.C. & Feldman, H.D. 2011. Managerial capabilities and paths to growth as determinants of high-growth small and medium-sized enterprises. *International Small Business Journal*, 29(6):671-694.

Barkema, H.G. & Vermeulen, F. 1997. What differences in the cultural backgrounds of partners are detrimental for international joint ventures? *Journal of International Business Studies*, 28(1):845-864.

Barkema, H.G., Bell, J.H.J. & Pennings, J.M. 1996. Foreign entry, cultural barriers, and learning. *Strategic Management Journal*, 17(1):151-166.

Barkema, H.G., Shenkar, O., Vermeulen, F. & Bell, J.H.J. 1997. Working abroad, working with others: How firms learn to operate international joint ventures. *Academy of Management Journal*, 40(1):426-442.

Barkham, R.J. 1994. Entrepreneurial characteristics and the size of the new firm: A model and an econometric test. *Small Business Economics*, 6(2):117-125.

Barley, S.R., Freeman, J. & Hybels, R.C. 1992. Strategic alliances in commercial biotechnology. *Networks and Organizations: Structure, Form and Action*, 31(1992):1-347.

Barnard, C.I. 1938. *The Functions of the Executive*. Massachusetts: Harvard University Press.

Barnes, J., Bessant, J., Dunne, N. & Morris, M. 2001. Developing manufacturing competitiveness within South African industry: The role of middle management. *Technovation*, 21(5):293-309.

Barney, J. 1991. Firm resources and sustained competitive advantage. *Journal of Management*, 17(1):99-120.

Barney, J.B. 1986. Strategic factor markets: Expectations, luck, and business strategy. *Management Science*, 32(10):1231-1241.

Barringer, B.R. & Greening, D.W. 1998. Small business growth through geographic expansion: A comparative case study. *Journal of Business Venturing*, 13(6):467-492.

References

Barringer, B.R., Jones, F.F. & Lewis, P.S. 1998. A qualitative study of the management practices of rapid-growth firms and how rapid-growth firms mitigate the managerial capacity problem. *Journal of Developmental Entrepreneurship*, 3(2):97-122.

Barringer, B.R., Jones, F.F. & Neubaum, D.O. 2005. A quantitative content analysis of the characteristics of rapid-growth firms and their founders. *Journal of Business Venturing*, 20(5):663-687.

Barro, R.J. & Sala-i-Martin, X. 1995. *Economic growth*. New York: McGraw Hill.

Bass, B.M. & Stogdill, R.M. 1990. *Handbook of Leadership. Theory, Research & Managerial Applications*. Third edition. New York: The Free Press.

Battilana, J., Lee, M., Walker, J. & Dorsey, C. 2012. In search of the hybrid ideal. *Stanford Social Innovation Review*, 10(3):50-55.

Baum, J.A., Calabrese, T. & Silverman, B.S. 2000. Don't go it alone: Alliance network composition and startups' performance in Canadian biotechnology. *Strategic Management Journal*, 21(3):267-294.

Baum, J.R. & Locke, E.A. 2004. The relationship of entrepreneurial traits, skill, and motivation to subsequent venture growth. *Journal of Applied Psychology*, 89(4):587.

Baum, J.R., Locke, E.A. & Kirkpatrick, S.A. 1998. A longitudinal study of the relation of vision and vision communication to venture growth in entrepreneurial firms. *Journal of Applied Psychology*, 83(1):43.

Baum, J.R., Locke, E.A. & Smith, K.G. 2001. A multidimensional model of venture growth. *Academy of Management Journal*, 44(2):292-303.

Baumol, W.J. 2002. *The free-market innovation machine: Analyzing the growth miracle of capitalism*. Princeton: Princeton University Press.

Bautista, R.M. 1999. *Economic growth and poverty reduction in Indochina: Lessons from East Asia*. International Food Policy Research Institute (IFPRI).

BBC Ethics Guide. 2014. *Arguments against charity*. [Online]. Available: http://www.bbc.co.uk/ethics/charity/against_1.shtml [2015, July 8].

Beel, J. & Gipp, B. 2009. Google Scholar's ranking algorithm: The impact of citation counts (an empirical study), in *Research Challenges in Information Science*. Magdeburg, Germany: Otto-von-Guericke University. 439-446.

Belbin, M.R. 2011. Management teams: Why they succeed or fail. *Human Resource Management International Digest*, 19(3).

Benavente, J.M. & Lauterbach, R. 2008. Technological innovation and employment: Complements or substitutes? *The European Journal of Development Research*, 20(2):318-329.

Bendell, J., Collins, E. & Roper, J. 2010. Beyond partnerism: Toward a more expansive research agenda on multi-stakeholder collaboration for responsible business. *Business Strategy and the Environment*, 19(6):351-355.

Benner, M.J. & Tushman, M.L. 2003. Exploitation, exploration, and process management: The productivity dilemma revisited. *Academy of Management Review*, 28(2):238-256.

Bensaou, M. 1999. Portfolios of buyer-supplier relationships. *MIT Sloan Management Review*, 40(4):35.

Bergek, A., Jacobsson, S., Carlsson, B., Lindmark, S. & Rickne, A. 2008. Analyzing the functional dynamics of technological innovation systems: A scheme of analysis. *Research Policy,* 37(3):407.

Berger, I.E., Cunningham, P.H. & Drumwright, M.E. 2004. Social alliances: Company/nonprofit collaboration. *California Management Review*, 47(1):58-90.

Berle, A.A. & Means, G.G.C. 1991. *The modern corporation and private property*. Transaction publishers.

Berman, S.L., Wicks, A.C., Kotha, S. & Jones, T.M. 1999. Does stakeholder orientation matter? The relationship between stakeholder management models and firm financial performance. *Academy of Management Journal*, 42(5):488-506.

Bertha Institute. 2015. *A Guide to Legal Forms for Social Enterprises in South Africa*. [Online]. Available: http://www.gsb.uct.ac.za/files/BerthaCentreGuideLegalFormsSocialEnterprisesSouthAfrica.pdf [2016, December 1].

Bessant, J. & Francis, D. 2005. *Dealing with Discontinuity: How to sharpen up your innovation act*. London: Advanced Institute of Management Research.

Bessant, J., Lamming, R., Noke, H. & Phillips, W. 2005. Managing innovation beyond the steady state. *Technovation*, 25(12):1366-1376.

Bessant, J.R. & Venables, T. (eds.). 2010. *Creating wealth from knowledge: Meeting the innovation challenge*. Cheltenham, United Kingdom: Edward Elgar Publishing.

Bessant, J.R. 2003. *High-involvement innovation: Building and sustaining competitive advantage through continuous change*. United Kingdom: John Wiley & Sons.

Best, M. 2001. *The New Competitive Advantage: The Renewal of American Industry*. United Kingdom: Oxford University Press.

Bhagwati, J. & Srinivasan, T.N. 2002. Trade and poverty in the poor countries. *The American Economic Review*, 92(2):180-183.

Bhamra, R., Dani, S. & Burnard, K. 2011. Resilience: The concept, a literature review and future directions. *International Journal of Production Research*, 49(18):5375-5393.

Biggs, S.D. & Underwood, M.P. 2001. Review of the crop post harvest research programme: Partnerships and innovation systems. *Crop Post Harvest Programme (CPHP)*.

Bigsten, A. & Gebreeyesus, M. 2007. The small, the young, and the productive: Determinants of manufacturing firm growth in Ethiopia. *Economic Development and Cultural Change*, 55(4):813-840.

Bigsten, A. & Söderbom, M. 2006. What have we learned from a decade of manufacturing enterprise surveys in Africa? *The World Bank Research Observer*, 21(2):241-265.

Birch, D. 1979. *The Job Generation Process: Final Report to Economic Development Administration*. United States of America: s.n.

Birch, D.L., Haggerty, A. & Parsons, W. 1995. *Who's Creating Jobs?* Massachusetts: Cognetics, Inc.

Bird, B. 1988. Implementing entrepreneurial ideas: The case for intention. *Academy of Management Review*, 13(3):442-453.

Birdsall, N. & Griffin, C. 1993. Population Growth, Externalities, and Poverty. *Policy Research Working Papers Series (WPS) Number 1158*. Washington, D.C.: World Bank.

Birdsall, N. 1988. Economic Approaches to Population Growth, in Chenery, H. and Srinivasan, T.N. Volume 1. *Handbook of Development Economics*. North Holland: Elsevier Science Publishers. 477-542.

Birkinshaw, J. & Gibson, C. 2004. Building ambidexterity into an organization. *MIT Sloan Management Review*, 45(1):47-55.

Bixby, K. 1987. *Superteams*. London: Fontana.

Black, J.A. & Boal, K.B. 1994. Strategic resources: Traits, configurations and paths to sustainable competitive advantage. *Strategic Management Journal*, 15(S2):131-148.

Black's Law Dictionary, H.C. 2014. *Black's law dictionary*. [Online]. Available: http://thelawdictionary.org/equity/ [2015, July 31].

Blanchard, B.S., Fabrycky, W.J. & Fabrycky, W.J. 1998. *Systems Engineering and Analysis*. New Jersey: Prentice Hall.

Bland J, Altman D. 1997. Statistics notes: Cronbach's alpha. *British Medical Journal,* 1997:314:275.

Blau, P.M. 1964. *Exchange and power in social life*. s.l: Transaction Publishers.

Blaylock, J.R. & Smallwood, D.M. 1986. An alternative approach to defining and assessing poverty thresholds. *Western Journal of Agricultural Economics*, (1986):100-105.

Bloom, D.E., Canning, D. & Sevilla, J. 2003. *The Demographic Dividend: A New Perspective on the Economic Consequences of Population Change*. California: Rand Corporation.

Blue Ocean Strategy. 2015. *BOS Tools: Red Ocean vs. Blue Ocean Strategy*. [Online]. Available: https://www.blueoceanstrategy.com/tools/red-ocean-vs-blue-ocean-strategy/ [2015, July 25].

Bollingtoft, A., Ulhoi, J.P., Madsen, H. & Neergaard, H. 2003. The effect of financial factors on the performance of new venture companies in high tech and knowledge-intensive industries: An empirical study in Denmark. *International Journal of Management*, 20(4):535.

Bonacich, P. 1987. Power and centrality: A family of measures. *American Journal of Sociology*, 92(1):1170-1182.

Booms, B.H. & Bitner, M. 1981. *Marketing Strategies and Organization Structures for Service Firms*. Chicago: American Marketing Association.

BoP Global Network. 2012. *About BoP Global Network*. [Online]. Available: http://www.bopglobalnetwork.org/ [2016, April 13].

Borden, N.H. 1964. The concept of the marketing mix. *Journal of Advertising Research*, 4(2):2-7.

Borins, S. 2002. Leadership and innovation in the public sector. *Leadership & Organization Development Journal*, 23(8):467-476.

Borys, B. & Jemison, D.B. 1989. Hybrid arrangements as strategic alliances: Theoretical issues in organizational combinations. *Academy of Management Review*, 14(1):234-249.

Botha, L., Grobbelaar, S. & Bam, W. 2016. Towards a framework to guide the evaluation of inclusive innovation systems. *South African Journal of Industrial Engineering*, 27(3):64-78.

Bouchikhi, H. 1998. Living with and building on complexity: A constructivist perspective on organizations. *Organization*, 5(2):217-232.

Boulding, W., Staelin, R., Ehret, M. & Johnston, W.J. 2005. A customer relationship management roadmap: What is known, potential pitfalls, and where to go. *Journal of Marketing*, 69(4):155-166.

Bower, J. & Christensen, C. 1995. Disruptive technologies: Catching the wave. *The Journal of Product Innovation Management*, 1(13):75-76.

Bowman, E.H. & Helfat, C.E. 2001. Does corporate strategy matter? *Strategic Management Journal*, 22(1):1-23.

Box, G.E. & Draper, N.R. 1987. *Empirical model-building and response surfaces*. New York: Wiley.

Box, T.M., White, M.A. & Barr, S.H. 1993. A contingency model of new manufacturing firm performance. *Entrepreneurship Theory and Practice*, 18(1993):31-31.

Bozdogan, K., Deyst, J., Hoult, D. & Lucas, M. 1998. Architectural innovation in product development through early supplier integration. *R&D Management*, 28(3):163-173.

Brabham, D.C. 2009. Crowdsourcing the public participation process for planning projects. *Planning Theory*, 8(3):242-262.

Bracker, J. & Pearson, J.N. 1986. Planning and financial performance of small, mature firms. *Strategic Management Journal*, 7(6):503-522.

Bradley, F. 2005. *International Marketing Strategy*. Second edition. London: Prentice Hall.

Bragg, S.M. 1999. *Managing Explosive Corporate Growth*. New York: Wiley.

Brandenburger, A.M. & Nalebuff, B.J. 2011. *Co-opetition*. s.l.: Crown Business.

Brandsen, T., Van de Donk, W. & Putters, K. 2005. Griffins or chameleons? Hybridity as a permanent and inevitable characteristic of the third sector. *International Journal of Public Administration*, 28(9-10):749-765.

Branson, R. 1998. Branson on Innovation. Unpublished DTI Innovation Lecture.

Bromley, P.D. 1990. Academic contributions to psychological counselling: A philosophy of science for the study of individual cases. *Counselling Psychology Quarterly*, 3(3):299-307.

Brouthers, K.D. & Hennart, J.F. 2007. Boundaries of the Firm: Insights from International Entry Mode Research. *Journal of Management*, 33(3):395-425.

Brouthers, K.D., Brouthers, L.E. & Wilkinson, T.J. 1995. Strategic alliances: Choose your partners. *Long Range Planning*, 28(3):218-25.

Brown, D.L., Vetterlein, A. & Roemer-Mahler, A. 2010. Theorizing transnational corporations as social actors: An analysis of corporate motivations. *Business and Politics*, 12(1):1-37.

Bruderl, J. & Schussler, R. 1990. Organizational mortality: The liabilities of newness and adolescence. *Administrative Science Quarterly*, (1990):530-547.

Brundtland, G.H. 1987. *Report of the World Commission on Environment and Development: Our common future*. Transmitted to the General Assembly as an Annex to document A/42/427.

Brush, C.G. & Chaganti, R. 1999. Businesses without glamour? An analysis of resources on performance by size and age in small service and retail firms. *Journal of Business Venturing*, 14(3):233-257.

Brush, C.G., Greene, P.G. & Hart, M.M. 2001. From initial idea to unique advantage: The entrepreneurial challenge of constructing a resource base. *The Academy of Management Executive*, 15(1):64-78.

Bryson, J.M., Crosby, B.C. & Stone, M.M. 2006. The design and implementation of cross-sector collaborations: Propositions from the literature. *Public Administration Review*, 66(s1):44-55.

Buckley, P.J. & Casson, M. 1988. A Theory of Cooperation in International Business, in Contractor, F.J. & Lorange, P. (eds.). *Cooperative Strategies in International Business*. Lexington: Lexington Books.

Buckley, P.J. & Casson, M. 2007. Edith Penrose's theory of the growth of the firm and the strategic management of multinational enterprises. *Management International Review*, 47(2):151-173.

Buffett, M. & Clark, D. 2006. *The tao of Warren Buffett: Warren Buffett's words of wisdom: Quotations and interpretations to help guide you to billionaire wealth and enlightened business management*. New York: Simon and Schuster.

Buller, P.F. & Napier, N.K. 1993. Strategy and Human Resource Management Integration in Fast Growth versus Other Mid-sized Firms. *British Journal of Management*, 4(2):77-90.

Burke, A., van Stel, A. & Thurik, R. 2010. Blue ocean vs. five forces. *Harvard Business Review*, 88(5):28-29.

Burt, R.S. 1992. *Structural Holes: The Social Structure of Competition*. Cambridge, MA: Harvard University Press.

Burt, R.S., Janotta, J.E. & Mahoney, J.T. 1998. Personality correlates of structural holes. *Social Networks*, 20(1):63-88.

Burton, M.D., Sorensen, J.B. & Beckman, C. 1998. Coming from good stock: Career histories and new venture formation. Paper presented at the Academy of Management Annual Meeting, San Diego, CA.

Business Day. 2014. Minister hopes small firms will create jobs. *Business Day*. [Online]. Available: http://www.sbp.org.za/uploads/media/Business_Day_10_Nov_2014_-_Minister_hopes_small_firms_will_create_jobs_01.pdf [2015, September 20].

Butler, D. 2014. *Business Planning for New Ventures: A Guide for Start-ups and New Innovations*. s.l.: Routledge.

Cairney, P. 2012. *Understanding Public Policy – Theories and Issues*. Basingstoke, UK: Palgrave Macmillan.

California State University. 2015. *Writing@CSU: The Writing Studio, Case Studies.* [Online]. Available: http://writing.colostate.edu/guides/guide.cfm?guideid=60 [2015, November 2].

Caloghirou, Y., Kastelli, I. & Tsakanikas, A. 2004. Internal capability and external knowledge sources: Complements or substitutes for innovative performance? *Technovation*, 24(1):29-39.

Calvo, J.L. 2006. Testing Gibrat's law for small, young and innovating firms. *Small Business Economics*, 26(2):117-123.

Cant, M.C. & Ligthelm, A.A. 2002. Small business problems in the South African context: A proactive entrepreneurial approach. Unpublished paper delivered at the 7th Asia-Pacific Decision Sciences Institute Conference, Bangkok.

Cant, M.C., Brink, A. & Brijball, S. (eds.). 2006. *Consumer behaviour*. Johannesburg: Juta.

Cardon, M.S. 2003. Contingent labor as an enabler of entrepreneurial growth. *Human Resource Management*, 42(4):357-373.

Carley, K. 1993. Coding choices for textual analysis: A comparison of content analysis and map analysis. *Sociological Methodology*, 23(1):75-126.

Carmeli, A., Schaubroeck, J. & Tishler, A. 2011. How CEO empowering leadership shapes top management team processes: Implications for firm performance. *The Leadership Quarterly*, 22(2):399-411.

Carpiano, R.M. & Daley, D.M. 2006. A guide and glossary on postpositivist theory building for population health. *Journal of Epidemiol Community Health*, 1(60):564–70.

Carsrud, A.L. & Krueger, N.F. 1995. Entrepreneurship and social psychology: Behavioral technology for the new venture initiation process. *Advances in Entrepreneurship, Firm Emergence, and Growth*, 2(1):73-96.

Carter, C. & B. Williams. 1957. *Industry and Technical Progress*. Oxford: Oxford University Press.

Casado Cañeque, F. & Hart, S.L. (eds.). 2015. *Base of the Pyramid 3.0: Sustainable Development Through Innovation and Entrepreneurship*. Sheffield, United Kingdom: Greanleaf Publishing.

Castrogiovanni, G.J. 1991. Environmental Munificence: A Theoretical Assessment. *Academy of Management Review*, 16(3):542-565.

Caves, R. 1992. *American industry: Structure, conduct, performance*. Englewood Cliffs: Prentice-Hall.

Caves, R.E. 1998. Industrial organization and new findings on the turnover and mobility of firms. *Journal of Economic Literature*, 36(4):1947-1982.

Cavusgil, T., Knight, G. & Riesenberger, J. 2008. *International Business: Strategy, Management, and the New Realities*. London: Prentice Hall.

Champy, J. & Nohria, N. 1996. *Fast forward: The best ideas on managing business change*. Massachusetts: Harvard Business Press.

Chandler, G.N. & Hanks, S.H. 1994. Founder competence, the environment and venture performance. *Entrepreneurship Theory and Practice*, 18(1):77-89.

Chang, C.W., Chiang, D.M. & Pai, F.Y. 2012. Cooperative strategy in supply chain networks. *Industrial Marketing Management*, 41(7):1114-1124.

Chatterjee, S. 2014. Engaging with an emergent metanarrative: A critical exploration of the BOP proposition. *Organization*, 21(6):888-906.

Chaudhary, N.K. 2009. Facilitators & bottlenecks of corporate social responsibility. *Indian Journal of Industrial Relations*, 44(3):386-395.

Cheater, A.P. 2003. *Social Anthropology*. New York: Routledge/Taylor & Francis.

Checkland, P. & Poulter, J. 2010. Soft systems methodology. *Systems approaches to managing change: A practical guide*. London: Springer. 191-242.

Checkland, P. & Scholes, J. 1990. *Soft systems methodology in action*. Chichester: John Wiley & Sons.

Checkland, P. 1981. *Systems thinking, systems practice*. Chichester: John Wiley & Sons.

Checkland, P. 1985. From optimizing to learning: A development of systems thinking for the 1990s. *Journal of the Operational Research Society*, 36(9):757-767.

Checkland, P. 2000. Soft systems methodology: A thirty year retrospective. *Systems Research and Behavioral Science*, 17(1):S11-S58.

Chell, E., Nicolopoulou, K. & Karataş-Özkan, M. 2010. Social entrepreneurship and enterprise: International and innovation perspectives. *Entrepreneurship & Regional Development*, 22(6):485–493.

Chen, M.J. 1996. Competitor analysis and interfirm rivalry: Toward a theoretical integration. *Academy of Management Review*, 21(1):100-134.

Cheneau-Loquay, A. 2010. *Innovative Ways of Appropriating Mobile Telephony in Africa*. Geneva: ITU.

Chesbrough, H. & Rosenbloom, R.S. 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. 2010a. *Open services innovation: Rethinking your business to grow and compete in a new era*. Chichester: John Wiley & Sons.

Chesbrough, H. 2010b. Business model innovation: Opportunities and barriers. *Long Range Planning*, 43(2):354-363.

Chesbrough, H., Ahern, S., Finn, M. & Guerraz, S. 2006. Business models for technology in the developing world: The role of non-governmental organizations. *California Management Review*, 48(3):48-61.

Chesbrough, H.W. 2003. *Open innovation: The new imperative for creating and profiting from technology*. Massachusetts: Harvard Business Press.

Chetwynd, E., Chetwynd, F. & Spector, B. 2003. Corruption and poverty: A review of recent literature. *Management Systems International*, 600:5-16.

Chi, T. & Roehl, T.W. 1997. The structure of inter-firm exchanges in business know-how: Evidence from international collaborative ventures. *Managerial and Decision Economics*, 18:279–294.

Chi, T. 1994. Trading in strategic resources: Necessary conditions, transaction cost problems, and choice of exchange structure. *Strategic Management Journal*, 15(4):271-290.

Chiesa, V., Coughlan, P. & Voss, C.A. 1996. Development of a technical innovation audit. *Journal of Product Innovation Management*, 13(2):105-136.

Chikweche, T. & Fletcher, R. 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.

Chikweche, T. 2009. Marketing to the Bottom of the Pyramid: A Zimbabwean Perspective. Unpublished doctoral dissertation. Australia: University of Western Sydney.

Child, J. & Faulkner, D.O. 1998. *Strategies of Cooperation: Managing Alliances, Networks, and Joint Ventures*. Oxford University Press: Oxford.

Child, J. 1972. Organizational structure, environment and performance: The role of strategic choice. *sociology*, 6(1):1-22.

Chinese Culture Connection. 1987. Chinese values and the search for culture-free dimensions of culture. *Journal of Cross- Cultural Psychology*, 18(2):143-164.

Chopra, S.K. & Narayana, M.G.P.L. 2012. Meeting Bottom of the Pyramid (BOP) needs by engineering sustainable solutions. Unpublished paper delivered at the 2012 IEEE Conference on Technology and Society in Asia.

Chrisman, J.J., McMullan, E. & Hall, J. 2005. The influence of guided preparation on the long-term performance of new ventures. *Journal of Business Venturing*, 20(6):769-791.

Christensen, C. 1997. *The Innovator's Dilemma*. Massachusetts: Harvard Business School Press.

Christensen, C., Anthony, S. & Roth, E.A. 2013. *Seeing what's next: Using the theories of innovation to predict industry change*. Massachusetts: Harvard Business School Press.

Christensen, C.M. & Overdorf, M. 2000. Meeting the challenge of disruptive change. *Harvard Business Review*, 78(2):66-77.

Christensen, C.M. & Raynor, M.E. 2003. *The innovator's solution: Creating and sustaining successful growth*. Massachusetts: Harvard Business School Press.

Christensen, C.M. 2001. Competitive Advantage. *MIT Sloan Management Review*, 42(2):105-109.

Christopher, M., Payne, A., Ballantyne, D. & Pelton, L. 1995. Relationship marketing: Bringing quality, customer service and marketing together. *International Business Review*, 4(4):538-540.

CIA. 2015. *Central Intelligence Agency: The World Factbook*. [Online]. Available: https://www.cia.gov/library/publications/resources/the-world-factbook/ [2015, November 6].

Cialdini, R.B. 1993. *Influence: The Psychology of Persuasion.* New York: Quill Books.

Clark, J. 1991. *Democratizing Development: The role of voluntary organizations*. s.l: Earthscan.

Clark, K.E. & Clark, M.B. 1990. Measures of leadership. Unpublished paper delivered at the Conference on Psychological Measures and Leadership, Texas.

Clegg, B. 1999. *Creativity and Innovation for Managers*. London: Routledge.

Coad, A. & Hölzl, W. 2012. Firm growth: Empirical analysis. Handbook on the Economics and Theory of the Firm. *Papers on Economics and Evolution Working Paper Number 1002*.

Coad, A. & Rao, R. 2008. Innovation and firm growth in high-tech sectors: A quantile regression approach. *Research Policy*, 37(4):633-648.

Coad, A. 2009. *The growth of firms: A survey of theories and empirical evidence*. Cheltenham: Edward Elgar Publishing.

Coale, A.J. & Hoover, E.M. 1958. *Population growth and economic development*. Princeton: Princeton University Press.

Coase, R.H. 1937. The nature of the firm. *Economica*, 4(16):386-405.

Coeurderoy, R. & Murray, G.C. 2005. Institutional environments and the location decisions of start-ups: Evidence from the first international market entries of new technology-based firms. *University of Exeter School of Business and Economics Working Paper Number 06/04*.

Cohen, W.M. & Levinthal, D.A. 1990. Absorptive capacity: A new perspective on learning and innovation. *Administrative Science Quarterly*, 35(1):128-152.

Collier, P. & Gunning, J.W. 1999. Explaining African economic performance. *Journal of Economic Literature*, 37(1):64-111.

Collins, J.C. & Porras, J.I. 1996. Building your company's vision. *Harvard Business Review*, 74(5):65-77.

Collins, J.C. & Porras, J.I. 2005. *Built to last: Successful habits of visionary companies*. New York: Random House.

Conley, C. 2007. *Peak: How great companies get their mojo from Maslow*. Chichester: John Wiley & Sons.

Conner, K.R. & Prahalad, C.K. 1996. A resource-based theory of the firm: Knowledge versus opportunism. *Organizatin Science*, 7(5):477-501.

Constantinides, E. 2006. The marketing mix revisited: Towards the 21st century marketing. *Journal of Marketing Management*, 22(3-4):407-438.

Cook, P. 1998. *Best Practice Creativity*. Vermont: Gower.

Cooper, A.C. & Bruno, A.V. 1977. Success among high-technology firms. *Business Horizons*, 20(2):16-22.

Cooper, A.C., Gimeno-Gascon, F.J. & Woo, C.Y. 1994. Initial human and financial capital as predictors of new venture performance. *Journal of Business Venturing*, 9(5):371-395.

Cooper, A.C., Woo, C.Y. & Dunkelberg, W.C. 1988. Entrepreneurs' perceived chances for success. *Journal of Business Venturing*, 3(2):97-108.

Cooper, R.G. 2001. *Winning at new products: Accelerating the process from idea to launch*. New York: Basic Books.

Coorey, S., Clausen, J.R., Funke, N., Muñoz, S. & Ould-Abdallah, B. 2007. Lessons from High Inflation Episodes for Stabilizing the Economy in Zimbabwe. *International Monetary Fund Working Paper Number 07/99*.

Cope, J. 2011. Entrepreneurial learning from failure: An interpretative phenomenological analysis. *Journal of Business Venturing*, 26(6):604-623.

Copeland, T.E. & Keenan, P.T. 1998. Making real options real. *The McKinsey Quarterly,* 1(3):128-142.

Corbin, J. & Strauss, A. 1990. *Basics of qualitative research: Grounded theory procedures and techniques*. California: Sage Publications.

Cordery, C.J. & Baskerville, R.F. 2011. Charity transgressions, trust and accountability. *Voluntas: International Journal of Voluntary and Nonprofit Organizations*, 22(2):197-213.

Cormican, K. & O'Sullivan, D. 2004. Auditing best practice for effective product innovation management. *Technovation*, 24(10):819-829.

Cortina, J.M. 1993. What is coefficient alpha? An examination of theory and applications. *Journal of Applied Psychology*, 78(1):98.

COSO. 1992. *Internal control – Integrated framework*. New York: Committee of Sponsoring Organizations of the Treadway Commission, AICPA.

COSO. 2004. *Enterprise risk management – Integrated framework*. New York: Committee of Sponsoring Organizations of the Treadway Commission, AICPA.

Coviello, N.E., Brodie, R.J. & Munro, H.J. 2000. An investigation of marketing practice by firm size. *Journal of Business Venturing*, 15(5):523-545.

Covin, J.G. & Slevin, D.P. 1989. Strategic management of small firms in hostile and benign environments. *Strategic Management Journal*, 10(1):75-87.

Covin, J.G. & Slevin, D.P. 2000. High growth transitions: Theoretical perspectives and suggested directions. *Entrepreneurship*, (2000):99-126.

Cozzens, S. & Sutz, J. 2014. Innovation in Informal Settings: Reflections and Proposals for a Research Agenda. *Innovation and Development,* 4(1):5-31.

Cozzens, S.E. & Kaplinsky, R. 2009. Innovation, poverty and inequality: Cause, coincidence, or co-evolution? in Lundvall, B.Å., Joseph, K.J., Chaminade, C. & Vang, J. (eds.). *Handbook of Innovation Systems and Developing Countries*. Massachussetts: Edward Elgar Publishing, Inc.

Crawford, V. 1998. A survey of experiments on communication via cheap talk. *Journal of Economic Theory*, 78(2):286-298.

Crawford-Mathis, K., Darr, S. & Farmer, A. 2010. The Village Network: Partnership and collaboration to alleviate poverty in subsistence marketplaces. *Journal of Business Research*, 63(6):639-642.

Cull, R., Demirgüç-Kunt, A. & Jonathan, M. 2007. Financial performance and outreach: A global analysis of leading microbanks. *Economic Journal*, 117(617):F107-F133.

Cullen, B., Tucker, J., Snyder, K., Lema, Z. & Duncan, A. 2014. An analysis of power dynamics within innovation platforms for natural resource management. *Innovation and Development*, 4(2):259-275.

Culliton, J.W. 1948. *The Management of Marketing Costs*. Massachusetts: Harvard Graduate School of Business Administration.

Cummings, T. 1984. Transorganizational development. *Research in Organizational Behavior,* 6(1):367-422.

Daft, R. & Lengel, R. 1986. Organizational information requirements, media richness, and structural design. *Management Science,* 32(9):554-571.

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

Dalitso, K. & Peter, Q. 2000. The policy environment for promoting small and medium-sized enterprises in Ghana and Malawi. *Finance and Development Research Program Working Paper Number 15*.

Daly, H.E. 1990. Toward some operational principles of sustainable development. *Ecological Economics*, 2(1):1-6.

Das, T.K. & Teng, B.S. 1996. Risk types and inter-firm alliance structures. *Journal of Management Studies*, 33(6):827-843.

Das, T.K. & Teng, B.S. 1998a. Resource and risk management in the strategic alliance making process. *Journal of Management*, 24(1):21-42.

Das, T.K. & Teng, B.S. 1998b. Between trust and control: Developing confidence in partner cooperation in alliances. *Academy of Management Review*, 23(1):491-512.

Das, T.K. & Teng, B.S. 1999. Managing risks in strategic alliances. *The Academy of Management Executive*, 13(4):50-62.

Das, T.K. & Teng, B.S. 2000a. Instabilities of strategic alliances: An internal tensions perspective. *Organization Science*, 11(1):77-101.

Das, T.K. & Teng, B.S. 2000b. A resource-based theory of strategic alliances. *Journal of Management*, 26(1):31-61.

Das, T.K. & Teng, B.S. 2001. Trust, control, and risk in strategic alliances: An integrated framework. *Organization Studies*, 22(2):251-283.

D'Aunno, T.A. & Zuckerman, H.S. 1987. A life-cycle model of organizational federations: The case of hospitals. *Academy of Management Review*, 12(3):534-545.

Davids, Y.D. & Gouws, A. 2013. Monitoring perceptions of the causes of poverty in South Africa. *Social Indicators Research*, 110(3):1201-1220.

Davidsson, P. & Henrekson, M. 2002. Determinants of the prevalence of start-ups and high-growth firms. *Small Business Economics*, 19(2):81-104.

Davidsson, P. 1991. Continued entrepreneurship: Ability, need, and opportunity as determinants of small firm growth. *Journal of Business Venturing*, 6(6):405-429.

Davidsson, P., Achtenhagen, L. & Naldi, L. 2005. Research on small firm growth: A review. Australia: Brisbane Graduate School of Business.

Davidsson, P., Achtenhagen, L. & Naldi, L. 2010. Small firm growth. *Foundations and Trends in Entrepreneurship*, 6(2):69-166.

Davidsson, P., Delmar, F. & Wiklund, J. 2006. Entrepreneurship as growth: Growth as entrepreneurship. *Entrepreneurship and the Growth of Firms*. Cheltenham: Edward Elgar.

Davidsson, P., Steffens, P. & Fitzsimmons, J. 2009. Growing profitable or growing from profits: Putting the horse in front of the cart? *Journal of Business Venturing*, 24(4):388-406.

Davis, D.R. & Mishra, P. 2007. Stolper-Samuelson is dead: And other crimes of both theory and data. *Globalization and poverty*. University of Chicago Press.

Davis, S.J., Haltiwanger, J. & Schuh, S. 1996. Small business and job creation: Dissecting the myth and reassessing the facts. *Small Business Economics*, 8(4):297-315.

Day, G.S. & Schoemaker, P.J. 2004. Driving through the fog: Managing at the edge. *Long Range Planning*, 37(2):127-142.

Day, G.S. 1994. The capabilities of market-driven organizations. *The Journal of Marketing*, 58(4):37-52.

De Kok, J., Vroonhof, P., Verhoeven, W., Timmermans, N., Kwaak, T., Snijders, J. & Westhof, F. 2011. Do SMEs create more and better jobs? *Report prepared by EIM for the European Commission DG Enterprise and Industry*. Brussels: European Commission.

De Rond, M. 2003. *Strategic alliances as social facts: Business, biotechnology, and intellectual history*. Cambridge: Cambridge University Press.

De Soto, H. 2000. *The Mystery of Capital: Why Capitalism Triumphs in the West and Fails Everywhere Else*. New York: Basic Books.

Decker, R., Haltiwanger, J., Jarmin, R. & Miranda, J. 2014. The role of entrepreneurship in US job creation and economic dynamism. *The Journal of Economic Perspectives*, 28(3):3-24.

Deeds, D.L. & Hill, C.W. 1996. Strategic alliances and the rate of new product development: An empirical study of entrepreneurial biotechnology firms. *Journal of Business Venturing*, 11(1):41-55.

Deeds, D.L., DeCarolis, D. & Coombs, J. 2000. Dynamic capabilities and new product development in high technology ventures: An empirical analysis of new biotechnology firms. *Journal of Business Venturing*, 15(3):211-229.

Dees, J.G. & Anderson, B.B. 2003. For-profit social ventures. *International Journal of Entrepreneurship Education*, 2(1):1–26.

Dees, J.G. 1998a. Enterprising nonprofits. *Harvard Business Review*, 76(1):54-69.

Dees, J.G. 1998b. *The meaning of social entrepreneurship*. Kauffman Center for Entrepreneurial Leadership.

Dees, J.G., Emerson, J. & Economy, P. 2001. *Enterprising nonprofits: A toolkit for social entrepreneurs*. New York: Wiley.

Deleuze, G. & Guattari, F. 1991. *What is philosophy?* New York: Columbia University Press.

Dell Inc. 2015. Dell Statistica, version 13. [Online]. Available: www.software.dell.com [2017, February 1].

Dell, M. 2015. *Entrepreneur: Growth strategies, Michael Dell, Taking the Direct Approach*. [Online]. Available: http://www.entrepreneur.com/article/197566 [2015, September 14].

Delmar, F. & Davidsson, P. 1998. A taxonomy of high-growth firms. *Frontiers of Entrepreneurship Research*, 18(1):399-343.

Delmar, F. 2006. Measuring growth: Methodological considerations and empirical results. *Entrepreneurship and the Growth of Firms*, (2006):62-86.

Delmar, F., Davidsson, P. & Gartner, W.B. 2003. Arriving at the high-growth firm. *Journal of Business Venturing*, 18(2):189-216.

Delmar, F., McKelvie, A. & Wennberg, K. 2013. Untangling the relationships among growth, profitability and survival in new firms. *Technovation*, 33(8):276-291.

DeLoach, J.W. 2000. *Enterprise-wide risk management*. London: Pearson Education.

Demil, B. & Lecocq, X. 2010. Business model evolution: In search of dynamic consistency. *Long Range Planning*, 43(2):227-246.

Dencker, J.C., Gruber, M. & Shah, S.K. 2009. Individual and opportunity factors influencing job creation in new firms. *Academy of Management Journal*, 52(6):1125-1147.

Dennis, W.J., Phillips, B.D. & Starr, E. 1994. Small business job creation: The findings and their critics. *Business Economics*, 29(3):23-30.

Department of Labour. 2007. *Sector Education and Training Authorities*. [Online]. Available: http://www.labour.gov.za/DOL/downloads/documents/useful-documents/skills-development-act/ [2015, June 3].

Department of Trade and Industry. 2008. Annual review of small business in South Africa 2005-2007. [Online]. Available: https://www.thedti.gov.za/sme_development/docs/3%20Annual%20Review%20Final%20Report%20 11%20Aug%2008.pdf [2017, February 15].

Dercon, S. 2005. Risk, poverty and vulnerability in Africa. *Journal of African Economies*, 14(4):483-488.

Desai, A. 2005. Uprooting or Re-rooting Poverty in the Post-Apartheid Era? A Literature Review. Prepared for SANPAD Poverty Reduction Thematic Workshop, 25 May 2005.

DeSarbo, W.S., Anthony Di Benedetto, C., Song, M. & Sinha, I. 2005. Revisiting the Miles and Snow strategic framework: Uncovering interrelationships between strategic types, capabilities, environmental uncertainty, and firm performance. *Strategic Management Journal*, 26(1):47-74.

Deshpandé, R. & Farley, J.U. 1998. Measuring market orientation: Generalization and synthesis. *Journal of Market-focused Management*, 2(3):213-232.

Devarajan, S., Dollar, D. & Holmgren, T. (eds.). 2001. *Aid and reform in Africa: Lessons from ten case studies*. s.l.: World Bank Publications.

DeVellis R. 2003. Scale development: Theory and applications: Theory and application. California: Sage Publications.

Devlin, G. & Bleackley, M. 1988. Strategic alliances – guidelines for success. *Long Range Planning*, 21(5):18-23.

Di Domenico, M., Tracey, P. & Haugh, H. 2009. The dialectic of social exchange: Theorizing corporate-social enterprise collaboration. *Organization Studies*, 30(8):887-907.

Dickson, P.R. 1992. Toward a general theory of competitive rationality. *The Journal of Marketing*, 56(1):69-83.

Dierickx, I. & Cool, K. 1989. Asset stock accumulation and sustainability of competitive advantage. *Management Science*, 35(12):1504-1511.

Dierickx, I. & Koza, M. 1991. Information asymmetries how not to 'buy a lemon'in negotiating mergers and acquisitions. *European Management Journal*, 9(3):229-234.

Dillon, B. & Mukherjee, S. 2006. A guide to the design and execution of segmentation studies. *The Handbook of Marketing Research: Uses, Misuses, and Future Advances*, (2006):523-545.

Dillon, T.A., Lee, R.K. & Matheson, D. 2005. Value innovation: Passport to wealth creation. *Research-Technology Management*, 48(2):22-36.

Disdier, A.C., Fontagné, L. & Mimouni, M. 2015. Tariff Liberalization and Trade Integration of Emerging Countries. *Review of International Economics*, 23(5):946-971.

Dixit, A.K. & Nalebuff, B.J. 1993. *Thinking strategically: The competitive edge in business, politics, and everyday life*. s.l.: WW Norton & Company.

Dixon, D.F. 2002. Emerging macromarketing concepts: From Socrates to Alfred Marshall. *Journal of Business Research*, 55(2):87-95.

Dodge, H.R., Fullerton, S. & Robbins, J.E. 1994. Stage of the organizational life cycle and competition as mediators of problem perception for small businesses. *Strategic Management Journal*, 15(2):121-134.

Doganova, L. & Eyquem-Renault, M. 2009. What do business models do? Innovation devices in technology entrepreneurship. *Research Policy*, 38(10):1559-1570.

Doh, J.P. & Teegen, H. 2002. Nongovernmental organizations as institutional actors in international business: Theory and implications. *International Business Review*, 11(6):665-684.

Dolfsma, W., Duysters, G. & Costa, I. (eds.). 2009. *Multinationals and emerging economies: The quest for innovation and sustainability*. Cheltenham: Edward Elgar Publishing.

Dollar, D. & Litvack, J. 1998. Macroeconomic reform and poverty reduction in Vietnam. *Household welfare and Vietnam's transition*, 1:1-28.

Dollar, D. 2002. *Reform, Growth, and Poverty Reduction in Vietnam*. *Policy Research Working Paper Number 2837*. Washington, D.C.: The World Bank.

Dosi, G. 1982. Technological paradigms and technological trajectories: A suggested interpretation of the determinants and directions of technical change. *Research Policy*, 11(3):147-162.

Dowling, G. 2006. Reputation risk: It is the board's ultimate responsibility. *Journal of Business Strategy*, 27(2):59-68.

Doz, Y.L. & Hamel, G. 1998. *Alliance advantage: The art of creating value through partnering*. Harvard Business Press.

Doz, Y.L. 1996. The evolution of cooperation in strategic alliances: Initial conditions or learning processes? *Strategic Management Journal*, 17(S1):55-83.

Drayton, B. & Budinich, V. 2010. A new alliance for global change. *Harvard Business Review*, 88(9):56-64.

Drucker, P.F. 1958. Marketing and economic development. *The Journal of Marketing*, 22(3):252-259.

Drucker, P.F. 1973. *Management: Tasks-Responsibilities-Practices*. Canada: Fitzhenry & Whiteside.

Drucker, P.F. 1985. *Innovation and Entrepreneurship*. New York: Harper & Row.

Drucker, P.F. 2007. *Innovation and entrepreneurship: Practice and principles*. London: Routledge.

Drucker, P.F. 2014. *Innovation and entrepreneurship*. London: Routledge.

Duchesneau, D.A. & Gartner, W.B. 1990. A profile of new venture success and failure in an emerging industry. *Journal of Business Venturing*, 5(5):297-312.

Dugger, C. 2010. Wage Laws Squeeze South Africa's poor. *New York Times*, 26 September.

Dunne, P. & Hughes, A. 1994. Age, size, growth and survival: UK companies in the 1980s. *The Journal of Industrial Economics*, 42(2):115-140.

Dunning, J.H. & Lundan, S.M. 2008. *Multinational enterprises and the global economy*. Second edition. Cheltenham: Edward Elgar Publishing.

Durant-Law, G. 2005. Soft systems methodology and grounded theory combined: A knowledge management research approach. *actKM Online Journal of Knowledge Management*, 2(1):13-23.

Dussauge, P., Garrette, B. & Mitchell, W. 2000. Learning from competing partners: Outcomes and durations of scale and link alliances in Europe, North America and Asia. *Strategic Management Journal*, (2000):99-126.

Dwyer, F.R., Schurr, P.H. & Oh, S. 1987. Developing buyer-seller relationships. *The Journal of Marketing*, 51(2):11-27.

Dyer, J.H. & Singh, H. 1998. The relational view: Cooperative strategy and sources of interorganizational competitive advantage. *Academy of Management Review*, 23(4):660-679.

Dyer, J.H., Kale, P. & Singh, H. 2001. How to make strategic alliances work. *MIT Sloan management review*, 42(4):37.

Easterly, W. & Fischer, S. 2001. Inflation and the Poor. *Journal of Money, Credit and Banking*, (2001):160-178.

Eastwood, R. & Lipton, M. 1999. The impact of changes in human fertility on poverty. *The Journal of Development Studies*, 36(1):1-30.

Eastwood, R. & Lipton, M. 2001. Demographic Transition and Poverty: Effects via Economic Growth, Distribution and Conversion, in Birdsall, N. & Sinding, S. (eds.). *Population Matters: Demographic Change, Economic Growth and Poverty in the Developing World*. New York: Oxford University Press.

Edquist, C. 1997. Systems of innovation approaches – their emergence and characteristics in Edquist. *Systems of Innovation: Technologies, Institutions and Organizations.* London: Pinter/Cassell.

Egan, H. & Ovanessoff, A. 2011. Capturing the growth opportunity in emerging markets. *European Business Review*, (2011):42-45.

Eifert, B. & Ramachandran, V. 2004. Competitiveness and private sector development in Africa: Cross-country evidence from the World Bank's investment climate data. Unpublished paper delivered at the Asia-Africa Trade and Investment Conference, Tokyo, 1 November.

Eifert, B., Gelb, A. & Ramachandran, V. 2005. Business environment and comparative advantage in Africa: Evidence from the investment climate data. Unpublished paper delivered at the Annual World Bank Conference on Development Economics, Russia, 18 January.

Eighty20. 2009. *The Bottom of the Pyramid in South Africa, May 2009*. [Online]. Available: http://www.gibs.co.za/SiteResources/documents/IllanaMelzer2009.pdf [2015, August 14].

Eighty20. 2011. *Overview of the Bottom of the Pyramid in South Africa*. [Online]. Available: http://insightout.eighty20.co.za/index.php?route=product/product&product_id=2030 [2015, August 13].

Eighty20. 2012. *Eighty20 SAARF AMPS presentation May 2012: Overwhelming and Under-mined Reasons to love AMPS data*. [Online]. Available: http://www.saarf.co.za/saarf-presentations/presentations.asp [2015, August 13].

Eisenhardt, K.M. & Schoonhoven, C.B. 1990. Organizational growth: Linking founding team, strategy, environment, and growth among US semiconductor ventures, 1978-1988. *Administrative Science Quarterly*, 35(3):504-529.

Eisenhardt, K.M. & Schoonhoven, C.B. 1996. Resource- based view of strategic alliance formation: Strategic and social effects in entrepreneurial firms. *Organization Science*, 7(2):136-150.

Elkington, J. 1997. *Cannibals with forks: The triple bottom line of 21st century*. Oxford: Capstone.

Emerson, J. & Twersky, F. 1996. *New social entrepreneurs: The success, challenge and lessons of non-profit enterprise creation*. San Francisco: Roberts Foundation.

Endeavor. 2013. The 13-25 Report. Why Scaleup Companies are Critical for Job Creation in South Africa. Endeavor Insight. [Online]. Available: http://www.endeavor.co.za/images/20140826_The_13-25_Report_South_Africa_Single_lowres.pdf [2016, May 16].

Enos, J.L. 1962. *Petroleum, progress and profits: A history of process innovation*. Massachusetts: MIT Press.

Ensley, M.D., Pearson, A.W. & Amason, A.C. 2002. Understanding the dynamics of new venture top management teams: Cohesion, conflict, and new venture performance. *Journal of Business Venturing*, 17(4):365-386.

Ersado, L. 2006. *Income diversification in Zimbabwe: Welfare implications from urban and rural areas*. s.l: World Bank Publications.

Esposito, M., Kapoor, A. & Goyal, S. 2012. Enabling healthcare services for the rural and semi-urban segments in India: When shared value meets the bottom of the pyramid. *Corporate Governance: The International Journal of Business in Society*, 12(4):514-533.

Ettlie, J. 2007. *Managing Innovation*. London: Routledge.

Evans, P. & Wurster, T.S. 2000. *Blown to bits: How the new economics of information transforms strategy*. Massachusetts: Harvard Business Press.

Evers, A. & Ewert, B. 2010. Hybride Organisationen im Bereich sozialer Dienste. Ein Konzept, sein Hintergrund und seine Implikationen, in Klatetzki, T. (ed.). *Soziale personenbezogene Dienstleistungsorganisationen:* VS Verlag für Sozialwissenschaften. 103-128.

Fafchamps, M. 2001. Networks, Communities and Markets in Sub-Saharan Africa: Implications for Firm Growth and Investment. *Journal of African Economies*, 10(2):109-142.

Fallon, P. & Senn, F. 2006. *Juicing the Orange: How to turn creativity into a powerful business advantage*. Massachusetts: Harvard Business Press.

Fama, E.F. & Jensen, M.C. 1983. Separation of ownership and control. *The Journal of Law and Economics*, 26(2):301-325.

Fan, S. & Zhang, X. 2008. Public expenditure, growth and poverty reduction in rural Uganda. *African Development Review*, 20(3):466-496.

Fan, S., Brzeska, J. & Shields, G. 2007. Investment priorities for economic growth and poverty reduction. Unpublished report by the International Food Policy Research Insituitute.

Fan, S., Huong, P.L. & Long, T.Q. 2004. Government spending and poverty reduction in Vietnam. *Report prepared for the World Bank by the International Food Policy Research Institute.* Washington D.C.: Central Institute of Economic Management.

Fatoki, O. & Odeyemi, A. 2010. Which new small and medium enterprises in South Africa have access to bank credit? *International Journal of Business and Management*, 5(10):128.

Faulkner, D. 1995. *International strategic alliances: Co-operating to compete*. Maidenhead: McGraw-Hill.

Faulkner, D.O. & De Rond, M. (eds.). 2000. Perspectives on cooperative strategy. *Cooperative Strategy: Economic, Business, and Organizational Issues*. Oxford: Oxford University Press.

Fay, M. & Morrison, M. 2007. *Infrastructure in Latin America and the Caribbean: Recent developments and key challenges*. s.l: World Bank Publications.

Fay, M. & Yepes, T. 2003. *Investing in Infrastructure: What is Needed from 2000 to 2010?* s.l: World Bank Publications.

Feeser, H.R. & Willard, G.E. 1990. Founding strategy and performance: A comparison of high and low growth high tech firms. *Strategic Management Journal*, 11(2):87-98.

Ferrer-i-Carbonell, A. & Van Praag, B.M. 2001. Poverty in Russia. *Journal of Happiness Studies*, 2(2):147-172.

Fier, A., Licht, G. & Murray, G. 2001. *The rapid internationalisation of high-tech young firms in Germany and the United Kingdom*. London: Anglo-German Foundation.

Figueiredo, P.N. 2001. *Technological learning and competitive performance*. Cheltenham: Edward Elgar.

Fin24. 2015. See how many SMEs South Africa needs to create 11 million jobs (published 4th May 2015). [Online]. Available: http://www.fin24.com/Entrepreneurs/Resources/CALCULATOR-See-how-many-SMEs-SA-needs-to-create-11m-jobs-20150504 [2016, May 16].

Financial Times. 1995. Patience of Jobs pays off. *Financial Times*.

Financial Times. 2008. The nuts and bolts of growth. *Financial Times*, 5 March. [Online]. Available: http://www.ft.com/cms/s/0/f9f0e830-ea56-11dc-b3c9-0000779fd2ac.html#axzz3hQ90fKCd [2015, July 31].

Finney, S. & Corbett, M. 2007. ERP implementation: A compilation and analysis of critical success factors. *Business Process Management Journal*, 13(3):329-347.

Fischer, E. & Reuber, A.R. 2003. Support for rapid-growth firms: A comparison of the views of founders, government policymakers, and private sector resource providers. *Journal of Small Business Management*, 41(4):346-365.

Fischer, E., Reuber, A.R., Hababou, M., Johnson, W. & Lee, S. 1997. The role of socially constructed temporal perspectives in the emergence of rapid growth firms. *Entrepreneurship Theory and Practice*, 22(1997):13-30.

Fletcher, R. & Crawford, H. 2013. *International marketing: An Asia-Pacific perspective*. Australia: Pearson Higher Education.

Florida, R. 2002. The rise of the creative class. *The Washington Monthly*, 34(5):15-25.

Florin, J., Lubatkin, M. & Schulze, W. 2003. A social capital model of high-growth ventures. *Academy of Management Journal*, 46(3):374-384.

Folta, T.B., Cooper, A.C. & Baik, Y.S. 2006. Geographic cluster size and firm performance. *Journal of Business Venturing*, 21(2):217-242.

Forbes, D.P. 2005. Managerial determinants of decision speed in new ventures. *Strategic Management Journal*, 26(4):355-366.

Fosnot, C.T. 2013. *Constructivism: Theory, perspectives, and practice*. New York: Teachers College Press.

Foster, C. & Heeks, R. 2013a. Conceptualising inclusive innovation: Modifying systems of innovation frameworks to understand diffusion of new technology to low-income consumers. *The European Journal of Development Research*, 25(3):333-355.

Foster, C. & Heeks, R. 2013b. Analyzing policy for inclusive innovation: The mobile sector and base-of-the-pyramid markets in Kenya. *Innovation and Development*, 3(1):103-119.

Foster, C. & Heeks, R. 2014. Nurturing user–producer interaction: Inclusive innovation flows in a low-income mobile phone market. *Innovation and Development*, 4(2):221-237.

Foster, C. & Heeks, R. 2015. Policies to support inclusive innovation. *Development Informatics*, 61:90003-0.

Foster, M. & Mijumbi, P.A. 2002. *How, When and Why Does Poverty Get Budget Priority?: Poverty Reduction Strategy and Public Expenditure in Uganda*. Overseas Development Institute.

Foster-Fishman, P.G., Nowell, B. & Yang, H. 2007. Putting the system back into systems change: A framework for understanding and changing organizational and community systems. *American Journal of Community Psychology*, 39(3-4):197-215.

Fosu, A.K., Mlambo, K. & Oshikoya, T.W. 2001. Business environment and investment in Africa: An overview. *Journal of African Economies*, 10(2):1-11.

Fox, T., Ward, H. & Howard, B. 2002. *Public sector roles in strengthening corporate social responsibility: A baseline study*. Washington, D.C.: World Bank.

Francis, D. & Bessant, J. 2005. Targeting innovation and implications for capability development. *Technovation*, 25(3):171-183.

Franke, N., Keinz, P. & Steger, C.J. 2009. Testing the value of customization: When do customers really prefer products tailored to their preferences? *Journal of Marketing*, 73(5):103-121.

Frankfort-Nachmias, C. & Nachmias, D. 1996. *Research Methods in the Social Sciences*. London: Arnold.

Frederickson, G. 2005. The state of social equity in American public administration. *National Civic Review*, 94(4):31-38.

Freel, M.S. 2000. Do small innovating firms outperform non-innovators? *Small Business Economics*, 14(3):195-210.

Freeman, C. 1982. *The Economics of Industrial Innovation*. Second edition. London: Frances Pinter.

Fressoli, M., Arond, E., Abrol, D., Smith, A., Ely, A. & Dias, R. 2014. When grassroots innovation movements encounter mainstream institutions: Implications for models of inclusive innovation. *Innovation and Development*, 4(2):277-292.

Friedman, M. 1970. The social responsibility of business is to increase profit. *The New York Times Magazine*.

Friedman, M. 1979. Interview with economist Milton Friedman by television talk-show host Phil Donahue in 1979. *The Wall Street Journal.* [Online]. Available: http://www.wsj.com/articles/notable-quotable-milton-friedman-1434318595 [2015, September 14].

Fuller, T., Warren, L. & Argyle, P. 2008. Sustaining entrepreneurial business: A complexity perspective on processes that produce emergent practice. *International Entrepreneurship and Management Journal*, 4(1):1-17.

Fürst, M. 2011. *3rd Global Drucker Forum 2011, Day 2. Addressing the Needs of the Underserved: How the Bottom of the Pyramid can create Value.* [Online]. Available: http://www.druckerforum.org/2011/the-event/the-event/ [2015, July 5].

Gajda, R. 2004. Utilizing collaboration theory to evaluate strategic alliances. *American Journal of Evaluation*, 25(1):65-77.

Garbarino, E. & Johnson, M.S. 1999. The different roles of satisfaction, trust, and commitment in customer relationships. *The Journal of Marketing*, (1999):70-87.

Gélinas, R. & Bigras, Y. 2004. The characteristics and features of SMEs: Favorable or unfavorable to logistics integration? *Journal of Small Business Management*, 42(3):263-278.

George, G. & Prabhu, G.N. 2000. Developmental financial institutions as catalysts of entrepreneurship in emerging economies. *Academy of Management Review*, 25(3):620-629.

George, G., McGahan, A.M. & Prabhu, J. 2012. Innovation for inclusive growth: Towards a theoretical framework and a research agenda. *Journal of Management studies*, 49(4):661-683.

Geroski, P.A. & Toker, S. 1996. The turnover of market leaders in UK manufacturing industry, 1979-86. *International Journal of Industrial Organization*, 14(2):141-158.

Geroski, P.A. 1999. The growth of firms in theory and in practice. Centre for Economic Policy Research.

Geroski, P.A. 2000. Models of technology diffusion. *Research Policy*, 29(4):603-625.

Ghauri, P.N. & Rao, P.M. 2009. Intellectual property, pharmaceutical MNEs and the developing world. *Journal of World Business*, 44(2):206-215.

Gifford, B., Kestler, A. & Anand, S. 2010. Building local legitimacy into corporate social responsibility: Gold mining firms in developing nations. *Journal of World business*, 45(3):304-311.

Gilbert, B.A., McDougall, P.P. & Audretsch, D.B. 2006. New venture growth: A review and extension. *Journal of Management*, 32(6):926-950.

Gilfillan, S.C. 1935. *Inventing the Ship*. Illinois: Follett.

Gladwell, M. 2006. *The tipping point: How little things can make a big difference*. Massachusetts: Little, Brown and Company.

Glaister, K.W. & Buckley, P.J. 1996. Strategic motives for international alliance formation. *Journal of Management Studies*, 33:301-332.

Glaister, K.W. & Buckley, P.J. 1998. Measures of performance in UK international alliances. *Organization Studies*, 19(1):89-118.

Glaser, B. & Strauss, A. 1967. *The Discovery of Grounded Theory*. Chicago: Aldine.

Gliem, J.A. & Gliem, R.R. 2003. Calculating, interpreting, and reporting Cronbach's alpha reliability coefficient for Likert-type scales. Midwest Research-to-Practice Conference in Adult, Continuing, and Community Education.

Globerman, S. & Shapiro, D. 2003. Governance infrastructure and US foreign direct investment. *Journal of International Business Studies*, 34(1):19-39.

Gnyawali, D.R. & Madhaven, R. 2001. Cooperative networks and competitive dynamics: A structural embeddedness perspective. *Academy of Management Review*, 26:431–445.

Goddard, J., Wilson, J. & Blandon, P. 2002. Panel tests of Gibrat's law for Japanese manufacturing. *International Journal of Industrial Organization*, 20(3):415-433.

Goedhuys, M. & Sleuwaegen, L. 2010. High-growth entrepreneurial firms in Africa: A quantile regression approach. *Small Business Economics*, 34(1):31-51.

Goi, C.L. 2009. A review of marketing mix: 4Ps or more? *International Journal of Marketing Studies*, 1(1):2.

Gold, S., Seuring, S. & Beske, P. 2010. Sustainable supply chain management and inter-organizational resources: A literature review. *Corporate Social Responsibility and Environmental Management*, 17(4):230-245.

Goldmark, L. & Barber, T. 2005. Trade, micro and small enterprises, and global value chains. Accelerated Microenterprise Advancement Project (AMAP).

Goldstuck, A. 2014. *SME Survey 2014: SMEs, the Cloud and government support*. South Africa: World Wide Worx.

Goold, M. & Campbell, A. 1987. *Strategies and styles: The role of the centre in managing diversified corporations*. Oxford: Blackwell.

Goss, D. 2015. *Small Business and Society*. London: Routledge.

Govindarajan, V. & Trimble, C. 2009a. 10 Rules for Strategic Innovators – From Idea to Execution. *Al-Barkaat Journal of Finance & Management*, 1(1):137-140.

Govindarajan, V. & Trimble, C. 2009b. *Is reverse innovation like disruptive innovation?* [Online]. Available: http://blogs.hbr.org/2009/09/is-reverse-innovation-like-dis/ [2015, August 3].

Govindarajan, V. & Trimble, C. 2013. *Reverse innovation: Create far from home, win everywhere*. Massachusetts: Harvard Business Press.

Govindarajan, V. 2012. A reverse-innovation playbook. *Harvard Business Review*, 90(4):120-124.

Gradl, C., Sobhani, S., Bootsman, A. & Gasnier, A. 2008. Understanding the Markets of the Poor: A Market System Approach to Inclusive Business Models, in Kandachar, P. & Halme, M. (eds.). *Sustainability challenges and solutions at the base of the pyramid - Business, technology and the poor*. Sheffield: Greenleaf.

Grant, R.M. & Baden-Fuller, C. 1995. A knowledge-based theory of inter-firm collaboration. *Academy of Management Proceedings*. Volume 1. s.l: Academy of Management.

Grant, R.M. & Baden-Fuller, C. 2004. A knowledge accessing theory of strategic alliances. *Journal of Management Studies*, 41(1):61-84.

Grant, R.M. 1991. The resource-based theory of competitive advantage: Implications for strategy formulation. *California Management Review*, 33(3):114-135.

Gray, B. & Wood, D.J. 1991. Collaborative alliances: Moving from practice to theory. *The Journal of Applied Behavioral Science*, 27(1):3-22.

Green S, Lissitz R, Mulaik S. 1977. Limitations of coefficient alpha as an index of test unidimensionlity. *Educational Psychological Measurement,* 1977(37):827-38.

Green S, Thompson M. 2005. Structural equation modelling in clinical psychology research, in Roberts, M. & Ilardi, S. (eds.). *Handbook of research in clinical psychology*. Oxford: Wiley-Blackwell.

Greve, A. & Salaff, J.W. 2003. Social networks and entrepreneurship. *Entrepreneurship Theory and Practice*, 28(1):1-22.

Grindle, M.S. 2004. Good enough governance: Poverty reduction and reform in developing countries. *Governance*, 17(4):525-548.

Guba, E.G. & Lincoln, Y.S. 1994. Competing paradigms in qualitative research. *Handbook of Qualitative Research*. s.l.: s.n.

Guetzkow, H. 1965. Communications in organizations, in March, J. (ed.). *Handbook of Organizations.* Chicago: Rand McNally and Company.

Guetzkow, H. 1966. Relations among organizations, in Bowers, R. (ed.). *Studies on Behavior in Organizations*: 13-41. University of Georgia Press: Athens, GA.

Gulati, R. & Gargiulo, M. 1999. Where do interorganizational networks come from? *American journal of Sociology*, 104(5):1439-1493.

Gulati, R. 1993. The dynamics of alliance formation. Unpublished PhD dissertation. Cambridge, MA: Harvard University.

Gulati, R. 1995a. Does familiarity breed trust? The implications of repeated ties for contractual choice in alliances. *Academy of Management Journal*, 38(1):85-112.

Gulati, R. 1995b. Social structure and alliance formation patterns: A longitudinal analysis. *Administrative Science Quarterly* 40: 619-652.

Gulati, R. 1998. Alliances and networks. *Strategic Management Journal*, 19(4):293-317.

Gulati, R., Nohria, N. & Zaheer, A. 2000. Strategic networks. *Strategic Management Journal*, (2000):203-215.

Gummesson, E. 1999. *Total Relationship Marketing – Rethinking Marketing Management: From 4Ps to 30 R's*. Oxford: Butterworth-Heineman.

Gundlach, G.T., Achrol, R.S. & Mentzer, J.T. 1995. The structure of commitment in exchange. *The Journal of Marketing*, (1995):78-92.

Gunning, J.W. & Mengistae, T. 2001. Determinants of African manufacturing investment: The microeconomic evidence. *Journal of African Economies*, 10(2):48-80.

Gupta, P.D., Guha, S. & Krishnaswami, S.S. 2013. Firm growth and its determinants. *Journal of Innovation and Entrepreneurship*, 2(1):1.

Gupta, S., Davoodi, H. & Alonso-Terme, R. 2002. Does corruption affect income inequality and poverty? *Economics of Governance*, 3(1):23-45.

Gupta, S., Davoodi, H.R. & Tiongson, E. 2000. *Corruption and the provision of health care and education services Working Paper Number 2000-2116*. International Monetary Fund.

Gyimah-Brempong, K. & Traynor, T.L. 1999. Political instability, investment and economic growth in Sub-Saharan Africa. *Journal of African Economies*, 8(1):52-86.

Ha, Q.L. 2002. *Poverty Reduction in Ethnic Minority Regions: Status and Solutions*. Hanoi: Nha xuat ban Chinh tri quoc gia.

Hagedoorn, J. & Schakenraad, J. 1990. *Inter-firm partnerships and co-operative strategies in core technologies*. s.l.: s.n.

Hall, R. 1992. The strategic analysis of intangible resources. *Strategic Management Journal*, 13(2):135-144.

Haltiwanger, J., Jarmin, R.S. & Miranda, J. 2013. Who creates jobs? Small versus large versus young. *Review of Economics and Statistics*, 95(2):347-361.

Hamel, G. & Prahalad, C.K. 1990. Corporate imagination and expeditionary marketing. *Harvard Business Review*, 69(4):81-92.

Hamel, G. 1991. Competition for competence and interpartner learning within international strategic alliances. *Strategic Management Journal*, 12(S1):83-103.

Hamel, G. 1996. Strategy as revolution. *Harvard Business Review*, (1996):69-71.

Hamel, G. 2000. *Leading the Revolution*. Massachusetts: Harvard Business School Press.

Hammond, A. & Prahalad, C.K. 2002. What works serving the poor, profitably. A private sector strategy for global digital opportunity. *World Resources Institute, Markle Foundation*. [Online]. Available: https://stuff.mit.edu/afs/athena/course/other/d-lab/Readings/serving_profitably.pdf [2017, May 4].

Hammond, A.L., Kramer, W.J., Katz, R.S., Tran, J.T. & Walker, C. 2007. The next 4 billion. *Innovations*, 2(1-2):147-158.

Hanke, S.H. 2008. *Zimbabwe: Hyperinflation to growth*. Harare: New Zanj.

Hannan, M.T. & Carroll, G. 1992. *Dynamics of organizational populations: Density, legitimation, and competition*. Oxford: Oxford University Press.

Hansen, E.L. 1995. Entrepreneurial networks and new organization growth. *Entrepreneurship Theory and Practice*, 19(1995):7-20.

Hansmann, H. 1996. The changing roles of public, private, and nonprofit enterprise in education, health care, and other human services. *Individual and social responsibility: Child care, education, medical care, and long-term care in America*. Chicago: University of Chicago Press. 245-276.

Hanson, G.H. 2000. Firms, workers, and the geographic concentration of economic activity. *The Oxford Handbook of Economic Geography*. Oxford: Oxford University Press. 1-24.

Hargadon, A. 2003. *How breakthroughs happen: The surprising truth about how companies innovate*. Massachusetts: Harvard Business Press.

Harhoff, D., Stahl, K. & Woywode, M. 1998. Legal form, growth and exit of West German firms—empirical results for manufacturing, construction, trade and service industries. *The Journal of Industrial Economics*, 46(4):453-488.

Harrigan, K.R. 1988. Joint ventures and competitive strategy. *Strategic Management Journal*, 9(2):141-158.

Harris, I. 2003. What does "The discovery of grounded theory" have to say to medical education? *Advances in Health Sciences Education*, 8(1):49-61.

Harrison, A. 2006. *Globalization and poverty Working Paper Number w12347*. National Bureau of Economic Research.

Harrison, R., Jaumandreu, J., Mairesse, J. & Peters, B. 2008. Does innovation stimulate employment? A firm-level analysis using comparable micro-data from four European countries. *Center for European Economic Research (ZEW) Discussion Paper Number 08-111*. National Bureau of Economic Research.

Hart, S. & Prahalad, C.K. 2002. The Fortune at the Bottom of the Pyramid. *Strategy+Business*, 1(26):54-67.

Hart, S.L. & Christensen, C.M. 2002. The great leap. *Sloan Management Review*, 44(1):51-56.

Hart, S.L. & Sharma, S. 2004. Engaging fringe stakeholders for competitive imagination. *The Academy of Management Executive*, 18(1):7-18.

Hart, S.L. 2005. *Capitalism at the crossroads: The unlimited business opportunities in solving the world's most difficult problems*. s.l.: Pearson Education.

Hart, S.L. 2010. *Capitalism at the crossroads: Next generation business strategies for a post-crisis world*. New Jersey: FT Press.

Hartigan, P. & Billimoria, J. 2005. *Social entrepreneurship: An overview*. [Online]. Available: http://www.alliancemagazine.org/feature/social-entrepreneurship-an-overview/ [2017, February 23].

Harvard Business School. 2009. *Business Solutions at the Base of the Pyramid: The Centennial Global Business Summit, Harvard Business School.* [Online]. Available: http://www.hbs.edu/centennial/businesssummit/business-society/business-innovations-at-the-base-of-the-pyramid.pdf [2015, July 6].

Harvard Business School. 2015. *Drivers of Competitiveness.* [Online]. Available: http://www.isc.hbs.edu/competitiveness-economic-development/frameworks-and-key-concepts/Pages/drivers-of-competitiveness.aspx [2015, July 9].

Haugh, H. 2009. A resource-based perspective of social entrepreneurship. *International perspectives on social entrepreneurship*, (2009):99-116.

Haynie, J.M., Shepherd, D., Mosakowski, E. & Earley, P.C. 2010. A situated metacognitive model of the entrepreneurial mindset. *Journal of Business Venturing*, 25(2):217-229.

Headd, B. 2010. *An analysis of small business and jobs*. s.l.: Office of Advocacy, US Small Business Administration.

Heeks, R., Amalia, M., Kintu, R. & Shah, N. 2013. Inclusive Innovation: Definition, Conceptualisation and Future. Centre for Development Informatics.

Heeks, R., Foster, C. & Nugroho, Y. 2014. New models of inclusive innovation for development. *Innovation and Development*, 4(2):175-185.

Heide, J.B. & Miner, A.S. 1992. The shadow of the future: Effects of anticipated interaction and frequency of contact on buyer-seller cooperation. *Academy of Management Journal*, 35(2):265-291.

Heide, J.B. 1994. Interorganizational governance in marketing channels. *The Journal of Marketing*, (1994):71-85.

Henderson, J. 2002. Building the rural economy with high-growth entrepreneurs. *Economic Review-Federal Reserve Bank of Kansas City*, 87(3):45-75.

Henderson, R.M. & Clark, K.B. 1990. Architectural innovation: The reconfiguration of existing product technologies and the failure of established firms. *Administrative Science Quarterly*, 35(1):9-30.

Hendrikse, G., Tuunanen, M., Windsperger, J. & Cliquet, G. (eds.). 2008. *Strategy and governance of networks: Cooperatives, franchising, and strategic alliances*. s.l.: Springer Science & Business Media.

Hennart, J.F. & Reddy, S. 1997. The choice between mergers/acquisitions and joint ventures: The case of Japanese investors in the United States. *Strategic Management Journal*, (1997):1-12.

Hennart, J.F. 1988. A transaction costs theory of equity joint ventures. *Strategic Management Journal*, 9(4):361-374.

Henrekson, M. & Johansson, D. 2008. Competencies and institutions fostering high-growth firms. *Research Institute of Industrial Economics (IFN) Working Paper Number 757*.

Henrekson, M. & Johansson, D. 2010. Gazelles as job creators: A survey and interpretation of the evidence. *Small Business Economics*, 35(2):227-244.

Herrington, M., Kew, J. & Kew, P. 2015. *2014 GEM South Africa Report. South Africa: The crossroads – A goldmine or a time bomb?* Cape Town: Author.

Hess, E. & Liedtka, J. 2012. *The Physics of Business Growth: Mindsets, System, and Processes*. Stanford: Stanford University Press.

Hesselbein, F., Goldsmith, M. & Beckhard, R. 1997. *The Organization of the Future*. San Francisco: Jossey-Bass.

Heuer, M. 2011. Ecosystem cross-sector collaboration: Conceptualizing an adaptive approach to sustainability governance. *Business Strategy and the Environment*, 20(4):211-221.

Hill, R.C. & Hellriegel, D. 1994. Critical contingencies in joint venture management: Some lessons from managers. *Organization Science*, 5(4):594-607.

Hipp, M. 2009. Transsektorales Engagement als Chance gesellschaftlicher Entwicklung. *Zeitschrift für Politikberatung*, 2(2):269-274.

Hite, J.M. & Hesterly, W.S. 2001. The evolution of firm networks: From emergence to early growth of the firm. *Strategic Management Journal*, 22(3):275-286.

Hitt, M.A., Ireland, R.D. & Hoskisson, R.E. 2012. *Strategic management cases: Competitiveness and globalization*. s.l.: Cengage Learning.

Hofer, C.W. & Schendel, D. 1980. *Strategy formulation: Analytical concepts*. s.l.: West Publishing.

Hoffman, K., Parejo, M., Bessant, J. & Perren, L. 1998. Small firms, R&D, technology and innovation in the UK: A literature review. *Technovation*, 18(1):39-55.

Hoffmann, W.H. & Schlosser, R. 2001. Success factors of strategic alliances in small and medium-sized enterprises – An empirical survey. *Long Range Planning*, 34(3):357-381.

Hoffmann, W.H. 2007. Strategies for managing a portfolio of alliances. *Strategic Management Journal*, 28(8):827-856.

Hofstede, G. & G.J. Hofstede. 2005. *Cultures and Organizations: Software of the Mind*. Second edition. New York: McGraw-Hill.

Hofstede, G. 1980. *Culture's consequences: International differences in work-related values*. Volume 5. London: Sage Publications.

Hofstede, G. 1998. Attitudes, values and organizational culture: Disentangling the concepts. *Organization Studies*, 19(3):477-493.

Hofstede, G., Hofstede, G.J. & Minkov, M. 1997. *Cultures and Organizations*. New York: McGraw Hill.

Hofstede, G., Neuijen, B., Ohayv, D.D. & Sanders, G. 1990. Measuring organizational cultures: A qualitative and quantitative study across twenty cases. *Administrative Science Quarterly*, (1990):286-316.

Hofstede, G.H. & Hofstede, G. 2001. *Culture's consequences: Comparing values, behaviors, institutions and organizations across nations*. California: Sage Publications.

Hofstede, G.J. 2000. Organizational culture: Siren or sea cow? A reply to Dianne Lewis. *Strategic Change*, 9(2):135-137.

Hogue, T. 1993. *Community-based collaboration: Community wellness multiplied*. Oregon: Oregon Center for Community Leadership, Oregon State University.

Hollander, S. 1965. *The sources of increased efficiency: A study of DuPont rayon plants*. Massachusetts: MIT Press.

Holmstrom, B. 1982. Moral hazard in teams. *The Bell Journal of Economics*. s.l.: s.n.

Hölzl, W. 2009. Is the R&D Behaviour of Fast Growing SMEs Different? *Austrian Institute for Economic Research (WIFO) Working Paper Number 327*.

Hölzl, W. 2014. Persistence, survival, and growth: A closer look at 20 years of fast-growing firms in Austria. *Industrial and Corporate Change*, 23(1):199-231.

Homans, G. 1961. *Social Behavior*. New York: Harcourt Brace and World.

House, R.J. & Shamir, B. 1993. Toward the integration of transformational, charismatic, and visionary theories. *Leadership theory and research: Perspectives and directions*. San Diego: Academic Press.

Howells, J. 2006. Intermediation and the role of intermediaries in innovation. *Research Policy,* 35(5):715728.

Huber, G. & Daft, R. 1987. The information environment of organizations, in Jablin, F. (ed.). *Handbook of Organizational Communication.* Sage Publications: Newbury Park. 130-164.

Hughes, M., Keddie, V., Webb, P. & Corney, M. 2002. *Working towards Skills: Perspectives on Workforce Development in SMEs*. London: Learning and Skills Development Agency.

HUL. 2014. Hindustan Unilever Limited, Making Sustainable Living Commonplace: Annual Report 2013-2014. s.l.: s.n.

Hulland, J., Wade, M.R. & Antia, K.D. 2007. The impact of capabilities and prior investments on online channel commitment and performance. *Journal of Management Information Systems*, 23(4):109-142.

Hulme, D., Moore, K. & Shepherd, A. 2001. Chronic Poverty: Meanings and Analytical Frameworks. *Chronic Poverty Research Centre Working Paper 2*. UK: Institute of Development Policy and Management, University of Manchester.

Humphrey, J. 2003. *Opportunities for SMEs in developing countries to upgrade in a global economy*. s.l.: International Labour Office.

Hunt, S.D. & Morgan, R.M. 1994. Relationship marketing in the era of network competition. *Marketing Management*, 3(1):18.

IAMOT. 2017. IAMOT 2017 Conference. [Online]. Available: http://www.iamot2017.org/ [2017, July 28].

ILO. 2014. *Global Employment Trends 2014: Risk of a jobless recovery?* International Labour Organisation.

Ilott, I., Gerrish, K., Laker, S. & Bray, K. 2013. *Naming and framing the problem: Using theories, models and conceptual frameworks*. Yorkshire: National Institute for Health Research.

Im, K. & Cho, H. 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.

Imai, M. 1986. *Kaizen*. New York: Random House Business Division.

IMF. 2014. *World Economic and Financial Surveys: Regional Economic Outlook: Sub-Saharan Africa*. [Online]. Available: https://www.imf.org/external/pubs/ft/reo/2014/afr/eng/sreo0414.pdf [2015, August 5].

Immelt, J.R., Govindarajan, V. & Trimble, C. 2009. How GE is disrupting itself. *Harvard Business Review*, 87(10):56-65.

Ingram, P. & Roberts, P.W. 2000. Friendships among Competitors in the Sydney Hotel Industry. *American Journal of Sociology*, 106(2):387-423.

Inkpen, A.C. & Beamish, P.W. 1997. Knowledge, bargaining power, and the instability of international joint ventures. *Academy of Management Review*, 22:177-202.

Inkpen, A.C. & Crossan, M.M. 1995. Believing Is Seeing: Joint Ventures and Organization Learning. *Journal of Management Studies*, 32(5):595-618.

Inkpen, A.C. 1998. Learning and knowledge acquisition through international strategic alliances. *The Academy of Management Executive*, 12(4):69-80.

Inkpen, A.C. 2000. A note on the dynamics of learning alliances: Competition, cooperation, and relative scope. *Strategic Management Journal*, (2000):775-779.

Ireland, R.D. & Hitt, M.A. 1999. Achieving and maintaining strategic competitiveness in the 21st century: The role of strategic leadership. *The Academy of Management Executive*, 13(1):43-57.

Isaksen, S. & Tidd, J. 2006. *Meeting the Innovation Challenge*. Chichester: John Wiley & Sons.

Ite, U.E. 2004. Multinationals and corporate social responsibility in developing countries: A case study of Nigeria. *Corporate Social Responsibility and Environmental Management*, 11(1):1-11.

Iyer, E. 2003. Theory of alliances: Partnership and partner characteristics. *Journal of Nonprofit & Public Sector Marketing*, 11(1):41-57.

Jabareen, Y.R. 2009. Building a conceptual framework: Philosophy, definitions, and procedure. *International Journal of Qualitative Methods*, 8(4):49-62.

Jablin, F.M., Putnam, L.L., Roberts, K. & Porter, L. 1987. *Handbook of Organizational Communication.* Sage Publications: Newbury Park.

Jagtap, S., Larsson, A. & Kandachar, P. 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.

Jane, N. & Zadek, S. 2000. *Partnership alchemy: New social partnerships in Europe*. Copenhagen: Copenhagen Centre.

Jenkins, R. 2005. Globalization, corporate social responsibility and poverty. *International Affairs*, 81(3):525-540.

Jenkins, R. 2006. Globalization, Production and Poverty, in Nissanke, M. & Thorbecke, E. (eds.). *The Impact of Globalization on the World's Poor: Transmission Mechanisms*. Palgrave Macmillan: Basingstoke.

Jensen, L.A. & Allen, M.N. 1996. Meta-synthesis of qualitative findings. *Qualitative Health Research*, 6(4):553-560.

Jensen, M. & Meckling, W. 1992. Specific and general knowledge, and organizational structure, in Werin, L. & Wijkander, H. (eds.). *Contract economics*. Oxford: Blackwell. 251-274.

Jensen, M.C. & Meckling, W.H. 1976. Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics*, 3(4):305-360.

Jobs, S. 2005. *Commencement address delivered by Steve Jobs, CEO of Apple Computer and of Pixar Animation Studios, on June 12, 2005*. [Online]. Available: http://news.stanford.edu/news/2005/june15/jobs-061505.html [2015, September 14].

John, R. 2006. V*enture Philanthropy: The Evolution of High Engagement Philanthropy in Europe*. Oxford: Said Business School, University of Oxford.

Johne, A. & Snelson, P. 1988. Auditing product innovation activities in manufacturing firms. *R&D Management*, 18(3):227-233.

Johnson, A. 2005. United Kingdom Department of Trade and Industry Departmental Report 2005. [Online]. Available: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/272133/6536.pdf [2015, July 5].

Johnson, M.W., Christensen, C.M. & Kagermann, H. 2008. Reinventing your business model. *Harvard Business Review*, 86(12):57-68.

Johnson, S., Ostry, J. & Subramanian, A. 2007. The prospects for sustained growth in Africa: Benchmarking the constraints. *International Monetary Fund Working Paper Number 07*.

Johnson, S.C. 2007. SC Johnson builds business at the base of the pyramid. *Global Business and Organizational Excellence,* 26(6):6-17.

Jonkers, H., Quartel, D. & Blom, R. 2012. *Business Models Aligning Business Strategy and Enterprise Architecture*. United Kingdom: IRM UK Strategic IT Training.

Joskow, P.L. 1987. Contract duration and relationship-specific investments: Empirical evidence from coal markets. *The American Economic Review*, (1987):168-185.

Justesen, M.K. & Bjørnskov, C. 2014. Exploiting the poor: Bureaucratic corruption and poverty in Africa. *World Development*, 58(2014):106-115.

Kabananukye, K.I.B., Kabananukye, A.E.K. & Owomugasho, J.K.D. 2004. *Economic Growth, Employment, Poverty and Pro-Poor Policies in Uganda*. Geneva: ILO.

Kale, S. & Arditi, D. 1998. Business failures: Liabilities of newness, adolescence, and smallness. *Journal of Construction Engineering and Management*, 124(6):458-464.

Kale, P. & Singh, H. 2009. Managing strategic alliances: What do we know now, and where do we go from here. *Academy of Management Perspectives*, 23(3):45-62.

Kale, P., Singh, H. & Perlmutter, H. 2000. Learning and protection of proprietary assets in strategic alliances: Building relational capital. *Strategic Management Journal*, 21(3):217-237.

Kalinowski, M. & Vives, L. 2013. Multi-perspective View on Business Models: Review and Research Agenda. *Academy of Management Journal*, 2013(1):17403.

Kanter, R.M. 1994. Collaborative advantage. *Harvard Business Review*, 72(4):96-108.

Kanter, R.M. 1998. From spare change to real change. The social sector as beta site for business innovation. *Harvard Business Review*, 77(3):122-32.

Kanter, R.M., Kao, J.J. & Wiersema, F.D. (eds.). 1997. *Innovation: Breakthrough Thinking at 3M, DuPont, GE, Pfizer, and Rubbermaid*. New York: HarperCollins.

Kapferer, J.N. 2012. *The new strategic brand management: Advanced insights and strategic thinking*. Fourth edition. London: Kogan Page.

Kaplan, R.S. & Norton, D.P. 2007. Balanced Scorecard. *Harvard Business Review*, (1992):137-148.

Kaplinsky, R. & Morris, M. 2001. *A Handbook for Value Chain Research*. Ottawa: International Development Research Centre.

Kapp, J. & Barnett, G. 1983. Predicting organizational effectiveness from communication activities: A multiple indicator model. *Hutnan Communication Research*, 9:239-254.

Kappel, R., Lay, J. & Steiner, S. 2004. *The Missing Links: Uganda's Economic Reforms and Pro-Poor Growth*. Report Commissioned by Deutsche Gesellschaft Fur Technische Zusammenarbeit (GTZ).

Karamchandani, A., Kubzansky, M. & Lalwani, N. 2011. Is the bottom of the pyramid really for you? *Harvard Business Review*, 89(3):107-111.

Karnani, A.G. 2006. Mirage at the Bottom of the Pyramid: How the private sector can help alleviate poverty. *William Davidson Institute Working Paper Number 835*.

Kasekende, L.A. & Atingi-Ego, M. 1999. Uganda's experience with aid. *Journal of African Economies*, 8(4):617-649.

Katila, R. & Shane, S. 2005. When does lack of resources make new firms innovative? *Academy of Management Journal*, 48(5):814-829.

Katz, D. 1964. The motivational basis of organizational behavior. *Behavioral Science*, 9(2):131-146.

Katz, M.L. & Shapiro, C. 1994. Systems competition and network effects. *The Journal of Economic Perspectives*, 8(2):93-115.

Kauffman, D., Kraay, A. & Mastruzzi, M. 2007. Governance Matters VI: Governance indicators for 1996-2006. *World Bank Policy Research Working Paper Number 4280*.

Kauffman, D., Kraay, A. & Mastruzzi, M. 2008. Governance Matters VII: Aggregate and Individual Governance Indicators. *World Bank Policy Research Working Paper*.

Kazanjian, R.K. & Drazin, R. 1990. A stage-contingent model of design and growth for technology based new ventures. *Journal of Business Venturing*, 5(3):137-150.

Keefe, L. 2013. *Definition of Marketing*. [Online]. Available: www.marketingpower.com/AboutAMA/Pages/DefinitionofMarketing.aspx [2015, August 4].

Keith, R.J. 1960. The marketing revolution. *The Journal of Marketing*, 24(3):35-38.

Keller, K.L. 1993. Conceptualizing, measuring, and managing customer-based brand equity. *The Journal of Marketing*, 57(1):1-22.

Keller, K.L., Parameswaran, M.G. & Jacob, I. 2011. *Strategic brand management: Building, measuring, and managing brand equity*. India: Pearson Education.

Kelley, T., Littman, J. & Peters, T. 2001. *The Art of Innovation: Lessons in creativity from IDEO, America's leading design firm*. New York: Currency.

Kennon, D. 2010. Improbable circumstances strategic framework. Unpublished master's thesis. Stellenbosch: University of Stellenbosch.

Kent, T. & Berman Brown, R. 2006. Erotic retailing in the UK (1963-2003): The view from the marketing mix. *Journal of Management History*, 12(2):199-211.

Kern, T. & Willcocks, L.P. 2000. Cooperative relationship strategy in global information technology outsourcing: The case of Xerox Corporation, in Faulkner, D.O. & De Rord, M. (eds.). *Cooperative Strategy: Economics, Business, and Organizational Issues*. 211-242.

Kerry, C., Clie, C. & Dimitri, K. 2013. *Collectivism and Consumers at the 'Bottom of the Pyramid' in South Africa.* [Online]. Available: https://www.ideasforleaders.com/ideas/collectivism-and-consumers-at-the-%E2%80%98bottom-of-the-pyramid%E2%80%99-in-south-africa [2015, July 23].

Khanna, T. & Palepu, K. 1997. Why focused strategies may be wrong for emerging markets. *Harvard Business Review*, 75:41-51.

Khanna, T., Gulati, R. & Nohria, N. 1998. The dynamics of learning alliances: Competition, cooperation, and relative scope. *Strategic Management Journal*, 19:193-210.

Khor, M. 2002, April. A Perspective on Globalization and its Implications for Developing Countries. CODESRIA-TWNAFRICA Conference on Africa and the Development Challenges of the New Millennium, Ghana, April.

Kieser, A. 1994. Book Reviews: Geert Hofstede: Cultures and Organizations. Software of the Mind: 1991, Maidenhead, UK: McGraw-Hill. 279 pages. *Organization Studies*, 15(3):457-460.

Kim, L. 1997. The dynamics of Samsung's technological learning in semiconductors. *California Management Review*, 39(3):86-100.

Kim, L. 1998. Crisis construction and organizational learning: Capability building in catching-up at Hyundai Motor. *Organization Science*, 9(4):506-521.

Kim, L. 2001. The dynamics of technological learning in industrialization. *International Social Science Journal*, 53(168):297–308.

Kim, W.C. & Mauborgne, R. 1997a. *Value innovation: The strategic logic of high growth*. Massachusetts: Harvard Business School Press.

Kim, W.C. & Mauborgne, R. 1997b. Fair process. *Harvard Business Review*.

Kim, W.C. & Mauborgne, R. 1999. Strategy, value innovation, and the knowledge economy. *Sloan Management Review*, 40(3):41-54.

Kim, W.C. & Mauborgne, R. 2002. Charting your company's future. *Harvard Business Review*, 80(6):76-83.

Kim, W.C. & Mauborgne, R. 2005. *Blue ocean strategy: How to create uncontested market space and make competition irrelevant*. Massachusetts: Harvard Business Press.

Ki-moon, B. 2013. *Secretary-General's remarks at a G20 working dinner on "Sustainable Development for All."* [Online]. Available: http://www.un.org/sg/statements/index.asp?nid=7073 [2015, September 14].

Ki-moon, B. 2014. *UN Secretary-General: The Millennium Development Goals Report 2013*. s.l: United Nations Publications.

King, C.S., Feltey, K.M. & Susel, B.O. N. 1998. The question of participation: Toward authentic public participation in public administration. *Public Administration Review*, 58(4):317-326.

King, K. 1996. *Jua Kali Kenya: Change & Development in an Informal Economy, 197095*. Athens, OH: Ohio University Press.

Kingdon, G.G. & Knight, J. 2006. Subjective well-being poverty vs. income poverty and capabilities poverty? *The Journal of Development Studies*, 42(7):1199-1224.

Kingdon, G.G. & Knight, J. 2007. Community, comparisons and subjective well-being in a divided society. *Journal of Economic Behavior & Organization*, 64(1):69-90.

Kirchgeorg, M. & Winn, M.I. 2006. Sustainability marketing for the poorest of the poor. *Business Strategy and the Environment*, 15(3):171-184.

Kjosavik, D.J. & Shanmugaratnam, N. 2007. Property Rights Dynamics and Indigenous Communities in Highland Kerala, South India: An Institutional-Historical Perspective. *Modern Asian Studies*, 41(6):1183.

Klein, M.W. 2005. *Capital account liberalization, institutional quality and economic growth: Theory and evidence Working Paper Number w11112*. National Bureau of Economic Research.

Knight, D., Durham, C.C. & Locke, E.A. 2001. The relationship of team goals, incentives, and efficacy to strategic risk, tactical implementation, and performance. *Academy of Management Journal*, 44(2):326-338.

Kobro, M. & Hattrem, K. 2014. Business model innovation: The South African BoP canvas. Unpublished master's thesis. Norway: BI Norwegian Business School.

Kogut, B. & Kulatilaka, N. 2001. Capabilities as real options. *Organization Science*, 12(6):744-758.

Kogut, B. 1988a. Joint ventures: Theoretical and empirical perspectives. *Strategic Management Journal*, 9(4):319-332.

Kogut, B. 1988b. A study of the life cycle of joint ventures. *Management International Review*, 28(4):39-52.

Kogut, B. 1989. The stability of joint ventures: Reciprocity and competitive rivalry. *Journal of Industrial Economics*, 38:183-198.

Kogut, B. 1991. Joint ventures and the option to acquire and expand. *Management Science*, 37:19-33.

Kogut, B. 2000. The network as knowledge: Generative rules and the emergence of structure. *Strategic Management Journal*, 21, March: 405-425.

Kolb, D.A. 2014. *Experiential learning: Experience as the source of learning and development*. New Jersey: FT Press.

Kolk, A. & Lenfant, F. 2013. Multinationals, CSR and partnerships in Central African conflict countries. *Corporate Social Responsibility and Environmental Management*, 20(1):43-54.

Kolk, A. 2013. Partnerships as a panacea for addressing global problems? On rationale, context, actors, impact and limitations. s.l: s.n.

Kolk, A., Rivera-Santos, M. & Rufín, C. 2013. Reviewing a decade of research on the "base/bottom of the pyramid" (BOP) concept. *Business & Society*, 53(3):338-377.

Kolman, L., Noorderhaven, N.G., Hofstede, G. & Dienes, E. 2003. Cross-cultural differences in Central Europe. *Journal of Managerial Psychology*, 18(1):76-88.

Komorita, S.S. & Parks, C.D. 1994. *Social Dilemmas*. Brown & Benhmark: Dubuque.

Kongolo, M. 2010. Job creation versus job shedding and the role of SMEs in economic development. *African Journal of Business Management*, 4(11):2288-2295.

Kostova, T. & Zaheer, S. 1999. Organizational legitimacy under conditions of complexity: The case of the multinational enterprise. *Academy of Management Review*, 24:64-81.

Kothandaraman, P. & Wilson, D.T. 2001. The future of competition: Value-creating networks. *Industrial marketing management*, 30(4):379-389.

Kothari, U. 2002. Migration and Chronic Poverty. Chronic Poverty Research Center, Institute for Development Policy and Management. *Working Paper Number 16*. UK: University of Manchester.

Kotler, P. 1984. *Marketing Management: Analysis, Planning and Control*. Fifth edition. New Jersey: Prentice Hall.

Kotler, P. 2011. Reinventing marketing to manage the environmental imperative. *Journal of Marketing*, 75(4):132-135.

Kotler, P., Keller, K.L., Ancarani, F. & Costabile, M. 2014. *Marketing management*. Fourteenth edition. Massachusetts: Prentic Hall.

Koza, M. & Lewin, A. 2000. Managing partnerships and strategic alliances: Raising the odds of success. *European Management Journal*, 18(2):146-151.

Koza, M.P. & Lewin, A.Y. 1998. The co-evolution of strategic alliances. *Organization Science*, 9(3):255-264.

Laerd. 2013. Laerd Statistics: Spearman's Rank-Order Correlation. [Online]. Available: https://statistics.laerd.com/statistical-guides/spearmans-rank-order-correlation-statistical-guide.php [2017, March 7].

Lamming, R. 1993. *Beyond partnership: Strategies for innovation and lean supply*. London: Prentice Hall.

Landy, F.J. & Becker, W.S. 1987. Motivation theory reconsidered. *Research in Organizational Behaviour*, (1987):1-38.

Lane, P.J. & Lubatkin, M.L. 1998. Relative absorptive capacity and interorganizational learning. *Strategic Management Journal*, 19(5):461-477.

Lane, P.J., Slak, J.E. & Lyles, M.A. 2001. Absorptive capacity, learning, and performance in international joint ventures. *Strategic Management Journal*, 22(10):1139-1161.

Larsen, H.H. & Mayrhofer, W. (eds.). 2006. *Managing human resources in Europe: A thematic approach*. London: Routledge.

Larson, D. & Deininger, K. 2001. Crop markets and household participation. *Uganda's Recovery*. s.l: s.n.

Larsson, R., Bengtsson, L., Henriksson, K. & Sparks, J. 1998. The interorganizational learning dilemma: Collective knowledge development in strategic alliances. *Organization Science*, 9(3):285-305.

Larwood, L., Falbe, C.M., Kriger, M.P. & Miesing, P. 1995. Structure and meaning of organizational vision. *Academy of Management Journal*, 38(3):740-769.

Laszlo, C. 2003. *The sustainable company: How to create lasting value through social and environmental performance*. Washington, D.C.: Island Press.

Lavie, D. & Rosenkopf, L. 2006. Balancing exploration and exploitation in alliance formation. *Academy of Management Journal*, 49(4):797-818.

Layton, R.A. 2007. Marketing systems – A core macromarketing concept. *Journal of Macromarketing*, 27(3):227-242.

Leadbeater, C. 1997. *The rise of the social entrepreneur*. Volume 25. New York: Demos.

Lechner, C. & Dowling, M. 2003. Firm networks: External relationships as sources for the growth and competitiveness of entrepreneurial firms. *Entrepreneurship & Regional Development*, 15(1):1-26.

Ledoux, J. 1998. *The emotional brain: The mysterious underpinnings of emotional life*. New York: Simon and Schuster.

Ledyard, J. 1995. Public goods: A survey of experimental research, in Kagel, J.H. & Roth, A.E. (eds.). *The Handbook of Experimental Economics*. Princeton University Press: Princeton. 111–181.

Lee, C., Lee, K. & Pennings, J.M. 2001. Internal capabilities, external networks, and performance: A study on technology-based ventures. *Strategic Management Journal*, 22(6-7):615-640.

Lee, D.Y. & Tsang, E.W. 2001. The effects of entrepreneurial personality, background and network activities on venture growth. *Journal of Management Studies*, 38(4):583-602.

Lee, S., Park, G., Yoon, B. & Park, J. 2010. Open innovation in SMEs: An intermediated network model. *Research Policy*, 39(2):290-300.

Leedy, P.D. & Ormrod, J.E. 2005. Practical research. *Planning and design*. Ninth edition. Massachusetts: Pearson

Leeuwis, C. & van den Ban, A. 2004. *Communication for Rural Innovation: Rethinking Agricultural Extension.* Oxford: Blackwell Science.

Lei, D., Slocum, J.W. & Pitts, R.A. 1997. Building cooperative advantage: Managing strategic alliances to promote organizational learning. *Journal of World Business*, 32(3):203-223.

Leifer, R. & Mills, P.K. 1996. An information processing approach for deciding upon control strategies and reducing control loss in emerging organizations. *Journal of Management*, 22:113-137.

Leifer, R., McDermott, C.M., O'Conner, G.C., Peters, L.S., Rice, M. & Veryzer, R.W. 2000. *Radical innovation: How mature companies can outsmart upstarts*. Massachusetts: Harvard Business Press.

Leonard-Barton, D. & Doyle, J.L. 1996. *Commercializing technology: Imaginative understanding of user needs*. Massachusetts: Harvard Business School Press

Leonard-Barton, D. & Sinha, D.K. 1993. Developer-user interaction and user satisfaction in internal technology transfer. *Academy of Management Journal*, 36(5):1125-1139.

Leonard-Barton, D. & Swap, W.C. 1999. *When sparks fly: Igniting creativity in groups*. Massachusetts: Harvard Business Press.

Leonard-Barton, D. 1992. Core capabilities and core rigidities: A paradox in managing new product development. *Strategic Management Journal*, 13(1): 111-125.

Leonard-Barton, D. 1998. *Wellsprings of knowledge: Building and sustaining the sources of innovation*. Massachusetts: Harvard Business Press.

Leone, F. & Hemmelskamp, J. 1998. The Impact of EU-Regulation on Innovation of European Industry. Unpublished paper delivered at the Institute for Prospective Technological Studies Expert Meeting on Regulation and Innovation, Sevilla, 18 January.

Leung, K. & White, S. 2006. Exploring dark corners: An agenda for organizational behavior research in alliance contexts. *Handbook of Strategic Alliances Working Paper 199218*.

Levering, B. 2008. Concept analysis as empirical method. *International Journal of Qualitative Methods*, 1(1):35-48.

Levinthal, D.A. & March, J.G. 1993. The myopia of learning. *Strategic Management Journal*, 14(S2):95-112.

Levinthal, D.A. 1997. Adaptation on rugged landscapes. *Management Science*, 43(7):934-950.

Levitt, T. & Levitt, T. 1974. *Marketing for business growth*. s.l.: McGraw-Hill.

Levitt, T. 1960. Marketing myopia. *Harvard Business Review*, 38(4):24-47.

Levitt, T. 1980. *Marketing success through differentiation of anything*. Harvard: Graduate School of Business Administration, Harvard University.

Lewin, A.Y., Long, C.P. & Carroll, T.N. 1999. The coevolution of new organizational forms. *Organization Science*, 10(5):535-550.

Lewis, P. & Thornhill, A. 1994. The evaluation of training: An organizational culture approach. *Journal of European Industrial Training*, 18(8):25-32.

Li, J. & Hambrick, D.C. 2005. Factional groups: A new vantage on demographic faultlines, conflict, and disintegration in work teams. *Academy of Management Journal*, 48(5):794-813.

Li, J. 1995. Foreign entry and survival: Effects of strategic choices on performance in international markets. *Strategic Management Journal*, 16:333-351.

Lillrank, P.M. & Kanō, N. 1989. *Continuous improvement: Quality control circles in Japanese industry*. Michigan: Center for Japanese Studies, University of Michigan.

Lind, E.A. & Tyler, T.R. 1988. *The social psychology of procedural justice*. New York: Springer Science+Business Media.

Lingelbach, D.C., De La Vina, L. & Asel, P. 2005. *What's distinctive about growth-oriented entrepreneurship in developing countries?* [Online]. Available: https://youtheconomicopportunities.org/sites/default/files/uploads/resource/The_Distinctiveness_of_Entrepreneurship_in_Developing_Countries.pdf [2016, August 12].

Linna, P. & Richter, U. 2011. Technology entrepreneurship-potential for social innovation? The case of Kenyan mobile industry companies. *International Journal of Business and Public Management*, 1(1):102-122.

Linton, J.D., Klassen, R. & Jayaraman, V. 2007. Sustainable supply chains: An introduction. *Journal of Operations Management*, 25(6):1075-1082.

Lippman, S.A. & Rumelt, R.P. 1982. Uncertain imitability: An analysis of interfirm differences in efficiency under competition. *The Bell Journal of Economics*, (1982):418-438.

Lipton, M. & Ravallion, M. 1993. *Poverty and policy*. Volume 1130. World Bank Publications.

Lister, S. 2000. Power in partnership? An analysis of an NGO's relationships with its partners. *Journal of International Development*, 12(2):227.

Little, S.S. 2005. *The 7 irrefutable rules of small business growth*. s.l.: John Wiley & Sons.

Loazya, N.V., Ranciere, R., Servén, L. & Ventura, J. 2007. Macroeconomic volatility and welfare in developing countries: An introduction. *The World Bank Economic Review*, 21(3):343-357.

Locke, E.A. & Latham, G.P. 1990. *A theory of goal setting & task performance*. London: Prentice Hall.

Locke, E.A. & Latham, G.P. 2002. Building a practically useful theory of goal setting and task motivation: A 35-year odyssey. *American Psychologist*, 57(9):705.

Locke, E.A. 2000. *The prime movers: Traits of the great wealth creators*. New York: Amacom.

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

London, T. & Hart, S.L. 2010. *Next generation business strategies for the base of the pyramid: New approaches for building mutual value*. India: Pearson Education.

London, T., Anupindi, R. & Sheth, S. 2010. Creating mutual value: Lessons learned from ventures serving base of the pyramid producers. *Journal of Business Research*, 63(6):582-594.

London, T., Rondinelli, D.A. & O'Neill, H. 2005. Strange bedfellows: Alliances between corporations and nonprofits, in Shenkar, O. & Reuer, J.J. (eds.). *Handbook of Strategic Alliances*. California: Sage Publications. 353-366.

Loots, E. & Schutte, C.S. 2016. Primary Incentive Plan Design Considerations According to a Review of Key Influential Works. *Engineering Management Journal*, 28(4):224-237.

Lorenzoni, G. & Ornati, O.A. 1989. Constellations of firms and new ventures. *Journal of Business Venturing*, 3(1):41-57.

Low, M.B. & MacMillan, I.C. 1988. Entrepreneurship: Past research and future challenges. *Journal of Management*, 14(2):139-161.

Lowrey, T.M. & Shrum, L.J. 2007. Phonetic symbolism and brand name preference. *Journal of Consumer Research*, 34(3):406-414.

Lucas, R.E. 2009. Ideas and growth. *Economica*, 76(301):1-19.

Lucas, S. & Timmer, P. 2005. Connecting the poor to economic growth: Eight key questions. *Center for Global Development Brief, Washington, DC*.

Lumpkin, G.T. & Dess, G.G. 1996. Clarifying the entrepreneurial orientation construct and linking it to performance. *Academy of Management Review*, 21(1):135-172.

Lumpkin, G.T. & Dess, G.G. 2001. Linking two dimensions of entrepreneurial orientation to firm performance: The moderating role of environment and industry life cycle. *Journal of Business Venturing*, 16(5):429-451.

Lundvall, B.Å. 2010. *National systems of innovation: Toward a theory of innovation and interactive learning*. London: Anthem Press.

Lussier, R.N. & Pfeifer, S. 2001. A crossnational prediction model for business success. *Journal of Small Business Management*, 39(3):228-239.

Lutege, H. 2009. Communication with Helen Lutege, founder of the micro-finance institution BELITA (Better Life for Tanzania), on Jan 12, 2009. Dar-es-Salaam, Tanzania.

Macaulay, S. 1963. Non-contractual relations in business: A preliminary study. *American Sociological Review*, (1963):55-67.

Machiavelli, N. and Viroli, M., 2008. *The prince*. Volume 43. Oxford University Press.

MacMillan, I.C. & Day, D.L. 1988. Corporate ventures into industrial markets: Dynamics of aggressive entry. *Journal of Business Venturing*, 2(1):29-39.

MacNeil, I. 1981. Economic analysis of contractual relations: Its shortfalls and the need for a rich classificatory apparatus. *Northwestern University Law Review*, 75:1018-1063.

Macneil, I.R. 1973. The many futures of contracts. *Southern California Law Review*, 47:691.

Macneil, I.R. 1980. *The new social contract: An inquiry into modern contractual relations*. Yale University Press.

Madhok, A. 1997. Cost, value and foreign market entry mode: The transaction and the firm. *Strategic Management Journal*, (1997):39-61.

Magretta, J. 2002. Why business models matter. *Harvard Business Review*, (2002):3-8.

Mahadea, D. 2012. Prospects of entrepreneurship to the challenge of job creation in South Africa. *Journal of Developmental Entrepreneurship*, 17(4):1250020.

Mahajan, V. & Banga, K. 2007. *The 86% Solution. How to Succeed in the Biggest Market Opportunity of the 21st Century*. New Jersey: Pearson Education.

Mahembe, E. 2011. *Literature review on small and medium enterprises' access to credit and support in South Africa, Underhill Corporate Solutions.* Pretoria: National Credit Regulator.

Mahoney, J.T. & Pandian, J.R. 1992. The resource-based view within the conversation of strategic management. *Strategic Management Journal*, 13(5):363-380.

Mair, L. 1962. *Primitive Government*. Hammondsworth: Penguin.

Make Poverty History. 2005. Mandela's Speech Make Poverty History. [Online]. Available: http://www.makepovertyhistory.org/extras/mandela.shtml [2016, March 1].

Malmgren, H.R. 1961. Information, expectations and the theory of the firm. *Quarterly Journal of Economics*, 75(3):399-421.

Malterud, K. 2001. Qualitative research: Standards, challenges, and guidelines. *The Lancet*, 358(9280):483-488.

Mann, R.D. 1959. A review of the relationships between personality and performance in small groups. *Psychological Bulletin*, 56(4):241.

March, J.G. 1991. Exploration and exploitation in organizational learning. *Organization Science*, 2(1):71-87.

Markides, C. 1997. Strategic Innovation. *Sloan Management Review*, 38(1997):9-23.

Markman, G.D. & Gartner, W.B. 2002. Is Extraordinary Growth Profitable? A Study of Inc. 500 High-Growth Companies. *Entrepreneurship Theory and Practice*, 27(1):65-75.

Martin, R.L. & Osberg, S. 2007. Social entrepreneurship: The case for definition. *Stanford Social Innovation Review*, 5(2):28-39.

Martins, E.C. & Terblanche, F. 2003. Building organisational culture that stimulates creativity and innovation. *European Journal of Innovation Management*, 6(1):64-74.

Marx, K. 1976. *Capital*. Volume 1. Harmondsworth: Penguin.

Mashelkar, R.A. 2014. *The Global Research Alliance: Inclusive Innovation.* [Online]. Available: http://www.theglobalresearchalliance.org/index.php/inclusive-innovation [2017, July 3].

Maslow, A.H., Frager, R. & Cox, R. 1970. *Motivation and personality*, in Fadiman, J. & McReynolds, C. (eds.). New York: Harper & Row.

Mason, C. & Brown, R. 2014. Entrepreneurial ecosystems and growth oriented entrepreneurship. *Final Report to OECD.* [Online]. Available: http://lib.davender.com/wp-content/uploads/2015/03/Entrepreneurial-ecosystems-OECD.pdf [2016, July 12].

Mason, E.S. 1939. Price and production policies of large-scale enterprise. *The American Economic Review*, 29(1):61-74.

Mathers, N., Fox, N. & Hunn, A. 2009. *The NIHR Research Design Service for Yorkshire & the Humber: Surveys and Questionnaires.* [Online]. Available: https://www.rds-yh.nihr.ac.uk/wp-content/uploads/2013/05/12_Surveys_and_Questionnaires_Revision_2009.pdf [2017, May 21].

Mathews, K.M., White, M.C. & Long, R.G. 1999. Why study the complexity sciences in the social sciences? *Human Relations*, 52(4):439-462.

Mauro, L. & Carmeci, G. 2007. A poverty trap of crime and unemployment. *Review of Development Economics*, 11(3):450-462.

Mauss, M. 1990. *The Gift: Forms and functions of exchange in archaic societies*. London: Routledge.

Mavondo, F.T. & Rodrigo, E.M. 2001. The effect of relationship dimensions on interpersonal and interorganizational commitment in organizations conducting business between Australia and China. *Journal of Business Research*, 52(2):111-121.

Mayer, R.C., Davis, J.H. & Schoorman, F.D. 1995. An integrative model of organizational trust. *Academy of Management Review*, 20(3):709-734.

Mbuli, B.N. 2009. Poverty reduction strategies in South Africa. Unpublished master's thesis. Johannesburg: University of South Africa.

McCarthy, E.J. 1964. *Basic Marketing, a Managerial Approach*. Homewood: Richard D. Irwin.

McEvily, B. & Marcus, A. 2005. Embedded ties and the acquisition of competitive capabilities. *Strategic Management Journal*, 26(11):1033-1055.

McGrath, R.G. 2001. Exploratory learning, innovative capacity, and managerial oversight. *Academy of Management Journal*, 44(1):118-131.

McGrath, R.G. 2010. Business models: A discovery driven approach. *Long Range Planning*, 43(2):247-261.

McIntyre, R. 2001. *The Role of Small and Medium Enterprises in Transition: Growth and Entrepreneurship*. s.l.: World Institute for Development Economics Research, United Nations University.

McKelvie, A. & Wiklund, J. 2010. Advancing firm growth research: A focus on growth mode instead of growth rate. *Entrepreneurship Theory and Practice*, 34(2):261-288.

McLennan, J.F. 2004. *The philosophy of sustainable design: The future of architecture*. Cascadia: Ecotone.

McMillan, J. & Woodruff, C. 2003. The central role of entrepreneurs in transition economies. *Pathways Out of Poverty*. Netherlands: Springer. 105-121.

McPherson, M.A. 1996. Growth of micro and small enterprises in southern Africa. *Journal of Development Economics*, 48(2):253-277.

Menzel, H.C. 2008. Intrapreneurship-conductive Culture in Industrial R&D. *The design of a simulation game to create awareness and provide insight*.

Merchant, K.A. & Van der Stede, W.A. 2007. *Management control systems: Performance measurement, evaluation and incentives*. Upper Saddle River: Prentice Hall.

Merriam, S.B. 1985. The case study in educational research: A review of selected literature. *The Journal of Educational Thought*, 19(3):204-217.

Merriam-Webster. 2015. *Merriam-Webster Dictionary: Poverty definition.* [Online]. Available: http://www.merriam-webster.com/dictionary/poverty [2015, September 15].

Merriam-Webster. 2017. *Merriam-Webster Dictionary: Collaborate definition.* [Online]. Available: https://www.merriam-webster.com/dictionary/collaborate [2017, Februrary 15].

Merton, R.K. 1968. The Matthew effect in science. *Science*, 159(3810):56-63.

Miles, M.B. & Huberman, A.M. 1994. *Qualitative data analysis: An expanded sourcebook*. California: Sage Publications.

Millar, C.C., Choi, C.J. & Chen, S. 2004. Global strategic partnerships between MNEs and NGOs: Drivers of change and ethical issues. *Business and Society Review*, 109(4):395-414.

Miller, M. 1995. Coefficient alpha: A basic introduction from the perspectives of classical test theory and structural equation modeling. *Structural Equation Modeling*, 1995(2):255-73.

Miller, R.G. 1997. *Beyond ANOVA: Basics of applied statistics*. s.l.: CRC press.

Miller, D. & Shamsie, J. 1996. The resource-based view of the firm in two environments: The Hollywood film studios from 1936 to 1965. *Academy of Management Journal*, 39(3):519-543.

Miller, J. & Muir, D. 2005. *The business of brands*. Chichester: John Wiley & Sons.

Milne, G.R., Iyer, E.S. & Gooding-Williams, S. 1996. Environmental organization alliance relationships within and across nonprofit, business, and government sectors. *Journal of Public Policy & Marketing*, (1996):203-215.

Mintzberg, H. 1979. *The structuring of organizations: A synthesis of the research*. London: Prentice Hall.

Mishina, Y., Pollock, T. & Porac, J.F. 2002. Entrepreneurial narratives and the dominant logics of high-growth firms. *Mapping Strategic Knowledge*. 112-136.

Mishkin, F.S. 2007. Is financial globalization beneficial? *Journal of Money, Credit and Banking*, 39(2-3):259-294.

Mishler, E. 1990. Validation in inquiry-guided research: The role of exemplars in narrative studies. *Harvard Educational Review*, 60(4):415-443.

Misra, H. & Chaudhary, K. 2010. Opportunities and Challenges for ICT Mediated Innovations in Development Oriented Value Chain: The Case of Jaipur Rugs Company. *Vilakshan: The XIMB Journal of Management*, 7(2):21-47.

Mohr, J. & Nevin, J.R. 1990. Communication strategies in marketing channels: A theoretical perspective. *Journal of Marketing*, 54:36-51.

Mohr, J. & Spekman, R. 1994. Characteristics of partnership success: Partnership attributes, communication behavior, and conflict resolution techniques. *Strategic Management Journal*, 15(2):135-152.

Mohr, J.J., Sengupta, S. & Slater, S.F. 2009. *Marketing of high-technology products and innovations*. s.l.: Pearson Prentice Hall.

Mohr, V., Garnsey, E. & Theyel, G. 2013. The role of alliances in the early development of high-growth firms. *Industrial and Corporate Change*. Oxford: Oxford University Press.

Monge, P., Fulk, J., Kalman, M.E., Flanagin, A., Parnassa, C. & Rumsey, S. 1998. Production of collective action in alliance-based interorganizational communication and information systems. *Organization Science*, 9:411-433.

Moody, F. 1995. *I Sing the Body Electronic*. London: Hodder & Stoughton.

Moreno, A.M. & Casillas, J.C. 2007. High-growth SMEs versus non-high-growth SMEs: A discriminant analysis. *Entrepreneurship and Regional Development*, 19(1):69-88.

Morgan, N.A., Anderson, E.W. & Mittal, V. 2005. Understanding firms' customer satisfaction information usage. *Journal of Marketing*, 69(3):131-151.

Morgan, N.A., Slotegraaf, R.J. & Vorhies, D.W. 2009. Linking marketing capabilities with profit growth. *International Journal of Research in Marketing*, 26(4):284-293.

Morgan, N.A., Vorhies, D.W. & Mason, C.H. 2009. Market orientation, marketing capabilities, and firm performance. *Strategic Management Journal*, 30(8):909-920.

Morgan, R.M. & Hunt, S.D. 1994. The commitment-trust theory of relationship marketing. *The Journal of Marketing*, (1994):20-38.

Morris, J.S., Öhman, A. & Dolan, R.J. 1998. Conscious and unconscious emotional learning in the human amygdala. *Nature*, 393(6684):467-470.

Morris, M., Schindehutte, M. & Allen, J. 2005. The entrepreneur's business model: Toward a unified perspective. *Journal of Business Research*, 58(6):726-735.

Morse, J.M., Hupcey, J.E., Penrod, J., Spiers, J.A., Pooler, C. & Mitcham, C. 2008. Symposium Conclusion-Issues of Validity: Behavioral Concepts, Their Derivation and Interpretation. *International Journal of Qualitative Methods*, 1(4):68-73.

Mouan, L.C. 2010. Exploring the potential benefits of asian participation in the extractive industries transparency initiative: The case of china. *Business Strategy and the Environment*, 19(6):367-376.

Mouton, J. 2011. *How to succeed in your Master's and Doctoral Studies*. Pretoria: Van Schaik Publishers.

Mowery, D.C., Oxley, J.E. & Silverman, B.S. 1996. Strategic alliances and interfirm knowledge transfer. *Strategic Management Journal*, 17(S2):77-91.

Mthombeni, M.S. 2006. The role of multinational corporations in South Africa: A political-economic perspective. Unpublished doctoral dissertation. Bloemfontein: University of the Free State.

Mulhern, F.J. 1999. Customer profitability analysis: Measurement, concentration, and research directions. *Journal of Interactive Marketing*, 13(1):25-40.

Mullins, J.W. 1996. Early growth decisions of entrepreneurs: The influence of competency and prior performance under changing market conditions. *Journal of Business Venturing*, 11(2):89-105.

Murray, E.A. & Mahon, J.F. 1993. Strategic alliances: Gateway to the new Europe? *Long Range Planning*, 26(4):102-111.

Muthusamy, S.K. & White, M.A. 2005. Learning and knowledge transfer in strategic alliances: A social exchange view. *Organization Studies*, 26(3):415-441.

Myers, M.D. 2013. *Qualitative research in business and management*. California: Sage Publications.

Nakamura, M., Shaver, M. & Yeung, B. 1996. An empirical investigation of joint venture dynamics: Evidence from US–Japan joint ventures. *International Journal of Industrial Organization*, 14:521-541.

Nakata, C. & Weidner, K. 2012. Enhancing new product adoption at the base of the pyramid: A contextualized model. *Journal of Product Innovation Management*, 29(1):21-32.

Narayan, D., Chambers, R., Shah, M.K. & Petesch, P. 2000. *Voices of the Poor: Crying out for Change*. New York: Oxford University Press.

National Gazelles. 2015a. Everything you need to know about National Gazelles: A question and answer guide. [Online]. Available: https://www.nationalgazelles.org.za/pdf/National%20Gazelles%20Q&A.PDF [2016, May 27].

National Gazelles. 2015b. Welcome to the National Gazelles. [Online]. Available: https://www.nationalgazelles.org.za/ [2016, May 16].

NationMaster. 2015. *Country vs country: India and South Africa compared, Economy stats.* [Online]. Available: http://www.nationmaster.com/country-info/compare/India/South-Africa/Economy [2015, November 3].

Ndulu, L., Chakraborti, L.L., Ramachandran, V. & Wolgin, J. 2007. *Challenges of African Growth, Opportunities, Constraints and Strategic Directions*. Washington, DC: World Bank.

Neck, H., Brush, C. & Allen, E. 2009. The landscape of social entrepreneurship. *Business Horizons*, 52(1):13-19.

Nedbank Group. 2011. *JP Morgan Banking Seminar: Contextualising the Mass Market Banking Opportunity.* [Online]. Available: http://www.nedbankgroup.co.za/pdfs/corporatePresentations/2011_11_25-JPMorganBankingSeminar.pdf [2015, August 13].

NEF. 2015. *National Empowerment Fund Home Page.* [Online]. Available: http://www.nefcorp.co.za/HomebrPage.aspx [2015, June 3].

Nel, E., Hill, T. & Binns, T. 1997. Development from below in the 'New' South Africa: The case of Hertzog, Eastern Cape. *Geographical Journal*, 163(1):57-64.

Nelson, A.M. 2006. A metasynthesis of qualitative breastfeeding studies. *Journal of Midwifery & Women's Health*, 51(2):e13-e20.

Nelson, R.R. (ed.). 1993. *National innovation systems: A comparative analysis*. Oxford: Oxford University Press.

Neneh, B.N. & Smit, A.A. 2013. Will promoting more typical SME start-ups increase job creation in South Africa? *African Journal of Business Management*, 7(31):3043-3051.

Neneh, B.N. & Vanzyl, J. 2014. Growth Intention and Its Impact on Business Growth amongst SMEs in South Africa. *Mediterranean Journal of Social Sciences*, 5(20):172.

Netemeyer, R.G., Krishnan, B., Pullig, C., Wang, G., Yagci, M., Dean, D., Ricks, J. & Wirth, F. 2004. Developing and validating measures of facets of customer-based brand equity. *Journal of Business Research*, 57(2):209-224.

Neumark, D., Wall, B. & Zhang, J. 2011. Do small businesses create more jobs? New evidence for the United States from the National Establishment Time Series. *The Review of Economics and Statistics*, 93(1):16-29.

Neumark, D., Zhang, J. & Wall, B. 2006. Where the jobs are: Business dynamics and employment growth. *The Academy of Management Perspectives*, 20(4):79-94.

Nguyen, V.B. & Chu, Q.T. 1996. *Economic Policy and its Role in the Development of Agriculture and Rural Economy*. Hanoi: National Political Publishing House.

Nicholls, A. ed. 2008. *Social entrepreneurship: New models of sustainable social change*. Oxford: OUP Oxford.

Nichter, S. & Goldmark, L. 2009. Small firm growth in developing countries. *World Development*, 37(9):1453-1464.

Nidumolu, R., Prahalad, C.K. & Rangaswami, M.R. 2009. Why sustainability is now the key driver of innovation. *Harvard Business Review*, 87(9):56-64.

Niederkofler, M. 1991. The evolution of strategic alliances: Opportunities for managerial influence. *Journal of Business Venturing*, 6(4):237-257.

Nienhüser, W. 2008. Resource dependence theory – How well does it explain behavior of organizations? *Management Revue*, (2008):9-32.

Nilsen, P. 2015. Making sense of implementation theories, models and frameworks. *Implementation Science*, 10(1):53.

Niraj, R., Gupta, M. & Narasimhan, C. 2001. Customer profitability in a supply chain. *Journal of Marketing*, 65(3):1-16.

Nkamnebe, D.A. 2006. Globalised marketing and the question of development in the Sub-Saharan Africa (SSA). *Critical Perspectives on International Business*, 2(4):321-338.

Nohria, N. & Gulati, R. 1996. Is slack good or bad for innovation? *Academy of Management Journal*, 39(5):1245-1264.

Nohria, N. 1998. Is a network perspective a useful way of studying organizations. *Hickman, Gill Robinson. Leading organizations: Perspectives for a new era.* California: Sage Publications.

Nohria, N., Gulati, R., Smelser, N.J. & Swedberg, R. 1994. Handbook of economic sociology. *The Handbook of Economic Sociology*.

Nooteboom, B. 1994. Innovation and diffusion in small firms: Theory and evidence. *Small Business Economics*, 6(5):327-347.

Nooteboom, B. 1996. Trust, opportunism and governance: A process and control model. *Organization Studies*, 17(6):9985-1010.

North, D. 1990. *Institutions, Institutional Change, and Economic Performance*. Cambride: Cambridge University Press.

NRF. 2014. *National Research Foundation Home Page.* [Online]. Available: http://nrfinterim.nrf.ac.za/nrfApp/Default.aspx [2014, January 1].

Nunnally, J. & Bernstein, L. 1994. *Psychometric theory*. New York: McGraw-Hill.

Nwanko, S. 2000. Assessing the marketing environment in sub-Saharan Africa: Opportunities and threats analysis. *Marketing Intelligence & Planning*, 18(3):144-153.

NYDA. 2014. *National Youth Development Agency Home Page.* [Online]. Available: http://www.nyda.gov.za/About-Us/nyda/Pages/default.aspx [2015, June 3].

O'Farrell, C. (ed.). 2003. *Revisiting the Magic Box: Case Studies in Local Appropriation of Information and Communication Technologies (ICTs).* Rome: Food and Agricultural Organisation (FAO).

O'Regan, K.M. & Oster, S.M. 2000. Nonprofit and for-profit partnerships: Rationale and challenges of cross-sector contracting. *Nonprofit and Voluntary Sector Quarterly*, 29:120-140.

O'Reilly, C.A. & Chatman, J. 1986. Organizational commitment and psychological attachment: The effects of compliance, identification, and internalization on prosocial behavior. *Journal of Applied Psychology*, 71(3):492.

Oakey, R. 1991. High technology small firms: Their potential for rapid industrial growth. *International Small Business Journal*, 9(4):30-42.

O'Connor, G.C., Leifer, R., Paulson, A.S. & Peters, L.S. 2008. *Grabbing lightning: Building a capability for breakthrough innovation*. Chichester: John Wiley & Sons.

Oetzel, J. & Doh, J.P. 2009. MNEs and development: A review and reconceptualization. *Journal of World Business*, 44(2):108-120.

Oliver, R.L. & Anderson, E. 1995. Behavior-and outcome-based sales control systems: Evidence and consequences of pure-form and hybrid governance. *Journal of Personal Selling & Sales Management*, 15(4):1-15.

Olk, P. 1997. The effect of partner differences on the performance of R&D consortia. *Cooperative Strategies, American Perspectives*, (1997):133-159.

Olson, E.M., Slater, S.F. & Hult, G.T. M. 2005. The performance implications of fit among business strategy, marketing organization structure, and strategic behavior. *Journal of Marketing*, 69(3):49-65.

Olson, M. 2000. *Power and prosperity: Outgrowing communist and capitalist dictatorships: Outgrowing communist and capitalist dictatorships*. s.l.: Basic books.

Olson, P.D. & Bokor, D.W. 1995. Strategy process-content interaction: Effects on growth performance in small, start-up firms. *Journal of Small Business Management*, 33(1):34.

Opolot, J. & Kuteesa, R. 2006. *Impact of Policy Reforms on Agriculture and Poverty in Uganda Discussion Paper Number 158*. Bank of Uganda, Research Department.

Orbell, J.M., Dawes, R.M. & Van de Kragt, A.J.C. 1990. The limits of multilateral promising. *Ethics*, 100:616–627.

Orbeta, A.C. 2003. Population and Poverty: A Review of the Links, Evidence and Implications for the Philippines. *Philippine Journal of Development*, 30(2):195.

Orlikowski, W.J. 1993. CASE tools as organizational change: Investigating incremental and radical changes in systems development. *MIS Quarterly*, 17(3):309-340.

Osborn, R.N. & Baughn, C.C. 1990. Forms of interorganizational governance for multinational alliances. *Academy of Management Journal*, 33(3):503-519.

Oster, S.M. 1995. *Strategic management for nonprofit organizations: Theory and cases*. Oxford: Oxford University Press.

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

Osterwalder, A. 2004. The business model ontology: A proposition in a design science approach. Unpublished doctoral dissertation. Switzerland: University of Lausanne.

Osterwalder, A. 2009. *Business Models Beyond Profit: Social Entrepreneurship Lecture.* [Online]. Available: http://www.slideshare.net/Alex.Osterwalder/business-models-beyond-profit-social-entrepreneurship-lecture-wise-etienne-eichenberger-iqbal-quadir-grameen-bank-grameen-phone [2015, July 23].

Osterwalder, A., Pigneur, Y. & Tucci, C.L. 2005. Clarifying business models: Origins, present, and future of the concept. *Communications of the Association for Information Systems*, 16(1):1.

Ostgaard, T.A. & Birley, S. 1996. New venture growth and personal networks. *Journal of Business Research*, 36(1):37-50.

Oxley, J.E. 1997. Appropriability hazards and governance in strategic alliances: A transaction cost approach. *Journal of Law, Economics, and Organization*, 13:387-409.

Paci, P., Sasin, M.J. & Verbeek, J. 2004. Economic growth, income distribution and poverty in Poland during transition. *World Bank Policy Research Paper*.

Paine, L.S. & Crawford, R.J. 1998. *The Haier Group*. Harvard Business School Case 398-101.

Palmquist, M.E., Carley, K.M. & Dale, T.A. 1997. Two applications of automated text analysis: Analyzing literary and non-literary texts. *Text analysis for the social sciences: Methods for drawing statistical inferences from texts and transcripts*. 171-189.

Papaioannou, T. 2014. How inclusive can innovation and development be in the twenty-first century? *Innovation and Development*, 4(2):187-202.

Paramanand, B. 2015. *Ready for BoP 3.0?* [Online]. Available: http://sustainabilitynext.in/cover-story/ready-for-bop-3-0/ [2017, January 2].

Park, S.H. & Russo, M.V. 1996. When competition eclipses cooperation: An event history analysis of joint venture failure. *Management Science*, 42:875-890.

Park, S.H. & Ungson, G.R. 1997. The effect of national culture, organizational complementarity and economic motivation on joint venture dissolution. *Academy of Management Journal*, 40:279-307.

Park, S.H., Chen, R.R. & Gallagher, S. 2002. Firm resources as moderators of the relationship between market growth and strategic alliances in semiconductor start-ups. *Academy of Management Journal*, 45(3):527-545.

Parker, S.C., Storey, D.J. & Van Witteloostuijn, A. 2010. What happens to gazelles? The importance of dynamic management strategy. *Small Business Economics*, 35(2):203-226.

Parkhe, A. 1993a. Strategic alliance structuring: A game theoretic and transaction cost examination of interfirm cooperation. *Academy of Management Journal*, 36(4):794-829.

Parkhe, A. 1993b. Partner Nationality and the Structure-Performance Relationship in Strategic Alliances. *Organization Science*, 4(2):301-324.

Parkhe, A. 1993c. “Messy” research, methodological predispositions, and theory development in international joint ventures. *Academy of Management Review*, 18(2):227-268.

Paton, R. 2003. *Managing and measuring social enterprises*. London: Sage Publications.

Paunov, C. 2013. *Innovation and Inclusive Development*. s.l.: OECD Publishing.

Pavitt, K. 1984. Sectoral patterns of technical change: Towards a taxonomy and a theory. *Research Policy*, 13(6):343-373.

Pavitt, K. 1999. *Technology, management and systems of innovation*. Cheltenham: Edward Elgar.

Pearce, J. & Kay, A. 2003. *Social enterprise in anytown*. s.l.: Calouste Gulbenkian Foundation.

Pearce, J.A. & Michael, S.C. 2006. Strategies to prevent economic recessions from causing business failure. *Business Horizons*, 49(3):201-209.

Pelham, A.M. 2000. Market orientation and other potential influences on performance in small and medium-sized manufacturing firms. *Journal of Small Business Management*, 38(1):48.

Penney, J.C. 2013. *Forbes: Ten Leadership Quotes from James Cash Penney.* [Online]. Available: http://www.forbes.com/sites/panosmourdoukoutas/2013/02/28/ten-leadership-quotes-from-james-cash-penney/ [2015, September 14].

Pennings, J.M., Barkema, H. & Douma, S. 1994. Organization learning and diversification. *Academy of Management Journal*, 37:608-640.

Penrose, E.T. 1995. *The theory of the growth of the firm, 1959*. Oxford: Oxford University Press.

Peppers, D. & Rogers, M. 2005. *Customers don't grow on trees.* [Online]. Available: http://www.fastcompany.com/53030/customers-dont-grow-trees [2015, November 20].

Peppers, D. & Rogers, M. 2009. *One to One B2B: Customer Development Strategies for the Business-to-business World*. United States of America: Crown Business.

Perdana, A.A. 2005. Risk management for the poor and vulnerable. *Centre for Strategic and International Studies (CSIS) Economics Working Paper Number 93*. Jakarta.

Perez, C. 2002. *Technological revolutions and financial capital: The dynamics of bubbles and golden ages*. Cheltenham: Edward Elgar.

Perez-Aleman, P. & Sandilands, M. 2008. Building value at the top and the bottom of the global supply chain: MNC-NGO partnerships. *California Management Review*, 51(1):24-49.

Pernia, E.M. & Quibria. M.G. 1999. Poverty in Developing Countries, in *Handbook of Regional and Urban Economics*. Volume 3. Amsterdam and New York: North Holland.

Pernia, E.M. 2004. *Population and Poverty: The Real Score*. Phillipines: University of the Philippines.

Pesämaa, O. & Franklin Hair, J. 2007. More than friendship is required: An empirical test of cooperative firm strategies. *Management Decision*, 45(3):602-615.

Peteraf, M.A. 1993. The cornerstones of competitive advantage: A resource-based view. *Strategic Management Journal*, 14(3):179-191.

Peters, T.J., Waterman, R.H. & Jones, I. 1982. *In search of excellence: Lessons from America's best-run companies.* New York: Warner Book.

Peterson, N.L. 1991. Interagency collaboration under Part H: The key to comprehensive, multidisciplinary, coordinated infant/toddler intervention services. *Journal of Early Intervention*, 15:89-105.

Peterson, S.J., Walumbwa, F.O., Byron, K. & Myrowitz, J. 2008. CEO positive psychological traits, transformational leadership, and firm performance in high-technology start-up and established firms. *Journal of Management*, 2008(4):1-21.

Petersson, I. 2011. One step toward citizenship: The Slum Electrification and Loss Reduction Pilot Project in São Paulo, Brazil, in Márquez, P. & Rufín, C. (eds.). *Private Utilities and Poverty Alleviation: Market Initiatives at the Base of the Pyramid*. Cheltenham, England, and Northampton, Massachusetts: Edward Elgar Publishing. 207-241.

Pfeffer, J. & Salancik, G.R. 2003. *The external control of organizations: A resource dependence perspective*. Stanford: Stanford University Press.

Philip, D. & Rayhan, M.I. 2004. *Vulnerability and Poverty: What are the causes and how are they related?* Germany: ZEF Bonn Center for Development Research, University of Bonn.

Phillips, W., Noke, H., Bessant, J. & Lamming, R. 2006. Beyond the steady state: Managing discontinuous product and process innovation. *International Journal of Innovation Management*, 10(02):175-196.

Pianta, M. 2005. Innovation and Employment. *The Oxford Handbook of Innovation*, in Fagerberg, J., Mowery, D. & Nelson, R. (eds.). Oxford: Oxford University Press. [Online]. Available: http://works.bepress.com/mario_pianta/31 [2015, November 2].

Pillay, P. 2000. Foreword, In Poverty and Inequality in South Africa: Meeting the Challenge, in May, J. (ed.). Cape Town: David Phillip.

Pinchot, G. 1999. *Intrapreneuring in Action - Why Don't You Have to Leave a Corporation to Become an Entrepreneur*. New York: Berrett-Koehler.

Pisano, G.P. 1989. Using equity participation to support exchange: Evidence from the biotechnology industry. *Journal of Law, Economics, and Organization*, 5:109-126.

Pitta, D.A., Guesalaga, R. & Marshall, P. 2008. The quest for the fortune at the bottom of the pyramid: Potential and challenges. *Journal of Consumer Marketing*, 25(7):393-401.

Pittaway, L., Robertson, M., Munir, K., Denyer, D. & Neely, A. 2004. Networking and innovation: A systematic review of the evidence. *International Journal of Management Reviews*, 5(3-4):137-168.

Polanyi, M. 1966. *The Tacit Dimension*. Anchor Books: New York.

Poppo, L. & Zenger, T.R. 2002. Do Formal Contracts and Relational Governance Function as Substitutes or Complements? *Strategic Management Journal*, 23(8): 707-726.

Porter, L., Steers, R., Mowday, R. & Boulian, P. 1974. Organizational commitment, job satisfaction, and turnover among psychiatric technicians. *Journal of Applied Psychology*, 59:603-609.

Porter, M.E. 1985. Creating and sustaining superior performance. *Competitive advantage*. s.l.: s.n.

Porter, M.E. 1987. From competitive advantage to corporate strategy. *Harvard Business Review*, (1987):1-21.

Porter, M.E. 1990. The competitive advantage of nations. *Harvard Business Review*, 68(2):73-93.

Porter, M.E. 1998. Clusters and the new economics of competition. *Harvard Business Review*, 76(6):77-90.

Porter, M.E. 2008. The five competitive forces that shape strategy. *Harvard Business Review*, (2008):78-93.

Porter, M.E. 2015. *Harvard Business School. Institute for strategy and competitiveness. Stages of Development.* [Online]. Available: http://www.isc.hbs.edu/competitiveness-economic-development/frameworks-and-key-concepts/Pages/shapes-of-development.aspx [2015, June 10].

Posel, D.R. & Casale, D.M. 2011. Relative standing and subjective well-being in South Africa: The role of perceptions, expectations and income mobility. *Social Indicators Research*, 104(2):195-223.

Pouder, R. & John, C.H. S. 1996. Hot spots and blind spots: Geographical clusters of firms and innovation. *Academy of Management Review*, 21(4):1192-1225.

Powell, W. 2003. Neither market nor hierarchy. *The sociology of organizations: Classic, contemporary, and critical readings*, 315(2003):104-117.

Pradhan, M. & Ravallion, M. 2000. Measuring poverty using qualitative perceptions of consumption adequacy. *Review of Economics and Statistics*, 82(3):462-471.

Prahalad, C.K. & Hamel, G. 2006. The core competence of the corporation. *Strategische unternehmungsplanung – strategische unternehmungsführung*. Springer Berlin Heidelberg.

Prahalad, C.K. & Hart, S.L. 1999. *Strategies for the bottom of the pyramid: Creating sustainable development*. Michigan: Michigan Publishing.

Prahalad, C.K. & Krishnan, M.S. 2008. *The new age of innovation: Driving cocreated value through global networks*. New York: McGraw-Hill.

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

Prahalad, C.K. 2004. The blinders of dominant logic. *Long Range Planning*, 37(2):171-179.

Prahalad, C.K. 2009. *The fortune at the bottom of the pyramid, revised and updated 5th anniversary edition: Eradicating poverty through profits*. Fifth edition. New Jersey: FT Press.

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

Prasad, E., Rogoff, K., Wei, S.J. & Kose, M.A. 2005. *Effects of financial globalization on developing countries: Some empirical evidence*. Palgrave Macmillan UK.

Prasad, R. & Satsangi, R. A Case Study of Amul Co-Operative in India in Relation to Organizational Design and Operational Efficiency. *International Journal of Scientific & Engineering Research*, 4(1):1-9.

Prashant, K. & Harbir, S. 2009. Managing strategic alliances: What do we know now, and where do we go from here? *The Academy of Management Perspectives*, 23(3):45-62.

Pretorius, M. & Van Vuuren, J. 2003. Contribution of support and incentive programs to entrepreneurial orientation and start-up culture in South Africa. *South African Journal of Economic and Management Sciences*, 6(3):514-528.

Raddatz, C. 2007. Are external shocks responsible for the instability of output in low-income countries? *Journal of Development Economics*, 84(1):155-187.

Ramanathan, K., Seth, A. & Thomas, H. 1997. Explaining joint ventures: Alternative theoretical perspectives. *Cooperative strategies*, 1(1997):51-85.

Ramani, S.V., SadreGhazi, S. & Duysters, G. 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.

Rangan, V.K., Chu, M. & Petkoski, D. 2011. Segmenting the base of the pyramid. *Harvard Business Review*, 89(6), 113-117.

Rashid, A.T. & Rahman, M. 2009. Making profit to solve development problems: The case of Telenor AS and the Village Phone Programme in Bangladesh. *Journal of Marketing Management*, 25(9-10):1049-1060.

Ravallion, M. 2001. Growth, inequality and poverty: Looking beyond averages. *World Development*, 29(11):1803-1815.

Ravallion, M. 2012. Poor, or just feeling poor? On using subjective data in measuring poverty. *On Using Subjective Data in Measuring Poverty (February 1, 2012). World Bank Policy Research Working Paper*, (5968).

Rawls, J. 2009. *A Theory of Justice*. Harvard: Harvard University Press.

Reed, R. & DeFillippi, R.J. 1990. Causal ambiguity, barriers to imitation, and sustainable competitive advantage. *Academy of Management Review*, 15(1):88-102.

Reena, J. 2009. *Tips for trickle-up innovation from CK Prahalad.* [Online]. Available: http://www.businessweek.com/innovate/next/archives/2009/04/5_tips_for_tric.html [2015, November 1].

Reficco, E. & Márquez, P. 2012. Inclusive networks for building BOP markets. *Business & Society*, 51(3):512-556.

Regeczi, D. 2005. Limited partnership: The lack of sustainable development in relation to participation in Hungarian Public–Private partnerships. *Business Strategy and the Environment*, 14(4):205-215.

Reid, G.C. & Smith, J.A. 2000. What makes a new business start-up successful? *Small Business Economics*, 14(3):165-182.

Rein M, Stott L, Yambayamba K, Hardman S, Reid S. 2005. Working Together: A critical analysis of cross-sector partnerships in Southern Africa. A European Community-Poverty Reduction Report (EC-PREP). Cambridge: University of Cambridge Programme for Industry.

Reinartz, W., Thomas, J.S. & Kumar, V. 2005. Balancing acquisition and retention resources to maximize customer profitability. *Journal of Marketing*, 69(1):63-79.

Reis, T.K. & Clohesy, S.J. 2001. Unleashing new resources and entrepreneurship for the common good: A philanthropic renaissance. *New Directions for Philanthropic Fundraising*, 2001(32):109-144.

Republic of South Africa. 1996. *National Small Business Act 102 of 1996.* [Online]. Available: https://www.thedti.gov.za/sme_development/docs/act.pdf [2015, May 19].

Republic of South Africa. 1998a. *National Empowerment Fund Act 105 of 1998.* [Online]. Available: http://www.gov.za/sites/www.gov.za/files/a105-98.pdf [2015, May 19].

Republic of South Africa. 1998b. *Skills Development Act 97 of 1998.* [Online]. Available: http://www.saqa.org.za/docs/legislation/2010/act97.pdf [2015, June 2].

Republic of South Africa. 2004. *National Small Business Amendment Act 29 of 2004/1996.* [Online]. Available: http://www.thedti.gov.za/business_regulation/acts/small_business_amendment_act.pdf [2015, May 19].

Republic of South Africa. 2008a. *Annual Review of Small Business in South Africa 2005-2007.* [Online]. Available: https://www.thedti.gov.za/sme_development/docs/3%20Annual%20Review%20Final%20Report%20 11%20Aug%2008.pdf [2015, May 21].

Republic of South Africa. 2008b. *National Youth Development Agency Act 54 of 2008.* [Online]. Available: http://www.thepresidency.gov.za/docs/nyda_act.pdf [2015, June 1].

Republic of South Africa. 2008c. *Skills Development Amendment Act 37 of 2008.* [Online]. Available: http://www.labour.gov.za/DOL/downloads/legislation/acts/skills-development-act/amendments/skilldevact.pdf [2015, June 3].

Republic of South Africa. 2008d. *Technology Innovation Agency Act 26 of 2008.* [Online]. Available: http://www.polity.org.za/article/technology-innovation-agency-act-no-26-of-2008-2008-11-10 [2015, June 1].

Republic of South Africa. 2011. *Preferential Procurement Policy Framework Act (PPPFA). Regulation gazette Number 9544.* Volume 522. [Online]. Available: http://www.treasury.gov.za/divisions/ocpo/sc/PPPFA/default.aspx [2015, September 22].

Republic of South Africa. 2012. *National Development Plan 2030. Our future – make it work.* [Online]. Available: http://www.poa.gov.za/news/Documents/NPC%20National%20Development%20Plan%20Vision%2 02030%20-lo-res.pdf [2015, September 21].

Republic of South Africa. 2014a. *Address by the Minister of Small Business Development, Ms Lindiwe Zulu, at the launch of Start-up Nations South Africa, Wits Business School.* [Online]. Available: http://www.gov.za/minister-lindiwe-zulu-launch-start-nations-south-africa [2015, June 10].

Republic of South Africa. 2014b. *Government Gazette, 2014, June 3*. Volume 588. [Online]. Available: http://www.vfsglobal.com/dha/southafrica/pdf/Critical_Skills_Visa_090614.pdf [2015, September 17].

Republic of South Africa. 2014c. *The Economic Development Department's Annual Report 2013/2014*. [Online]. Available: http://www.economic.gov.za/communications/annual-reports/519-edd-annual-report-2013--2014 [2015, June 8].

Reuer, J.J. & Ariño, A. 2007. Strategic alliance contracts: Dimensions and determinants of contractual complexity. *Strategic Management Journal*, 28(3):313-330.

Reuer, J.J., Zollo, M. & Singh, H. 2002. Post-formation dynamics in strategic alliances. *Strategic Management Journal*, 23(2):135-151.

Ricardo, D. 1891. *Principles of Political Economy and Taxation*. G. Bell: London.

Ricart, J.E., Enright, M.J., Ghemawat, P., Hart, S.L. & Khanna, T. 2004. New frontiers in international strategy. *Journal of International Business Studies*, 35(3):175-200.

Richards, L. & Morse, J.M. 2012. *Readme first for a user's guide to qualitative methods*. California: Sage Publications.

Riley, J.M. 2002. *Stakeholders in rural development: Critical collaboration in state-NGO partnerships*. California: Sage Publications.

Ring, P.S. & Van de Ven, A.H. 1992. Structuring cooperative relationships between organizations. *Strategic Management Journal*, 13(7):483-498.

Ring, P.S. & Van de Ven, A.H. 1994. Developmental processes of cooperative interorganizational relationships. *Academy of Management Review*, 19(1):90-118.

Rivera-Santos, M. & Rufín, C. 2010. Global village vs. small town: Understanding networks at the Base of the Pyramid. *International Business Review*, 19(2):126-139.

Rivera-Santos, M., Rufín, C. & Kolk, A. 2012. Bridging the institutional divide: Partnerships in subsistence markets. *Journal of Business Research*, 65(12):1721-1727.

Robinson, K.C. & McDougall, P. 2001. Entry barriers and new venture performance: A comparison of universal and contingency approaches. *Strategic Management Journal*, 22(6-7):659-685.

Rodan, S. & Galunic, C. 2004. More than network structure: How knowledge heterogeneity influences managerial performance and innovativeness. *Strategic Management Journal*, 25(6):541-562.

Rodrik, D. 1991. Policy uncertainty and private investment in developing countries. *Journal of Development Economics*, 36(2):229-242.

Rodrik, D. 2000. Institutions for high-quality growth: What they are and how to acquire them. *Studies in Comparative International Development*, 35(3):3-31.

Rogoff, E.G. 2007. *Bankable Business Plans for Entrepreneurial Ventures*. s.l.: Rowhouse Publishing.

Romanelli, E. & Schoonhoven, C.B. 2001. The local origins of new firms. *The Entrepreneurship Dynamic: Origins of Entrepreneurship and the Evolution of Industries*, 40-67.

Romer, P.M. 1986. Increasing returns and long-run growth. *The Journal of Political Economy*, 94(5):1002-1037.

Romer, P.M. 1994. The origins of endogenous growth. *The Journal of Economic Perspectives*, 8(1):3-22.

Rondinelli, D.A. & London, T. 2003. How corporations and environmental groups cooperate: Assessing cross-sector alliances and collaborations. *Academy of Management Executive*, 17:61-76.

Rooks, G., Snijders, C. & Duysters, G. 2013. Ties that tear apart: The social embeddedness of strategic alliance termination. *The Social Science Journal*, 50(3):359-366.

Roper, S. 1997. Product innovation and small business growth: A comparison of the strategies of German, UK and Irish companies. *Small Business Economics*, 9(6):523-537.

Rosenbusch, N., Brinckmann, J. & Bausch, A. 2011. Is innovation always beneficial? A meta-analysis of the relationship between innovation and performance in SMEs. *Journal of Business Venturing*, 26(4):441-457.

Rosenkopf, L. & Nerkar, A. 2001. Beyond local search: Boundary-spanning, exploration, and impact in the optical disk industry. *Strategic Management Journal*, 22(4):287-306.

Rosman, A., Lubatkin, M. & O'Neill, H. 1994. Rigidity in decision behaviors: A within-subject test of information acquisition using strategic and financial informational cues. *Academy of Management Journal*, 37:1017-1033.

Rothaermel, F.T. 2002. Technological discontinuities and interfirm cooperation: What determines a startup's attractiveness as alliance partner? *Engineering Management*, 49(4):388-397.

Rothwell, R. & Dodgson, M. 1993. Technology-based SMEs: Their role in industrial and economic change. *International Journal of Technology Management*, 8(2):8-8.

Rothwell, R. & Gardiner, P. 1985. Invention, innovation, re-innovation and the role of the user: A case study of British hovercraft development. *Technovation*, 3(3):167-186.

Rothwell, R. 1978. Small and medium sized manufacturing firms and technological innovation. *Management Decision*, 16(6):362-370.

Rothwell, R. 1983. Innovation and firm size – a case for dynamic complementarity – or, is small really so beautiful. *Journal of General Management*, 8(3):5-25.

Rothwell, R. 1992. Successful industrial innovation: Critical factors for the 1990s. *R&D Management*, 22(3):221-240.

Roure, J.B. & Keeley, R.H. 1990. Predictors of success in new technology based ventures. *Journal of Business Venturing*, 5(4):201-220.

Roure, J.B. & Maidique, M.A. 1986. Linking prefunding factors and high-technology venture success: An exploratory study. *Journal of Business Venturing*, 1(3):295-306.

Rousseau, D.M., Sitkin, S.B., Burt, R.S. & Camerer, C. 1998. Not so different after all: A cross-discipline view of trust. *Academy of Management Review*, 23(3):393-404.

Roussel, P.A., Saad, K.N. & Erickson, T.J. 1991. *Third generation R&D: Managing the Link to Corporate Strategy*. Massachusetts: Harvard Business Press.

Rowley, T., Behrens, D. & Krackhardt, D. 2000. Redundant governance structures: An analysis of structural and relational embeddedness in the steel and semiconductor industries. *Strategic Management Journal*, 21(3):369-386.

Rubesch, E. 2005. Incorporating informal channels into market entry strategies for emerging markets. Unpublished paper delivered at the Australia New Zealand Marketing Academy Conference. Perth, December.

Rumelt, R.P. 1991. How much does industry matter? *Strategic Management Journal*, 12(3):167-185.

Rumelt, R.P. 1997. Towards a strategic theory of the firm. *Resources, firms, and strategies: A reader in the resource-based perspective*. s.l.: s.n.

Rumelt, R.P., Schendel, D. & Teece, D.J. 1991. Strategic management and economics. *Strategic Management Journal*, 12(S2):5-29.

Rutherford, S. 2000. *Consultative Group to Assist the Poorest (CGAP): Raising the Curtain on the "Microfinancial Services Era."* [Online]. Available: http://www.jointokyo.org/mfdl/readings/CGAPfocus15.htm [2015, August 13].

Rwigema, H. & Karungu, P. 1999. SMME development in Johannesburg's Southern Metropolitan Local Council: An assessment. *Development Southern Africa*, 16(1):107-124.

Ryals, L. 2005. Making customer relationship management work: The measurement and profitable management of customer relationships. *Journal of Marketing*, 69(4):252-261.

SAARF. 2014. *South African Audience Research Foundation: Segmentation Tools. LSM. Data. LSM Descriptions.* [Online]. Available: http://www.saarf.co.za/ [2015, August 12].

SAARF. 2015. *South African Audience Research Foundation Segmentation Tools: LSM.* [Online]. Available: http://www.saarf.co.za/LSM/lsms.asp [2015, August 12].

Sachs, J.D. & Reid, W.V. 2006. Investments toward sustainable development. *Science (Washington),* 312(5776):1002.

SAHO. 2015. *South African History Online. Xenophobic violence in democratic South Africa.* [Online]. Available: http://www.sahistory.org.za/article/xenophobic-violence-democratic-south-africa [2015, September 17].

Sakarya, S., Bodur, M., Yildirim-Öktem, Ö. & Selekler-Göksen, N. 2012. Social alliances: Business and social enterprise collaboration for social transformation. *Journal of Business Research*, 65(12):1710-1720.

Salamon, L.M. 1994. The rise of the nonprofit sector. *Foreign Affairs*, 73(4):109-122.

Salk, J.E. & Shenkar, O. 2001. Social identities in an international joint venture: An exploratory case study. *Organization Science*, 12(2):161-178.

Sambasivan, M., Siew-Phaik, L., Mohamed, Z.A. & Leong, Y.C. 2013. Factors influencing strategic alliance outcomes in a manufacturing supply chain: Role of alliance motives, interdependence, asset specificity and relational capital. *International Journal of Production Economics*, 141(1):339-351.

Samuelsson, M. 2004. Creating New Ventures: A Longitudinal Investigation of the Nascent Venturing Process. Jönköping International Business School.

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

Sánchez, P., Ricart, J.E. & Rodríguez, M.Á. 2007. Influential factors in becoming socially embedded in low-income markets. *Greener Management International*, (51):19-39.

Sánchez, P., Rodríguez, M.A. & Ricart, J.E. 2007. Meeting unmet needs at the base of the pyramid: Mobile health care for India's poor. *Business solutions for the global poor: Creating Social and Economic Value*, (2007):84-91.

Sandelowski, M., Docherty, S. & Emden, C. 1997. Focus on qualitative methods: Qualitative metasynthesis, Issues and techniques. *Research in Nursing and Health*, 20(1):365-372.

Sangui, W., Zhou, L., Yanshun, R. & Liu, M.F. 2004. The 8-7 national poverty reduction program in China–The national strategy and its impact. *Ponencia en la Shanghai Poverty Conference*. Volume 25. Shanghai.

Santarelli, E. & Vivarelli, M. 2007. Entrepreneurship and the process of firms' entry, survival and growth. *Industrial and Corporate Change*, 16(3):455-488.

Santos, F.M. & Eisenhardt, K.M. 2009. Constructing markets and shaping boundaries: Entrepreneurial power in nascent fields. *Academy of Management Journal*, 52(4):643-671.

Scase, R. & Goffee, R. 1982. *The entrepreneurial middle class*. London: Croom Helm.

Scase, R. 1997. The role of small businesses in the economic transformation of Eastern Europe: Real but relatively unimportant? *International Small Business Journal*, 16(1):13-21.

Schein, E.H. 1983. The role of the founder in creating organizational culture. *Organizational Dynamics*, 12(1):13-28.

Schein, E.H. 1990. *Organizational culture*. Volume 45. American Psychological Association.

Schelling, T.C. 2006. *Micromotives and Macrobehavior*. New York: W.W. Norton & Company.

Schieffer, R. 2005. *Ten key customer insights: Unlocking the mind of the market*. Ohio: South-Western.

Schmitz, H. 1995. Collective efficiency: Growth path for small-scale industry. *The Journal of Development Studies*, 31(4):529-566.

Schoenmakers, W. & Duysters, G. 2006. Learning in strategic technology alliances. *Technology Analysis & Strategic Management*, 18(2):245-264.

Schoorman, F.D., Mayer, R.C. & Davis, J.H. 2007. An integrative model of organizational trust: Past, present, and future. *Academy of Management Review*, 32(2):344-354.

Schrader, C., Freimann, J. & Seuring, S. 2012. Business strategy at the base of the pyramid. *Business Strategy and the environment*, 21(5):281-298.

Schreyer, P. 2000. High-Growth Firms and Employment. *Organization for Economic Cooperation and Development (OECD) Science, Technology and Industry Working Paper Number 2000/03.* [Online]. Available: http://dx.doi.org/10.1787/861275538813 [2014, November 20].

Schuler, R. 1979. A role perception transactional process model for organizational communication outcome relationships, *Organizational Behavior and Human Performance*, 23:268-291.

Schultz, D.E. 2001. Marketers: Bid farewell to strategy based on old 4Ps. *Marketing News*, 35(2):7.

Schumacher, E.F. 1993. *Small is beautiful: A study of economics as if people mattered*. New York: Random House.

Schumpeter, J. 1942. *Capitalism, Socialism and Democracy*. New York: Harper & Row.

Schumpeter, J.A. 1976. *Capitalism, Socialism and Democracy*. New York: Harper and Row.

Schuster, T. & Holtbrügge, D. 2014. Benefits of Cross-sector Partnerships in Markets at the Base of the Pyramid. *Business Strategy and the Environment*, 23(3):188-203.

Schwab, K. & Sala-i-Martín, X. 2014. *World Economic Forum: The Global Competitiveness Report 2014–2015*. Switzerland: Author.

Science Progress. 2012. *A 21st Century Approach to Manufacturing Innovation.* [Online]. Available: http://scienceprogress.org/2012/08/a-21st-century-approach-to-manufacturing-innovation/ [2015, November 11].

Scott, W.R. 2001. *Insitutions and Organizations*. Second edition. California: Sage Publications.

Scott, W.R. 2005. Institutional Theory: Contributing to a Theoretical Research Program, in Smith, K.G. & Hitt, M.A. (eds.). *Great Minds in Management: The Process of Theory Development*. Oxford: Oxford University Press. 460-484.

Seabright, M.A., Levinthal, D.A. & Fichman, M. 1992. Role of individual attachments in the dissolution of interorganizational relationships. *Academy of Management Journal*, 35(1):122-160.

Sabatier, P.A. 2007. *Theories of the Policy Process*. Second edition. Boulder, CO: Westview Press.

SEDA. 2010. *SEDA Home Page.* [Online]. Available: http://www.seda.org.za/Pages/Home.aspx [2015, June 3].

SEDA. 2016. *The Small, Medium and Micro Enterprise Sector of South Africa*. [Online]. Available: http://www.seda.org.za/Publications/Publications/The%20Small,%20Medium%20and%20Micro%20 Enterprise%20Sector%20of%20South%20Africa%20Commissioned%20by%20Seda.pdf [2017, January 11].

Seelos, C. & Mair, J. 2007. Profitable Business Models and Market Creation in the Context of Deep Poverty: A Strategic View. *Academy of Management Perspectives*, 21(4):49-63.

SEFA. 2013. *SEFA Home Page.* [Online]. Available: http://www.sefa.org.za/ [2015, June 3].

Sehgal, V., Tse, E., Bhattacharya, S. & Panneer, G. 2010. Understanding the Forgotten Billions Meeting the World's Least Advantaged Consumers Where They Live. *Perspective*, (2010):1-13.

Selsky, J.W. & Parker, B. 2005. Cross-sector partnerships to address social issues: Challenges to theory and practice. *Journal of Management*, 31(6):849-873.

Senderovitz, M., Klyver, K., Steffens, P.R. & Evald, M. 2012. Four years on–are the Gazelles still running? A longitudinal study of firm performance after a period of rapid growth. *International Small Business Journal*, (2012):1-21.

SEU. 2005. Match winners: A guide to commercial collaborations between social enterprise and private sector business. Lonfond: Social Enterprise Unit of the Department for Trade and Industry.

Shafer, S.M., Smith, H.J. & Linder, J.C. 2005. The power of business models. *Business Horizons*, 48(3):199-207.

Shane, S. 2009. Why encouraging more people to become entrepreneurs is bad public policy. *Small Business Economics*, 33(2):141-149.

Sharfman, M.P. & Dean, J.W. 1997. Flexibility in strategic decision making: Informational and ideological perspectives. *Journal of Management Studies*, 34:191-217.

Sharma, S., Vredenburg, H. & Westley, F. 1994. Strategic bridging: A role for the multinational corporation in Third World development. *Journal of Applied Behavioral Science*, 30(4):458-476.

Shaw, R. & Merrick, D. 2005. *Marketing payback: Is your marketing profitable?* New Jersey: Pearson Education.

Shenkar, O. & Li, J. 1999. Knowledge search in international cooperative ventures. *Organization Science*, 10(2):134-143.

Shenkar, O. & Yan, A. 2002. Failure as a consequence of partner politics: Learning from the life and death of an international cooperative venture. *Human Relations*, 55(5):565-601.

Sheth, J.N., Sisodia, R.S. & Wolfe, D.B. 2003. *Firms of endearment: How world-class companies profit from passion and purpose*. New Jersey: Pearson Prentice Hall.

Shih, H.Y. & Chang, P.L. 2009. Industrial innovation networks in Taiwan and China: A comparative analysis. *Technology in Society*, 31(2):176-186.

Shoprite. 2014. *Shoprite holdings Ltd. Our group: Overview.* [Online]. Available: http://www.shopriteholdings.co.za/OurGroup/Pages/Overview.aspx [2015, August 6].

Shumate, M. & O'Connor, A. 2010. The symbiotic sustainability model: Conceptualizing NGO–corporate alliance communication. *Journal of Communication*, 60(3):577-609.

Siegel, R., Siegel, E. & Macmillan, I.C. 1993. Characteristics distinguishing high-growth ventures. *Journal of Business Venturing*, 8(2):169-180.

Simanis, E. & Hart, S.L. 2008. *The Base of the Pyramid Protocol: Toward Next Generation BoP Strategy (Version 2.0)*. Ithaca: Center for Sustainable Global Enterprise.

Simanis, E. 2012. Reality check at the bottom of the pyramid. *Harvard Business Review*, 90(6):120-125. [Online]. Available: https://hbr.org/2012/06/reality-check-at-the-bottom-of-the-pyramid/ar/1 [2015, August 15].

Simanis, S. & Simanis, E. 2008. The Base of the Pyramid Protocol: Toward Next Generation BoP Strategy. Second edition. New York: Cornell University.

Simon, H.A. 1947. *Administrative Behavior*. New York: Macmillan.

Simonin, B.L. 1999. Ambiguity and the process of knowledge transfer in strategic alliances. *Strategic Management Journal*, 20(7):595-623.

Simons, R. 1995. *Levers of control: How managers use innovative control systems to drive strategic renewal*. Massachusetts: Harvard Business School Press.

Singer, A.E. 2006. Business strategy and poverty alleviation. *Journal of Business Ethics*, 66(2):225-231.

Singer, B. 1995. Contours of development. *Journal of Business Venturing*, 10(4):303-329.

Sinh, B.T. 2002. Government and NGO partnership in managing community-based water resources in Vietnam: A case study of Thai Long Dam Project. *Business Strategy and the Environment*, 11(2):119-129.

Sirmon, D.G., Hitt, M.A., Arregle, J.L. & Campbell, J.T. 2010. The dynamic interplay of capability strengths and weaknesses: Investigating the bases of temporary competitive advantage. *Strategic Management Journal*, 31(13):1386-1409.

Sirmon, D.G., Hitt, M.A., Ireland, R.D. & Gilbert, B.A. 2011. Resource orchestration to create competitive advantage breadth, depth, and life cycle effects. *Journal of Management*, 37(5):1390-1412.

Sitkin, S.B. 1995. On the positive effect of legalization on trust. *Research on Negotiation in Organizations*, 5:185-217.

Skeldon, R. 1997. Rural-to-urban migration and its implications for poverty alleviation. *Asia-Pacific Population Journal*, 12(1):3-16.

Skeldon, R. 2014. *Migration and development: A global perspective*. s.l.: Routledge.

Slater, S.F. & Narver, J.C. 1998. Research notes and communications customer-led and market-oriented: Let's not confuse the two. *Strategic Management Journal*, 19(10):1001-1006.

Smallbone, D., Leig, R. & North, D. 1995. The characteristics and strategies of high growth SMEs. *International Journal of Entrepreneurial Behavior & Research*, 1(3):44-62.

Smircich, L. & Stubbart, C. 1985. Strategic management in an enacted world. *Academy of Management Review*, 10(4):724-736.

Smith, K.G., Carroll, S.J. & Ashford, S.J. 1995. Intra-and interorganizational cooperation: Toward a research agenda. *Academy of Management Journal*, 38(1):7-23.

Smith, N.C. 2003. Corporate social responsibility: Whether or how? *California Management Review*, 45(4):52-76.

Smith, R.L. & Smith, J.K. 2000. *Entrepreneurial finance*. New York: John Wiley & Sons.

Smith, S.R., Gidron, B., Kramer, R.M. & Salamon, L.M. 1993. Government and the Third Sector: Emerging Relationships in the Welfare State.

Smulders, S. & Withagen, C. 2012. Green growth: Lessons from growth theory. *World Bank Policy Research Working Paper Number 6230*.

Snyder, R. & Morris, J. 1984. Organizational communication and performance. *Journal of Applied Psychology*, 69:461-465.

Söderbom, M. & Teal, F. 2001. *Are African Manufacturing Firms Really Inefficient? Evidence from Firm-level Panel Data*. Oxford: Oxford University.

Soh, P.H. 2003. The role of networking alliances in information acquisition and its implications for new product performance. *Journal of Business Venturing*, 18(6):727.

Solaimani, S. & Bouwman, H. 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.

Solow, R.M. 1956. A contribution to the theory of economic growth. *The Quarterly Journal of Economics*, 70(1):65-94.

Solow, R.M. 1994. Perspectives on growth theory. *The Journal of Economic Perspectives*, 8(1):45-54.

Souder, W.E. & Sherman, J.D. 1994. *Managing new technology development*. Manhattan: Columbia University Press.

Spero, J.E. & Hart, J. 2009. *The politics of international economic relations*. Massachusetts: Cengage Learning.

Sridharan, S. & Viswanathan, M. 2008. Marketing in subsistence marketplaces: Consumption and entrepreneurship in a South Indian context. *Journal of Consumer Marketing*, 25(7):455-462.

Stafford, E.R. 1994. Using co-operative strategies to make alliances work. *Long Range Planning*, 27(3):64-74.

Stangler, D. 2010. High-growth firms and the future of the American economy. *Kauffman Foundation Research Series: Firm Formation and Economic Growth*. s.l.: s.n.

Starr, J.A. & MacMillan, I.C. 1990. Resource cooptation via social contracting: Resource acquisition strategies for new ventures. *Strategic Management Journal*, 11(1):79-92.

State Statistical Bureau. 2004. SSB 1980-2004. *China Rural Statistical Yearbook*. Beijing: China Statistical Publishing House.

Statistics Canada. 2006. *Labour Force Survey*. Otawa: Statistics Canada.

Statistics S.A. 1995. *October Household Survey*. Pretoria: Government Printer.

Statistics S.A. 2002. *Labor Force Survey September*. Pretoria: Government Printer.

Statistics S.A. 2011. *Income and Expenditure of Households 2010/2011: Statistical release P0100.* [Online]. Available: http://www.statssa.gov.za/publications/P0100/P01002011.pdf [2015, August 13].

Statistics S.A. 2012. *Subjective Poverty in South Africa. Findings of The Living Conditions Survey 2008/2009*. [Online]. Available: http://www.statssa.gov.za/publications/Report-03-10-01/Report-03-10-012009.pdf [2016, April 29].

Statistics S.A. 2014. *Report-03-10-06 - Poverty trends in South Africa: An examination of absolute poverty between 2006 and 2011.* [Online]. Available: http://www.statssa.gov.za/publications/Report-03-10-06/Report-03-10-06March2014.pdf [2015, August 16].

Statistics S.A. 2015a. *Labour market dynamics in South Africa, 2014 report.* [Online]. Available: http://www.statssa.gov.za/?p=4445 [2015, June 10].

Statistics S.A. 2015b. *Millennium Development Goals: Country report 2015*. [Online]. Available: http://www.statssa.gov.za/MDG/MDG_Country%20Report_Final30Sep2015.pdf [2017, January 9].

Statistics S.A. 2017. Poverty Trends in South Africa: An examination of absolute poverty between 2006 and 2015. [Online]. Available: http://www.statssa.gov.za/publications/Report-03-10-06/Report-03-10-062015.pdf [2017, September 29].

StatsTutor. 2017. StatsTutor: For the help you need to support your course. [Online]. Available: http://www.statstutor.ac.uk/resources/uploaded/pearsons.pdf [2017, January 24].

StatTrek. 2017. StatTrek: What is a confidence interval? [Online]. Available: https://stattrek.com/estimation/confidence-interval.aspx [2017, June 12].

Steen, C., Magnani, R. & Goldmark, L. 2005. Competitive strategies for agriculture-related MSEs: From seeds to supermarket shelves. *United States Agency for International Development*.

Stern, L.W & El-Ansary, A. 1988. *Marketing Channels*. New Jersey: Prentice-Hall.

Stern, L.W. & Weitz, B.A. 2002. The revolution in distribution: Challenges and opportunities. *Retailing: Comparative and International Retailing*, 4(6):430.

Stern, L.W., El-Ansary, A.I. & Coughlan, A.T. 1996. *Marketing channels*. New Jersey: Prentice Hall.

Stevenson, H.H. & Jarillo, J.C. 1990. A paradigm of entrepreneurship: Entrepreneurial management. *Strategic Management Journal*, 11(5):17-27.

Stewart, J. & Hyysalo, S. 2008. Intermediaries, users and social learning in technological innovation. *International Journal of Innovation Management*, 12(3).

Stiglitz, J.E. & Weiss, A. 1981. Credit rationing in markets with imperfect information. *The American Economic Review*, 71(3):393-410.

Stock, G.N., Greis, N.P. & Fisher, W.A. 2001. Absorptive capacity and new product development. *Journal of High Technology Management Research*, 12(1):77-91.

Stohl, C. & Redding, W.C. 1987. Messages and message exchange processes, in Jablin, F. (ed.). *Handbook of Organizational Communication: An Interdisciplinary Perspective.* Newbury Park: Sage Publications. 451-502.

Storey, D.J. 1994a. The role of legal status in influencing bank financing and new firm growth. *Applied Economics*, 26(2):129-136.

Storey, D.J. 1994b. *Understanding the small business sector, University of Illinois*. Massachusetts: Cengage Learning.

Streiner D. 2003. Starting at the beginning: An introduction to coefficient alpha and internal consistency. *Journal of Personality Assessment,* 2003(80):99-103.

Strickland, J. 2011. *Simulation Conceptual Modeling*. North Carolina: Lulu.

Stuart, R. & Abetti, P.A. 1987. Start-up ventures: Towards the prediction of initial success. *Journal of Business Venturing*, 2(3):215-230.

Subrahmanyan, S. & Gomez-Arias, J.T. 2008. Integrated approach to understanding consumer behavior at bottom of pyramid. *Journal of Consumer Marketing*, 25(7):402-412.

Swaans, K., Boogaard, B., Bendapudi, R., Taye, H., Hendrickx, S. & Klerkx, L. 2014. Operationalizing inclusive innovation: Lessons from innovation platforms in livestock value chains in India and Mozambique. *Innovation and Development*, 4(2):239-257.

Swedburg, R. 2005. Markets in society. *The Handbook of Economic Sociology*, 2(1):233-253.

Swinkels, R.A. & Turk, C. 2003. *Strategic Planning for Poverty Reduction in Vietnam: Progress and Challenges for Meeting the Localized Millennium Development Goals (MDGs)*. Volume 2961. World Bank Publications.

Tallman, S.B. & Shenkar, O. 1990. International cooperative venture strategies: Outward investment and small firms from NICs. *Management International Review,* (1990):299-315.

Tambunan, T. 2005. Linkages between Macroeconomic Reform Policies, Shocks, and Poverty Reduction: The Indonesian Case. *Macroeconomic Policy Challenges in Low Income Countries Conference*. s.l.: s.n.

Tavakol, M. & Dennick, R. 2011. Making sense of Cronbach's alpha. *International Journal of Medical Education*, 2(2011):53.

Tavakol, M., Mohagheghi, M.A. & Dennick, R. 2008. Assessing the skills of surgical residents using simulation. *Journal of Surgical Education*, 65(2):77-83.

Teece, D. & Pisano, G. 1994. The dynamic capabilities of firms: An introduction. *Industrial and Corporate Change*, 3(3):537-556.

Teece, D.J. 2014. The foundations of enterprise performance: Dynamic and ordinary capabilities in an (economic) theory of firms. *The Academy of Management Perspectives*, 28(4):328-352.

Teece, D.J., Pisano, G. & Shuen, A. 1997. Dynamic capabilities and strategic management. *Strategic Management Journal*, (1997):509-533.

Teegen, H., Doh, J.P. & Vachani, S. 2004. The importance of nongovernmental organizations (NGOs) in global governance and value creation: An international business research agenda. *Journal of International Business Studies*, 35(6):463-483.

Tennyson, R. & Wilde, L. 2000. *The Guiding Hand*. London-Geneva: Prince of Wales Business Leaders Forum-United Nations Staff College.

Thabete, E. 2012. Speech delivered by Deputy Minister Elizabeth Thabethe at the launch of Google South Africa Woza Online at the Innovation Hub, Lynnwood, Pretoria. [Online]. Available: http://www.gov.za/speech-delivered-deputy-minister-elizabeth-thabethe-launch-google-south-africa-woza-online [2017, Februray 15].

Thakoor, P. 2013. Business models of non-MNC firms serving the BoP in South Africa. Gordon Institute of Business Science: University of Pretoria.

Thakur, S.P. 1999. Size of investment, opportunity choice and human resources in new venture growth: Some typologies. *Journal of Business Venturing*, 14(3):283-309.

Thamhain, H.J. & Wilemon, D.L. 1987. Building high performing engineering project teams. *Engineering Management*, 34(3):130-137.

The South African SME toolkit. 2015. *New Business Development: The South African SME Toolkit.* [Online]. Available: http://www.southafrica.info/business/trends/newbusiness/smetoolkit.htm [2015, May 21].

Thibaut, J.W. & Walker, L. 1975. *Procedural justice: A psychological analysis.* New Jersey: Lawrence Erlbaum Associates.

Thomas, K.W. 1979. Organizational Conflict, in Kerr, S. (ed.). *Organizational Behavior*. Columbus: Grid Publishing. 151-181.

Thompson, C.J., Rindfleisch, A. & Arsel, Z. 2006. Emotional branding and the strategic value of the doppelgänger brand image. *Journal of Marketing*, 70(1):50-64.

Thompson, J.L. 2002. The world of the social entrepreneur. *International Journal of Public Sector Management*, 15(5):412-431.

Thomson Reuters Essential Science Indicators. 2014. *Average Citation Rates for papers published by field, 2004 – 2014.* [Online]. Available: http://csr.spbu.ru/wp-content/uploads/2014/11/Average-Citation-Rates.pdf [2015, July 1].

Thomson Reuters. 2014. *InCites Indicators Handbook.* [Online]. Available: Researchanalytics.thomsonreuters.com/m/pdfs/indicators-handbook.pdf [2015, June 29].

Thorelli, H.B. 1986. Networks: Between Markets and Hierarchies. *Strategic Management Journal*, 7(1):37-51.

Thurik, R. & Wennekers, S. 2004. Entrepreneurship, small business and economic growth. *Journal of Small Business and Enterprise Development*, 11(1):140-149.

TIA. 2015. *TIA Home Page.* [Online]. Available: http://www.tia.org.za/ [2015, June 4].

Tidd, J. & Hull, F. 2003. *Service Innovation: Organizational responses to technological opportunities & market imperatives*. London: Imperial College Press.

Tidd, J. 2001. *From Knowledge Management to Strategic Competence: Measuring technological, market and organizational innovation*. Singapore: World Scientific.

Tidd, J., Bessant, J. & Pavitt, K. 2014. *Managing innovation: Integrating technological, market and organizational change*. New York: John Wiley & Sons.

Timm, S. 2015. How much can SA's Gazelles programme really help high-growth businesses? [Online]. Available: http://ventureburn.com/2015/09/how-much-can-sas-gazelles-programme-really-help-high-growth-businesses/ [2016, May 16].

Timmons, J. 1998. *New Venture Creation*. Illinois: Irwin.

Tjosvold, D. & Sun, H.F. 2002. Understanding conflict avoidance: Relationship, motivations, actions, and consequences. *International Journal of Conflict Management*, 13(2):142-164.

Tracy, S.L. 2011. Accelerating job creation in America: The promise of high-impact companies. *US Small Business Administration, Office of Advocacy*.

Tremblay, P. 1994. Comparative analysis of technological capability and productivity growth in the pulp and paper industry in industrialised and industrialising countries. Unpublished doctoral dissertation. Sussex: University of Sussex.

Trompenaars, F. & Hampden-Turner, C. 2011. *Riding the waves of culture: Understanding diversity in global business*. Nicholas Brealey Publishing.

Truter, I. 2007. An overview of the living standards measurement: Management. *South African Pharmaceutical Journal*, 74(9):52-54.

Tsai, K.H. 2009. Collaborative networks and product innovation performance: Toward a contingency perspective. *Research Policy*, 38(5):765-778.

Turk, H. 1973. Comparative urban structure from an interorganizational perspective. *Administrative Science Quarterly*, (1973):37-55.

Tushman, M.L. & Anderson, P. 1986. Technological discontinuities and organizational environments. *Administrative Science Quarterly*, 31(3):439-465.

Tushman, M.L. & O'Reilly, C.A. 2006. Ambidextrous organizations: Managing evolutionary and revolutionary change. *California Management Review*, 38(4):8-30.

Tyagi, R. 2014. Sustaining by working at the bottom of the pyramid: A case of Indian rugs manufacturing company. *Societal Studies*, 4(2):427-442.

Tzu, S. 2011. *The art of war*. s.l.: Shambhala Publications.

Ucaktürk, A., Bekmezci, M. & Ucaktürk, T. 2011. Prevailing during the periods of economical crisis and recession through business model innovation. *Procedia-Social and Behavioral Sciences*, 24(2011):89-100.

Ucbasaran, D., Westhead, P., Wright, M. & Flores, M. 2010. The nature of entrepreneurial experience, business failure and comparative optimism. *Journal of Business Venturing*, 25(6):541-555.

Uganda Demographic and Health Survey. 1995. 1995 HIV/AIDS Survey Indicators Database. [Online]. Available: www.measuredhs.com/hivdata/surveys [2017, January 12].

Uganda Demographic and Health Survey. 2001. 2000/01 HIV/AIDS Survey Indicators Database. [Online]. Available: www.measuredhs.com/hivdata/surveys [2016, November 20].

Ulijn, J.M., Duysters, G. & Meijer, E. eds. 2010. *Strategic alliances, mergers and acquisitions: The influence of culture on successful cooperation*. Edward Elgar Publishing.

Ulijn, J.M., Lincke, A. & Wynstra, F. 2004. The effect of Dutch and German culture on negotiation strategy: An exploratory study to compare innovation and operations contexts. *International Negotiation*, 9(2):201-228.

UNCTAD. 2013. *The Least Developed Countries Report*. s.l.: United Nations Publication.

Urban, G. 2005. *Don't just relate-advocate! A blueprint for profit in the era of customer power*. New Jersey: Pearson Education.

Urban, G.L. & Hauser, J.R. 2004. "Listening in" to find and explore new combinations of customer needs. *Journal of Marketing*, 68(2):72-87.

Utterback, J.M. & Abernathy, W.J. 1975. A dynamic model of process and product innovation. *Omega*, 3(6):639-656.

Utterback, J.M. 1994. *Mastering the dynamics of innovation: How companies can seize opportunities in the face of technological change*. Massachusetts: Harvard Business School Press.

Utterback, J.M. 1996. *Mastering the dynamics of innovation*. Massachusetts: Harvard Business Press.

Utz, A. & Dahlman, C. 2007. Promoting inclusive innovation. *Unleashing India's Innovation*.

Uzzi, B. & Gillespie, J.J. 2002. Knowledge spillover in corporate financing networks: Embeddedness and the firm's debt performance. *Strategic Management Journal*, 23(7):595.

Van de Ven, A.H. & Poole, M.S. 1995. Explaining development and change in organizations. *Academy of Management Review*, 20(3):510-540.

Van de Vrande, V., De Jong, J.P., Vanhaverbeke, W. & De Rochemont, M. 2009. Open innovation in SMEs: Trends, motives and management challenges. *Technovation*, 29(6):423-437.

Van der Hilst, B. 2012. How innovation intermediaries can strengthen the innovation system: A case study of Vietnam. Master's thesis in Science and Innovation Management. University Utrecht.

Van der Merwe, M.D., Grobbelaar, S.S., Schutte, C.S.L. & Von Leipzig, K.H. 2017. *The Base of the Pyramid (BOP): Towards a High Growth Framework for Small to Medium-sized Enterprise (SME) Action.* Unpublished conference paper delivered at the 26th International Association for Management of Technology Conference in Vienna, May 14-18. [Online]. Available: http://bestevent.management/event/7/session/8/contribution/27 [2017, July 28].

Van der Sluis, J., Van Praag, M. & Vijverberg, W. 2005. Entrepreneurship selection and performance: A meta-analysis of the impact of education in developing economies. *The World Bank Economic Review*, 19(2):225-261.

Van Luxemburg, A.P., Ulijn, J.M. & Amare, N. 2002. The contribution of electronic communication media to the design process: Communicative and cultural implications. *IEEE Transactions on Professional Communication*, 45(4):250-264.

Van Praag, C.M. & Versloot, P.H. 2007. What is the value of entrepreneurship? A review of recent research. *Small Business Economics*, 29(4):351-382.

Varadarajan, P.R. & Cunningham, M.H. 1995. Strategic alliances: A synthesis of conceptual foundations. *Journal of the Academy of Marketing Science*, 23(4):282-296.

Varamäki, E., Vesalainen, J. & Pihkala, T. 2001. *Essays on Multilateral Cooperation Between SME's: The Prerequisites for Successful Development and Different Models of Interfirm Cooperation*. Universitas Wasaensis.

Venn, R. & Berg, N. 2013. Building competitive advantage through social intrapreneurship. *South Asian Journal of Global Business Research*, 2(1):104-127.

Ver Loren van Themaat, T. 2011. *A Business Model Development Strategy to expand into the Bottom of the Pyramid population*. Unpublished master's thesis, Stellenbosch: University of Stellenbosch.

Verhoef, P.C. 2003. Understanding the effect of customer relationship management efforts on customer retention and customer share development. *Journal of Marketing*, 67(4):30-45.

Vermeulen, E., Bertisen, J. & Geurts, J. 2008. Building dynamic capabilities for the base of the pyramid: A closer look at firm practices, in Kandachar, P. & Halme, M. (eds.). *Sustainability challenges and solutions at the base of the pyramid - Business, technology and the poor*. Sheffield: Greenleaf.

Vesper, K.H. 1990. *New venture strategies*. New Jersey: Prentice Hall.

Veugelers, R. 1997. Internal R&D expenditures and external technology sourcing. *Research Policy*, 26(3):303-315.

Viswanathan, M. & Rosa, J.A.2007. Product and Market Development for Subsistence Marketplaces: Consumption and Entrepreneurship beyond Literacy and Resource Barriers, in Devinney, T., Pedersen, T. & Tihanyi, L. (eds.). *Product and Market Development for Subsistence Marketplaces*. Bingley: Emerald Group Publishing Limited, Advances in International Management. 1-17.

Viswanathan, M. 2007. Understanding product and market interactions in subsistence marketplaces: A study in South India. *Advances in International Management*, 1(20):21-57.

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

Viswanathan, M., Sridharan, S. & Ritchie, R. 2008. Marketing in Subsistence Marketplaces. *Alleviating Poverty through Business Strategy*. New York: Palgrave Macmillan. 209.

Viswanathan, M., Sridharan, S. & Ritchie, R. 2010. Understanding consumption and entrepreneurship in subsistence marketplaces. *Journal of Business Research*, 63(6):570-581.

Voeten, J.J. & Naudé, W.A. 2014. Regulating the negative externalities of enterprise cluster innovations: Lessons from Vietnam. *Innovation and Development*, 4(2):203-219.

Volkmann, C., Tokarski, K.O. & Ernst, K. 2012. Social entrepreneurship and social business. *An Introduction and Discussion with Case Studies.* Wiesbaden: Springer Gabler.

Volkmann, C.K. & Tokarski, K.O. 2006. *Entrepreneurship: Gründung und Wachstum von jungen Unternehmen*. Stuttgart: Lucius & Lucius.

Volkmann, C.K., Tokarski, K.O. & Grünhagen, M. 2010. *Entrepreneurship in a European perspective.* Wiesbaden: Springer Gabler.

Von Bulow, I. 1989. The bounding of a problem situation and the concept of a system's boundary in soft systems methodology. *Journal of Applied Systems Analysis*, 16(1):35-41.

Von Hippel, E.A. 2011. People don't need a profit motive to innovate. *Harvard Business Review.* [Online]. Avaiilable: https://dspace.mit.edu/openaccess-disseminate/1721.1/77938 [2017, January 4].

Von Krogh, G. & Cusumano, M.A. 2001. Three strategies for managing fast growth. *MIT Sloan Management Review*, 42(2):53-61.

Waddock, S.A. 1991. A typology of social partnership organizations. *Administration & Society*, 22(4):480-515.

Wang, C.L. 2008. Entrepreneurial orientation, learning orientation, and firm performance. *Entrepreneurship Theory and Practice*, 32(4):635-657.

Warner, M. & Sullivan, R. (eds.). 2004. *Putting partnerships to work: Strategic alliances for development between government, the private sector and civil society*. s.l.: Greenleaf Publishing.

Wasserman, S. & Faust, K. 1994. *Social Network Analysis: Methods and Applications*. Cambridge: Cambridge University Press.

Watkins, K. & Fowler, P. 2002. *Rigged rules and double standards: Trade, globalisation, and the fight against poverty*. s.l.: Oxfam.

Watkins, K. 2002. Making Globalization Work for the Poor. *Finance and Development*, 39(1): 24-26.

Watson, W., Stewart, W.H. & BarNir, A. 2003. The effects of human capital, organizational demography, and interpersonal processes on venture partner perceptions of firm profit and growth. *Journal of Business Venturing*, 18(2):145-164.

Webb, J.W., Kistruck, G.M., Ireland, R.D. & Ketchen, D.J. 2010. The entrepreneurship process in base of the pyramid markets: The case of multinational enterprise/nongovernment organization alliances. *Entrepreneurship Theory and Practice*, 34(3):555-581.

Weber, R.P. (ed.). 1990. *Basic content analysis*. California: Sage Publications.

Wedel, M. & Kamakura, W.A. 2012. *Market segmentation: Conceptual and methodological foundations*. New York: Springer Science+Business Media.

Weerawardena, J. & Mort, G.S. 2006. Investigating social entrepreneurship: A multidimensional model. *Journal of World Business*, 41(1):21-35.

Weidner, K.L., Rosa, J.A. & Viswanathan, M. 2010. Marketing to subsistence consumers: Lessons from practice. *Journal of Business Research*, 63(6):559.

Weiser J, Kahane M, Rochlin S, Landis J. 2006. *Untapped creating value in underserved markets*. Volume 1. San Francisco, California: Berrett-Koehler.

Weiser, J. 2007. Untapped: Strategies for success in underserved markets. *Journal of Business Strategy*, 28(2):30-37.

Wei-Skillern, J., J.E. Austin, H. Leonard and H. Stevenson. 2007. *Entrepreneurship in the Social Sector*. Los Angeles: Sage Publications.

Wernerfelt, B. 1984. A resource-based view of the firm. *Strategic Management Journal*, 5(2):171-180.

Wetzels, M., De Ruyter, K. & Van Birgelen, M. 1998. Marketing service relationships: The role of commitment. *Journal of Business & Industrial Marketing*, 13(4/5):406-423.

Wheeler, A. 2012. *Designing brand identity: An essential guide for the whole branding team*. New York: John Wiley & Sons.

Wheeler, D., McKague, K., Thomson, J., Davies, R., Medalye, J. & Prada, M. 2005. Creating Sustainable Local Enterprise Networks. *MIT Sloan Management Review*, 47(1):33-40.

Whiteford, A.C. & McGrath, M. 1994. *Distribution of Income in South Africa*. Pretoria: Human Sciences Research Council.

Whitney, P. & Kelkar, A. 2004. Designing for the Base of the Pyramid. *Design Management Review*, 15(4):41-47.

WHO. 2011. *Preventing disease through healthy environments: Towards an estimate of the environmental burden of disease.* [Online]. Available: http://www.who.int/quantifying_ehimpacts/publications/preventingdisease.pdf [2015, November 10].

WHO. 2014. *Health topics: Environmental health.* [Online]. Available: http://www.who.int/topics/environmental_health/en/ [2015, November 10].

Wiens, T.B. 1998. Agriculture and rural poverty in Vietnam. *Household Welfare and Vietnam's Transition*, (1998):61-98.

Wiklund, J. & Shepherd, D. 2003. Aspiring for, and achieving growth: The moderating role of resources and opportunities. *Journal of Management Studies*, 40(8):1919-1941.

Wiklund, J. & Shepherd, D. 2005. Entrepreneurial orientation and small business performance: A configurational approach. *Journal of Business Venturing*, 20(1):71-91.

Wiklund, J. 1998. Small firm growth and performance: Entrepreneurship and beyond. Jönköping International Business School.

Wiklund, J., Patzelt, H. & Shepherd, D.A. 2009. Building an integrative model of small business growth. *Small Business Economics*, 32(4):351-374.

Wildeman, L. 1998. Alliances and networks: The next generation. *International Journal of Technology Management*, 15(1-2):96-108.

Wilkinson, I. 2001. A history of network and channels thinking in marketing in the 20th century. *Australasian Marketing Journal*, 9(2):23-52.

Williams, T. 2005. Cooperation by design: Structure and cooperation in interorganizational networks. *Journal of Business Research*, 58(2):223.

Williamson, O.E. & Mueller, D.C. 1986. The Economic Institutions of Capitalism. *Antitrust Bulletin*.

Williamson, O.E. 1975. Markets and hierarchies: Antitrust analysis and implications. *New York: The Free Pres*.

Williamson, O.E. 1983 Credible Commitments: Using Hostages to Support Exchange. *The American Economic Review*, 73(4):519-540.

Wind, J. & Rangaswamy, A. 2001. Customerization: The next revolution in mass customization. *Journal of Interactive Marketing*, 15(1):13-32.

Womack, J.P. & Jones, D.T. 2009. *Lean solutions: How companies and customers can create value and wealth together*. New York: Simon and Schuster.

Wong, A. & Sohal, A. 2002. An examination of the relationship between trust, commitment and relationship quality. *International Journal of Retail & Distribution Management*, 30(1):34-50.

Wong, P.K., Ho, Y.P. & Autio, E. 2005. Entrepreneurship, innovation and economic growth: Evidence from GEM data. *Small Business Economics*, 24(3):335-350.

World Bank. 2000. *World Development Report 2000/2001: Attacking poverty*. Oxford: Oxford University Press.

World Bank. 2001a. World Development Report, 2000/2001. New York: Oxford University.

World Bank. 2001b. *China: Overcoming Rural Poverty*. Washington, D.C.: World Bank.

World Bank. 2004. *World Development Indicators (WDI), 2004*. [Online]. Available: www.worldbank.org.data [2017, May 3].

World Bank. 2014. *Doing Business 2015: Going Beyond Efficiency*. Washington, D.C.: World Bank.

World Bank. 2014. *GINI index (World Bank estimate)*. [Online]. Available: http://data.worldbank.org/indicator/SI.POV.GINI?year_high_desc=false [2017, January 4].

Worstall, T. 2015. *Forbes, Economics/Finance. As Karl Marx Noted, Capitalism Contains Its Own Equality Generator, Full Employment.* [Online]. Available: http://www.forbes.com/sites/timworstall/2015/09/19/as-karl-marx-noted-capitalism-contains-its-own-equality-generator-full-employment/ [2015, September 21].

Wright, M. & Stigliani, I. 2013. Entrepreneurship and growth. *International Small Business Journal*, 31(1):3-22.

Wright, M., Filatotchev, I., Hoskisson, R.E. & Peng, M.W. 2005. Strategy research in emerging economies: Challenging the conventional wisdom. *Journal of Management studies*, 42(1):1-33.

Wright, M., Roper, S., Hart, M. & Carter, S. 2015. Joining the dots: Building the evidence base for SME growth policy. *International Small Business Journal*, 33(1):3-11.

Wymer, W.W. & Samu, S. 2003. Dimensions of business and nonprofit collaborative relationships. *Journal of Nonprofit & Public Sector Marketing*, 11(1):3-22.

Xu, D. & Shenkar, O. 2002. Institutional Distance and the Multinational Enterprise. *Academy of Management Review*, 27(4):608-618.

Yasuda, T. 2005. Firm growth, size, age and behavior in Japanese manufacturing. *Small Business Economics*, 24(1):1-15.

Yilmaz, C. & Hunt, S.D. 2001. Salesperson cooperation: The influence of relational, task, organizational, and personal factors. *Journal of the Academy of Marketing Science*, 29(4):335-357.

Yorkston, E. & Menon, G. 2004. A sound idea: Phonetic effects of brand names on consumer judgments. *Journal of Consumer Research*, 31(1):43-51.

Yoshino, M.Y. & Rangan, S. 1995. *Strategic alliances: An entrepreneurial approach to globalization*. Massachusetts: Harvard Business School Press.

Yumkella, K. & Vinanchiarachi, J. 2003. Leading Issues on Africa's Path to Industrialisation: The Role of Support Systems and Instruments. *Journal of African Economies*, 12(1):30-40.

Zadek, S. & Thake, S. 1997. Send in the social entrepreneurs. *New Statesman*, 26(7339):31.

Zagare, F.C. 1984. *Game theory: Concepts and applications*. Volume 41. California: Sage Publications

Zaheer, A. & Bell, G.G. 2005. Benefiting from network position: Firm capabilities, structural holes, and performance. *Strategic Management Journal*, 26(9):809-825.

Zaheer, A. & Venkatraman, N. 1995. Relational governance as an interorganizational strategy: An empirical test of the role of trust in economic exchange. *Strategic Management Journal*, 16(5):373-392.

Zaheer, A., McEvily, B. & Perrone, V. 1998. Does trust matter? Exploring the effects of interorganizational and interpersonal trust on performance. *Organization Science*, 9(2):141-159.

Zahra, S.A. & Bogner, W.C. 2000. Technology strategy and software new ventures' performance: Exploring the moderating effect of the competitive environment. *Journal of Business Venturing*, 15(2):135-173.

Zammit, A. 2003. *Development at risk: Rethinking UN-business partnerships*. Geneva: South Centre.

Zeng, M. & Chen, X.P. 2003. Achieving cooperation in multiparty alliances: A social dilemma approach to partnership management. *Academy of Management Review*, 28(4):587-605.

Zenger, T.R. 1992. Why do employers only reward extreme performance? Examining the relationships among performance, pay, and turnover. *Administrative Science Quarterly*, 37(2):198-219.

Zhao, L. & Aram, J.D. 1995. Networking and growth of young technology-intensive ventures in China. *Journal of Business Venturing*, 10(5):349-370.

Zhou, H. & De Wit, G. 2009. Determinants and dimensions of firm growth. *SCALES EIM Research Report No H200903*.

Zmuda, N. 2009. *Tropicana line's sales plunge 20% post-rebranding*. New York: Advertising Age.

Zook, C. & Allen, J. 1999. *The Facts about Growth*. New York: Bain and Company.

Zott, C. & Amit, R. 2010. Business model design: An activity system perspective. *Long Range Planning*, 43(2):216-226.

Zott, C., Amit, R. & Massa, L. 2011. The business model: Recent developments and future research. *Journal of Management*, 37(4):1019-1042.

APPENDICES

Appendix A Inflation-adjusted poverty lines

To maintain integrity in the absolute poverty lines, two types of updates are obligatory, namely adjustments by means of inflation index or alternately the construction of completely new lines. Statistics S.A. used changes in cost of living based on Consumer Price Index (CPI) series. The inflation-adjusted poverty lines per capita per month in Rands are shown in Figure A-1.

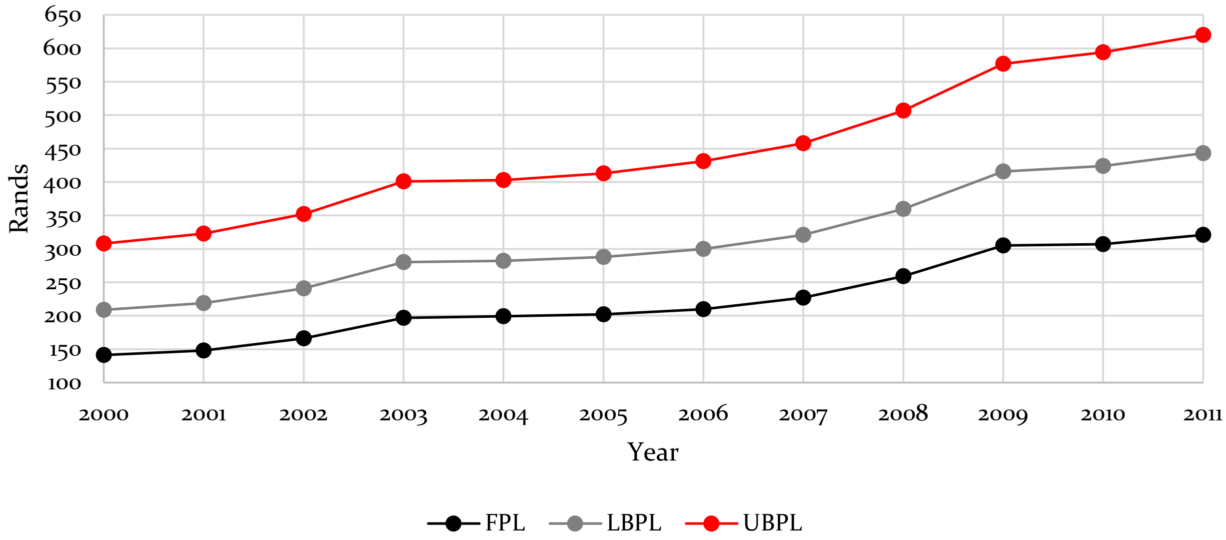


Figure A-1 Inflation-adjusted poverty lines (per capita per month in Rands) (Statistics S.A., 2014)

For fullness, the poverty lines are defined again:

- **Food poverty line (FPL):** corresponds to the level of consumption below which an individual would be unable to purchase sufficient food to adequately nourish them
- **Lower-bound poverty line (LBPL):** extends to include non-food items, however these items come at the expense of losing the individual's ability to sustain an adequate diet
- **Upper-bound poverty line (UBPL):** signifies the limit at which individuals (above the LBPL but still below the UBPL) can afford to buy both food and non-food items but are still classified as poor

Appendix B Poverty alleviation role players

There exist a number of role players when one is speaking of poverty alleviation, each with their own advantages and drawbacks. Understanding these differences is key to gaining an appreciation of the ideality of SMEs.

B.1 Government

Government approaches to poverty alleviation are largely objective in nature. The role of the government in society is not solely limited to protecting national borders and acting as arbiter between conflicting entities, but goes further to serve the equally important needs of social equality, environmental preservation, and economic inclusion and development.

Indirect measures of poverty alleviation are those which come about as a by-product of economic growth, through job creation and in what is known as the trickle-down effect (Aghion & Bolton, 1997). The trickle-down effect, in a macroeconomic sense, relates to the manner in which consumer goods targeted at the richest in society drop in price over time, until they are affordable to the poor at the base of the economic pyramid, thus increasing the wealth of a nation as a whole, albeit unfairly so.

More direct measures employed by the government include contributions of government grants, loans, and training structures, such as Sector Education and Training Authorities (SETAs), although the effectiveness of these is open to debate. Not only are these various schemes questionable in their effectiveness, but they are also little known, and fraught with regulatory procedures which must be traversed successfully before benefiting from them (Herrington *et al.*, 2015:39). For a comprehensive discussion of each of these options, including the numerous funding options available to South Africans in way of poverty alleviation, see Appendix C.

Of particular concern to government is the undoing of the damage wrought by the apartheid era in South Africa in terms of racial exclusion. Undoing this damage is a time-consuming process, however one way in which it is being implemented practically is through the use of Broad-Based Black Economic Empowerment (BBBEE) certification for businesses. The aim of BBBEE is to distribute wealth across as broad a spectrum of the previously disadvantaged black South African population as possible. Although it is not mandatory for every business to be BBBEE certified, companies in South Africa dealing with either the government or parastatals must be empowered, as required by the Preferential Procurement Policy Framework Act (Republic of South Africa, 2011). These companies then require their suppliers to be empowered, so as to improve their rating at government. In this way empowerment is driven down the whole supply chain.

Promoting a competitive and well-functioning private sector is a huge task for any government, especially in developing countries like South Africa where there exist limited resources and technical capabilities (as shown by their need for professionals with critical skills). Long-term comprehensive policies which target macroeconomic stability need to be developed, along with investments in infrastructure, health, and education and last but not least, pursuit of entrepreneurial and technological capacity. With regards to the latter, removal of administrative barriers and reinforcement of laws promoting entrepreneurship and creativity is pivotal in directing an economy towards greater prosperity and economic development, as compelling evidence exists which supports the relationship between excessively burdensome regulations and lower levels of productivity, entrepreneurship, employment, and growth (World Bank, 2014:viii).

Thus, in terms of poverty alleviation, government can be seen as promoters of justice and social inclusion, mediating the manner in which economic growth is achieved. However, due to the fact that impacting government or the manner in which it operates in a big way is near impossible for the average South African, due to political hurdles (e.g. corruption, regulations, etc.) and the plethora of voices crying to be heard, it is necessary to also look to more practical poverty alleviating actors.

B.2 Enterprise

Enterprise offers a subjective approach to both sociological and physiological forms of poverty.

The free enterprise system, wherein few restrictions are placed on businesses via the government regarding their ownership and business activities is an idealised system, which, due to its limited restrictions on trade, presents an opportunity for businesses to contribute to the poverty alleviation efforts of the government.

Friedman (1979), the Nobel Prize-winning economist, and economic advisor to President Ronald Reagan, otherwise known as the *ultimate guru of the free-market system* had the following famous discussion with Phil Donohue in an interview regarding the role of enterprise in poverty alleviation:

> *Phil Donohue: When you see around the globe the maldistribution of wealth, the desperate plight of millions of people in underdeveloped countries, when you see so few haves and so many have-nots, when you see the greed and the concentration of power, did you ever have a moment of doubt about capitalism? And whether greed is a good idea to run on?*
>
> *Milton Friedman: Well first of all tell me, is there some society you know that doesn't run on greed? You think Russia doesn't run on greed? You think China doesn't run on greed? What is greed? Of course none of us are greedy. It's only the other fella that's greedy. The world runs on individuals pursuing their separate interests. The greatest achievements of civilization have not come from government bureaus. Einstein didn't construct his theory under order from a bureaucrat. Henry Ford didn't revolutionize the automobile industry that way. In the only cases in which the masses have escaped from the kind of grinding poverty that you are talking about, the only cases in recorded history are where they have had capitalism and largely free trade. If you want to know where the masses are worst off, it's exactly in the kind of societies that depart from that. So that the record of history is absolutely crystal clear, there is no alternative way, so far discovered, of*

improving the lot of the ordinary people that can hold a candle to the productive activities that are unleashed by a free enterprise system.

Phil Donohue: Seems to reward not virtue as much as the ability to manipulate the system.

Milton Friedman: And what does reward virtue? You think the Communist commissar rewards virtue? You think a Hitler rewards virtue? Do you think... American presidents reward virtue? Do they choose their appointees on the basis of the virtue of the people appointed or on the basis of political clout? Is it really true that political self-interest is nobler somehow than economic self-interest? You know I think you are taking a lot of things for granted. And just tell me where in the world you find these angels that are going to organize society for us? Well, I don't even trust you to do that.

Thus, the functioning of businesses in all their different forms may very well be the best option for alleviating poverty in a big way in South Africa, and the world over. It is the aim of this section, therefore, to relate the most common and effective role-players in the business of poverty alleviation.

B.2.1 NOT-FOR-PROFIT ORGANISATIONS

Not-for-profit organisation (NFPO) is a broad term which includes all organisations that are known variously as charities, non-profit organisations (NPOs), non-governmental organisations (NGOs), private voluntary organisations (PVOs), and civil society. NFPOs, sometimes called the third sector, can be seen to fit well between the institutional complexes of government and the public sector on one side, and the for-profit business sector on the other. In reality, the distinctions between these three sectors are quite blurred and fluid (Anheier, 2014:4).

Banks and Hulme (2012:3) argue that NFPOs operate well in environments where the government is unable to supply sufficient goods, services, or enabling environments so as to help citizens with basic necessities, especially for those who are disadvantaged and removed from society. They also put forward that NFPOs have been shown to be good service providers to the poor, but lack ability to promote advocacy or enable empowerment, often failing to bring about any long-term structural changes which are at the root of lasting poverty alleviation.

Although charitable and philanthropic NFPOs have helped alleviate poverty at the BOP for as long as the poor have existed, their effectiveness at eradicating poverty is largely compromised due to what some argue as their propensity to target symptoms of poverty, rather than its causes (BBC Ethics Guide, 2014). Furthermore, their priorities are often backwards as they tend to be held accountable by those providing funding, instead of the poor which they are aiming to help. As Dees (1998a:58) puts it "*like the proverbial tail wagging the dog, commercial funding can pull a nonprofit away from its social mission*." Although their motivations are just, they normally do not have the technical ability to eliminate the causes of poverty, e.g. inadequate access to affordable wealth creating products and services.

B.2.2 For-profit organisations

The alternative to operating as an NFPO is, of course, operating as a for-profit organisation (FPO). FPOs include proprietorships, partnerships, corporations, limited liability companies, and cooperatives. Until relatively recently, the BOP has always been seen more as the playing field of NFPOs, however some famous researchers have radically restructured the way businesses perceive the BOP (Prahalad, 2009; Hart & Christensen, 2002). The BOP is nowadays seen as a potentially lucrative market, if only the specific requirements for operating at the BOP are understood. The general belief is that with enough sales of value adding products or services, however small the profit margin is, due to the huge size of the BOP market in developing or underdeveloped countries, businesses can reap profits whilst simultaneously improving the lot of the poor (Rangan, Chu & Petkoski, 2011).

The overriding benefit of FPOs, as opposed to government or NFPOs, lies in the fact that for-profits can approach the poor in a strictly subjective sense due to their inherently skilled technical capabilities, allowing them to provide solutions to the causes of poverty, be it sociological or physiological. Two divisions exist when it comes to for-profits, namely local businesses (including locally grown multinational corporations (MNCs)), and foreign companies operating in South Africa (foreign-based MNCs).

Domestic organisations are pivotal to eradicating poverty as they exhibit the technical capabilities needed to provide answers to the root problems of the poor without having to deviate their focus from the poor whilst they develop solutions for them.

Large enterprises and SMMEs are pivotal in South Africa. SMEs are especially important due to their impact on and pervasiveness throughout society (Goldstuck, 2014). Of major concern to government is the capacity of SMEs to generate economic growth, create jobs, and alleviate poverty.

Poverty alleviation, due to action of for-profits, however, is only realisable when those organisations specifically target the BOP as a distinctive market segment with its own needs. Though poverty alleviation has generally fallen into the realm of governmental, charitable, and philanthropic institutions, the role of enterprises, and more specifically social entrepreneurs, has long been a popular alternative, as put by Dees (1998b:1):

> *The time is certainly ripe for entrepreneurial approaches to social problems. Many governmental and philanthropic efforts have fallen far short of our expectations. Major social sector institutions are often viewed as inefficient, ineffective, and unresponsive. Social entrepreneurs are needed to develop new models for a new century.*

Social entrepreneurs are, by definition, people who establish an enterprise with the aim of developing solutions to social problems, or effecting social change. Therefore, SMEs led by social entrepreneurs have formidable potential in the twin realms of poverty alleviation and economic growth.

Foreign-based organisations operating in South Africa are mostly MNCs. MNCs are corporations which have assets and facilities in at least one country other than their home country, and are usually globally coordinated from a centralised head office in the home country. Some multinationals operating in South Africa include Acer, Agrid, Barclays bank, General Electric, Vodafone, and Volkswagen, to name but a few.

Although MNCs play a role in poverty alleviation in South Africa, MNCs operating within South Africa but based outside the country are precarious routes to poverty alleviation, as where their loyalties lie is debateable and subject to change. Therefore, foreign-based MNCs will always provide a riskier route to poverty alleviation than local organisations or government interventions.

Beyond this inherent risk, MNCs have been criticised for being slow to act due to bureaucracy and split incentives (Larsen & Mayrhofer, 2006:91). They do however exhibit a heightened ability to exploit economies of scale due to external funding, and they have a greater ability to bargain in obtaining favourable conditions from governments who want to keep their inward investment and jobs. Major drawbacks of foreign-based MNCs, however, as a route to poverty alleviation can be seen in that they are inherently at a disadvantage regarding understanding national and cultural norms, due to the multiple languages, different laws, and unstable political processes intrinsic to South Africa. This gives local organisations a general advantage.

According to Mthombeni (2006:22), the impact of MNCs on trade and development is very uneven, and often supports dualistic economic structures which, in actual fact, exacerbate income inequalities. They utilise resources to produce high-end market products and services, promoting the welfare of a small rich minority, often operating outside their own country so as to opportunistically exploit the massive labour pool inherent in South Africa. This all works together to aggravate the disproportion between the richest and the poorest, causing a serious imbalance between rural and urban economic opportunities (Spero & Hart, 2009:273).

In the short-term, MNCs may seem favourable, but in the long run it stifles development of SMEs, effectively acting against the aims of the national development plan (NDP).

Appendix C Government initiatives

Since the advent of democracy in South Africa in 1994, multiple programmes have been developed to provide support for SMEs nationwide. The reason for implementing these programmes lay in the hopes that stimulating economic development would reduce the rapidly growing number of unemployed and poverty-stricken people. Although numerous programmes have successfully found their way into the media it is still unclear how effective they are at fulfilling their objectives in aiding SMEs.

C.1 Small Enterprise Development Agency (SEDA)

The Small Enterprise Development Agency (SEDA) is an agency of the Department of Small Business Development (DSBD). SEDA was established at the end of 2004 through the National Small Business Amendment Act 29 of 2004 (Republic of South Africa, 2004). It came about by the merging of three organisations, which are the Ntsika Enterprise Promotion Agency (which had formerly failed to achieve its mandate), the National Advisory Centre (NAMAC) and the Community Public Private Partnership programme (CPPP). In 2006 the GODISA Trust and National Technology Transfer Centre were integrated into SEDA thus forming the SEDA Technology Programme (STP). The agency was mandated to implement the government's small business strategy (SEDA, 2010). This entails designing and implementing a standard and common national delivery network for small enterprise development, and integrating government-funded small enterprise support agencies across all tiers of government.

SEDA's mission is to develop, support, and promote nationwide small enterprise growth and sustainability for local entrepreneurs through coordination and (global) partnerships with key role players. They achieve this through a business model which is based on a number of dispersed delivery points and offices, the head of which is located in Pretoria. However, the quality of the contracted service providers varies greatly thus typically rendering their services of little value (Herrington *et al.*, 2015:38).

C.2 Small Enterprise Finance Agency (SEFA)

More recently, in 2012, the Small Enterprise Finance Agency (SEFA) was founded and given access to R1.4 billion in funding. This money was provided by the Industrial Development Corporation (IDC) and the South African government. Early in 2014 SEFA merged with Khula Enterprise Finance Limited, the South Africa Micro-Finance Apex Fund (SAMAF), and the small business activities of the IDC. With the twofold aim of poverty alleviation and job creation, SEFA's mandate is to foster the establishment, survival, and growth of SMMEs (SEFA, 2013).

Through the form of bridging finance, revolving loans, asset finance, working capital, and term loans, SEFA caters for financial needs of SMMEs up to and including R3 million. The criteria for accessing the financial services are largely dependent on the business plan of the SMME, through which SEFA is able to ascertain whether the business is likely to be able to repay the money over time from its cash flow. In total, there are nine offices spread across the country. Regarding the agency's effectiveness the Minister of Economic Development, Mr Ebrahim Patel says that SEFA markedly improved its levels of approvals and disbursements from 2013 to 2014 (Republic of South Africa, 2014c:45), increasing overall approvals to over R1 billion (a 142% increase compared to 2012 to 2013 period) and increasing disbursements to R549 million (a 175% increase compared to 2012 to 2013 period).

C.3 National Youth Development Agency (NYDA)

Shifting away from enterprise finance and focusing more on education and skills development is the National Youth Development Agency (NYDA). Launched in 2009 in line with the National Youth Development Agency Act 54 of 2008 (Republic of South Africa, 2008b), the NYDA acts so as to coordinate and promote the development of South Africa's youth through providing assistance in terms of starting businesses and financing existing businesses. More specifically its mandate was to initiate, facilitate, coordinate, implement, and monitor youth development in an effort to reduce youth unemployment whilst fostering social cohesion (NYDA, 2014).

The target age of South Africans deemed as youth ranges from 14 to 35 years of age. The NYDA will grant up to R100,000 for any individual or youth cooperative. Controversy regarding corruption has however plagued the organisation whose foundations were built upon the merging of two previously ineffective agencies, namely the Umsobomvu Youth Fund and the National Youth Commission (Herrington *et al.*, 2015:39). The performance measures used for the agency are questionable, thus the effectiveness has come into question. Another gripe the media has with the agency includes accusations of disproportionate amounts of money going into salaries of people which are not performing their duties whilst others have used political connections in an act of nepotism to get jobs (Herrington *et al.*, 2015:39). However, in 2014 new management was appointed thus whether the agency will be able to realise their mandate awaits to be seen.

C.4 Technology Innovation Agency (TIA)

The Technology Innovation Agency (TIA) was started in terms of the Technology Innovation Agency Act 26 of 2008 (Republic of South Africa, 2008c). The objective was to stimulate, intensify, develop, and exploit technological innovations so as to improve economic growth and life quality for South Africans. The TIA is an initiative of the Department of Science and Technology (DST), formed by the merging of seven DST entities formerly tasked to support and promote innovation in the country, which include the Advanced Manufacturing Technology Strategy (AMTS), BioPAD Trust, Cape Biotech Trust, Innovation Fund, LIFElab, PlantBio Trust, and the Tshumisano Trust. Its mandate is to support the development and commercialisation competitive technological products and services (TIA, 2015).

Through industry matching funding, equity funding, technology development funding, and idea development funding, the TIA invests in the Advanced Manufacturing, Agriculture, Energy, Health, ICT, Industrial Biotechnology, and Mining sectors. The TIA does not implement minimum or maximum limits, however high funding applications will be scrutinised much more closely. The agency uses South Africa's science and technology base to advance new industries thereby diversifying the economy and creating sustainable jobs. Both financial and non-financial support are provided to the agency's stakeholders which include entrepreneurs, higher education institutions, private research institutions, public entities, and science councils.

C.5 National Empowerment Fund (NEF)

Established in 1998 according to the National Empowerment Fund Act 105 of 1998 (Republic of South Africa, 1998a), the National Empowerment Fund (NEF, 2015) is mandated to be "*a driver and thought leader in promoting and facilitating black economic participation by providing financial and non-financial support to black empowered businesses and promoting the culture of savings and investment among black people.*"

Business loans in the range of R250,000 to R75 million across all industry sectors provide monetary help to start-ups and expanding businesses. Approval may however take from six to eight weeks, and disbursement of the funds takes three to four months from submission of the complete application.

C.6 Sector Education and Training Authority (SETA)

Sector Education and Training Authorities (SETAs) are organisations formed to aid in implementing the National Skills Development Strategy (NSDS) which were re-established in 2005. Their mandate involves fostering skills which promote sustainable growth, development and equity through cooperating with skills development institutions within each respective sector, for both the employed and unemployed (Department of Labour, 2007). The functions of SETAs are laid out in the Skills Development Act of 1998 (Republic of South Africa, 1998b) as amended in the Skills Development Amendment Act 37 of 2008 (Republic of South Africa, 2008c). In effect, SETAs act so as to increase the gross human capital of the South African labour force.

SETAs develop Sector Skills Plans (SSPs) to determine what to prioritise in terms of skills development and identification of critical skills. Businesses can then enrol employees in *learnerships* which involves a signed contract between the employer, training provider, and the employee if the direction is in line with the needs determined by the SSPs. Hereafter the employee attends formal skills development programmes in addition to working for the business when not attending classes. After completing the learnership, the employee will be better equipped in terms of intermediate and high level scarce skills, and also receives a National Qualifications Framework (NQF) accredited certificate. Learnerships typically last between one and two years. The benefits of learnerships are shown in Table C-1.

Table C-1 Benefits of learnerships for the learner, employer, and industry

The learner	Gains access to free learning and better job opportunities
	Can earn an income whilst he/she learns
	Helps learners to get into the workplace and/or get a formal qualification
The employer	Gets skilled, experienced workers who will need less supervision
	Gets improved productivity
	Can identify and solve gaps in skills and training
	Educates and empowers employees, creating a happy workforce
The industry	Gets access to far more skilled and professional workers
	Can develop employees to world-class standards
	Becomes more competitive in the international market

By means of a Workplace Skills Plan (WSP) which matches strategies and activities in the workplace to required skills both for the present and future, employers are encouraged to appoint a single employee to be a Skills Development Facilitator who then communicates with the respective SETA regarding the WSP. A mandatory grant of 50% of the total skills development levy paid to the South African Revenue Service (SARS) will be paid back to the employer if the WSP is correctly prepared along with an Annual Training Report (ATR) rating business performance against the WSP. Further discretionary grants may also be paid out depending on how well the business achieves the skills development initiatives set out in the NSDS.

C.7 Public awareness

In the Adult Population Survey conducted by the Global Entrepreneurship Monitor (GEM), it was determined that public awareness of government initiatives is incredibly low in South Africa (Herrington *et al.*, 2015:40). Within the Western Cape, only 10% of the respondents knew even the names of small business aiding government initiatives with the rest of the country having an average of 12% awareness, probably due to the fact that head offices of the initiatives are mainly in Gauteng. However as only 7% of respondents were classified as early-stage entrepreneurs this is not at all so surprising.

Appendix D Engineering systems approach

Understanding how the main research question and research sub-questions are systematically answered is portrayed in Figure D-1. What is shown is an engineering systems approach to problem solving. First off, the main research question is understood by dividing it into research sub-questions, effectively breaking down a large problem into smaller parts which are more manageable. By answering each of these sub-problems, a number of sub-solutions are arrived at, whereafter they can be logically grouped so as to provide an answer to the main research question.

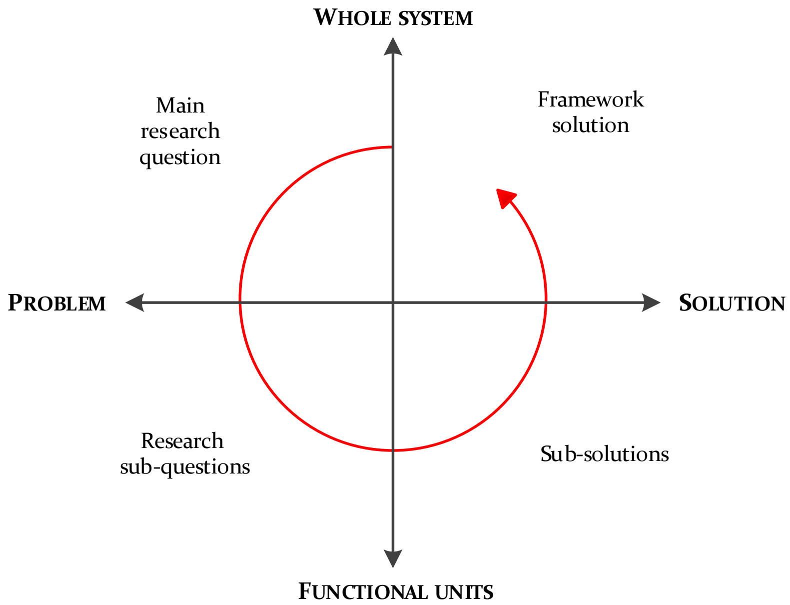


Figure D-1 Flow of real world problem solving, adapted from Kennon (2010:21)

The main research question of Chapter 1.4.1 comprises multiple sub-questions, as laid out in Chapter 1.4.2. Through systematically answering these sub-questions and then systematically bringing their individual solutions together into a cohesive whole, the final solution can be developed, namely the framework of Chapter 12.6.3, and the evaluation technique of Chapter 12.6.4.

Appendix E Market segments and poverty alleviation

E.1 Living Standards Measurement for groups 6 to 10

The LSM is continued here in Table E-1. Along with each group and its corresponding size (as a percentage of the entire South African market), there is a breakdown of the demographics of the group, the media most used by the group, and some general information pertaining to the group in general.

Table E-1 LSM groups 6 to 10 characteristics (SAARF, 2014:1)

LSM group (and size)	Demographics	Media	General
LSM 6 (22.7%)	Female bias 25-49 years old Matric Large urban House/townhouse, cluster house R6,648 average household income per month	Wide range of commercial and community radio TV: SABC 1,2,3, e.tv, Top TV, Community TV Any AMPS newspaper Outdoor	Electricity, water in home, flush toilet in home TV set, stove, fridge/freezer, microwave oven 69% have a savings account Activities: hire DVDs, go to night clubs, take away in the past four weeks, attend gatherings, buy lottery tickets, go to gym
LSM 7 low (6.2%)	Male bias 25+ years old Matric and higher Urban R10,857 average household income per month	Wide range of commercial and community radio TV: SABC 1,2,3, e.tv, DStv, Top TV, Community TV All print Accessed internet past seven days Outdoor	Full access to services and savings accounts Increased ownership of durables plus DVD and motor vehicle Participation in all activities
LSM 7 high (5.4%)	Female bias 25-34 years old Matric and higher Urban R13,225 average household income per month	Wide range of commercial and community radio TV: SABC 1,2,3, e.tv, M-Net, DStv, Top TV, Community TV All print Accessed internet past seven days Cinema and outdoor	Full access to services including cheque and savings accounts Increased ownership of durables plus DVD and motor vehicle Participation in all activities
LSM 8 low (4.4%)	Male bias 35+ years old Matric and higher Urban R15,070 average household income per month	Wide range of commercial and community radio TV: SABC 1,2,3, e.tv, M-Net, DStv, Top TV, Community TV All print Accessed internet past seven days Cinema and outdoor	Full access to services and bank accounts Full ownership of durables, incl. PC Increased participation in activities
LSM 8 high (3.8%)	Female bias 25+ and 50+ years old Matric and higher Urban R17,462 average household income per month	Wide range of commercial and community radio TV: SABC 2,3, e.tv, M-Net, DStv, Top TV, Community TV All print Accessed internet past seven days	Full access to services and bank accounts Full ownership of durables, incl. PC Increased participation in activities

LSM group (and size)	Demographics	Media	General
		Cinema and outdoor	
LSM 9 low (4.6%)	Female bias 35+ years old Matric and higher Urban R20,488 average household income per month	Wide range of commercial and community radio TV: SABC 2,3, e.tv, M-Net, DStv, Top TV, Community TV Accessed internet past seven days All print Cinema and outdoor	Full access to services and bank accounts Full ownership of durables Increased participation in activities, excluding stokvel meetings
LSM 9 high (4.8%)	Female bias 35+ years old Matric and higher Urban R23,746 average household income per month	Wide range of commercial radio TV: SABC 2,3, e.tv, M-Net, DStv, Top TV, Community TV Accessed internet past seven days All print Cinema and outdoor	Full access to services and bank accounts Full ownership of durables Increased participation in activities, excluding stokvel meetings
LSM 10 low (3.4%)	Male bias 35+ years old Matric and higher Urban R30,882 average household income per month	Wide range of commercial radio TV: SABC 3, M-Net, DStv, Top TV, Community TV All print Accessed internet past seven days Cinema and outdoor	Full access to services and bank accounts Full ownership of durables Increased participation in activities, excluding stokvel meetings
LSM 10 high (2.6%)	Male bias 35+ years old Matric and higher Urban R35,919 average household income per month	Wide range of commercial radio TV: M-Net, DStv, Top TV, Community TV All print Accessed internet past week Cinema and outdoor	Full access to services and bank accounts Full ownership of durables Increased participation in activities, excluding stokvel meetings

Stokvels are invitation only clubs whereby twelve or more people serve as rotating credit unions (or saving schemes) in South Africa. Members contribute fixed sums of money to a central fund on a weekly, fortnightly or monthly basis. Each month a different member receives the money in the fund collected for that period.

E.2International best practices summary

Outlined below are details regarding the routes that have been taken at a national level in combatting poverty the world over.

China

As a result of remarkable annual economic growth levels ranging between 8% and 9% since as far back as the late 1970s, in conjunction with well-designed and equally well implemented poverty reduction programmes, China has been able to uplift a total of more than 402 million people out of poverty (according to the definition of poverty as being those living on less than US$1 per day during the 1981 to 2002 period) (World Bank, 2004). The mechanism through which this was effected is dealt with in Table E-2.

Table E-2 China's approaches to poverty alleviation

Approach	**Description and results**
China's rural reform (1978-1984)	The prime challenge in the early years of China's post-1978 reform period pertained to creating pro-poor economic opportunities, i.e. boosting rural economic growth via rural reforms. With a stagnating national economy, pervasive and high poverty levels were exacerbated by the ten-year long Cultural Revolution and enduring restrictions on economic activity. The Chinese government launched institutional reforms (Sangui, Zhou, Yanshun & Liu, 2004), boosting the rural economy by creating an economic incentive system that stimulated economic opportunities for the rural poor. Its aims included diversifying the rural economy, improving rural living standards, increasing agricultural production, and promoting new technologies. Institutional changes in way of land reform via the household responsibility system in rural China gave farmers usage rights over productive land. Jointly owned and operated land was disseminated to farmers according to family size and the number of workers. This gave farmers the right to choose their own crop mix and input levels, so long as they satisfy government quotas for certain crops. Surplus output could then be sold in the free markets, motivating farmers to increase productivity and reduce production costs. Increases in procurement prices and promotion of free markets by government encouragement further enthused agricultural production. Due to the vast rural regions in poverty, these rural reforms impacted poverty reduction effectively, resulting in a 15% rise in rural incomes per year and between 1981 and 1984 the level of income poverty (those living on less than $1/day) dropped from 49% to 24%, shrinking the rural poor (those living on less than $0.66/day according to Chinese measurements) from 250 million in 1978 to just 125 million in 1985 (States Statistical Bureau, 2004)
China's National Targeted Poverty Reduction Programmes (1986-1993)	Rural living conditions and economic growth appeared to lag again in the mid-1980s, mainly in the border, minority, and revolutionary regions. Thus, in the Seventh Five Year Development Plan (1986-1990) these regions received special attention, marking the start of China's targeted rural poverty reduction programmes (Sangui *et al.*, 2004). Programmes launched in the mid-1980s included a wide variety of actors, funding channels, and initiatives. In 1986 the state council's Leading Group for Poverty Reduction (LGPR) was formed to manage/govern the numerous initiatives, ensuring the expediting of economic development in poor areas. For poor counties, the central government allocated special funds in support of the: food for work (FFW) programme, subsidised loan programme, and development fund grants. Subsidised loans covered households and enterprises (in agriculture and industry), the FFW programme utilised surplus farm labour to develop infrastructure, and government budgetary grants supported investment in poor areas across all sectors (World Bank, 2001b). Although at a reduced rate, rural poverty continued to decline during this period, and by the end of the National Targeted Poverty Reduction Programmes phase, rural poverty levels had declined to 80.1 million people, with the incidence of rural poverty down to 8.8% (States Statistical Bureau, 2004)
China's 8-7 Plan (1994-2000)	Government introduced the '8-7 Plan' (National Plan for Poverty Reduction) in 1994, seeking to lift the majority of the remaining poor above the government's poverty line during a seven-year period. The plan was to create more economic opportunities for the poor by augmenting their essential assets and thus strengthening the poverty reduction policies that were in place in the late 1980s. The 8-7 Plan comprised several objectives (Sangui *et al.*, 2004), to: • Assist with land improvement, increase cash crop, tree crop and livestock production, and improve access to off-farm employment opportunities • Provide most townships with electricity and road access, and improve access to drinking water for most poor villages • Accomplish universal primary education and basic curative and preventive healthcare • Graduate better-off counties from the newly established list of nationally designated poor counties • Manage available funding successfully, appraising the financial viability of poverty reduction investment activities, recovering loan funds and ensuring no leakage of funding to non-poverty-reducing activities

Approach	Description and results
	• Enlist involvement and support of all government agencies and ministries, provinces, municipalities, and domestic and international organisations By effectively implementing the 8-7 Plan, the government ensured the annual funding for poverty reduction jumped by over 50% by 1997, reversing a decade of decline in China's real funding for poverty reduction. The 8-7 Plan upheld the three interventions launched in 1986, namely the: subsidised loans programme, FFW programme, and government budgetary grants. These resulted in accelerated poverty alleviation in China with the number of rural poor declining from 70 million to 29 million between 1994 and 2001 (States Statistical Bureau, 2004). The effectiveness of the 8-7 Plan was attributed to the joint effect of: agricultural price increases (related to the 1994-1996 government procurement reform82), economic growth (directly supported by the 8-7 Plan), and rural-urban migration. Reinforcing the reduction of poverty was the country's steady progress in human capital development in the 1990s. Adult literacy rates had risen to 85% by 2001, and enrolment rates were up to 99% in primary schools, and 89% and 44% in junior and senior secondary schools respectively. Significantly high progress was achieved in healthcare, with China revamping lower middle-income standards by 2001. This resulted in an average life expectancy at birth of 70 years and a low infant mortality rate of 3.1%, an under five mortality of 3.9%, with 85% of the population gaining access to essential drugs, and less than 10% being undernourished
China's New Century Rural Poverty Alleviation Plan (2001-2010)	Regardless of the impressive poverty alleviation improvements in rural areas, by 1999 the rural-urban and coast-interior poverty reduction disparities had expanded. Within some of these high-level poverty regions, poor households were relatively scattered in poor villages marked by poor agricultural land and weak infrastructure. Targeting poor counties was thus no longer effective, so the Chinese government launched the New Century Rural Poverty Alleviation Plan for 2001-2010, which targets poor villages rather than poor counties, emphasising the development of poor people's essential assets and promoting participatory poverty reduction approaches. Villages were the basic unit of targeting, and poverty reduction investments also covered poor villages in non-poor counties. The new plan emphasises the development of education, healthcare, science, and technology. The plan also recognised that rural-urban migration is a critical poverty reduction avenue; thus, new policy initiatives aimed to make it easier for rural people to benefit from job opportunities in China's towns and cities. This poverty reduction strategy managed to reduce China's rural poverty by 3.1 million people from 2000 to 2003 (States Statistical Bureau, 2004)

Uganda

Like China, the two major forces behind Uganda's success regarding poverty reduction are: economic growth attained through a series of economic and institutional reforms, and a coherent yet broad range of poverty reduction programmes. Precisely how these reforms and programmes translated into improved living conditions for the poor is addressed in Table E-3.

Table E-3 Uganda's approaches to poverty alleviation

Approach	Description and results
Uganda's impact of economic growth (1992-2000)	In 1986, the National Resistance Movement gained power over an economic ruin that was Uganda. With a high annual inflation rate of 250% in 1987, negatively impacted by economic mismanagement and scarcity of basic goods, government finances were so weak that foreign exchange reserves could only cover two weeks of import cover. The banks were insolvent, and therefore unable to provide loans for product investment and working capital. The real GDP had declined 10% from 1984 to 1985. With aid levels also very low, the country was in a severe crisis. In 1987 the government (along with the help of the World Bank, the International Monetary Fund, and bilateral donors) began the Economic Recovery Programme (ERP) which was a structural adjustment programme of the World Bank and International Monetary Fund (Kasekende & Atingi-Ego, 1999; Devarajan, Dollar & Holmgren, 2001; Opolot & Kuteesa, 2006). Objectives of this programme included a focus on: liberalisation of consumer and producer prices, liberalisation of interest rates within a restructured and more efficient financial system, liberalisation of the foreign exchange market and the strengthening of the balance of payments position,

Approach	**Description and results**
	liberalisation of trade and compliance with other regional and international trade obligations, privatisation and rationalisation of state enterprises, and the stabilisation of the economy via restoration of fiscal and monetary discipline. Key policy measures taken by the government to fulfil the aforementioned objectives included (Opolot & Kuteesa, 2006): • An abolition of monopolies in the early 1990s coupled with the removal of restrictions on produce movement so that exporters could borrow directly from commercial banks to pay farmers rather than going through marketing boards • Divesting of government monitoring with regards to agricultural marketing and pricing activities, narrowing the role of government institutions to providing support activities including provision of market information, research and development, and quality control • A pricing policy focused on liberalising input and output prices through: reducing or eliminating subsidies on agricultural inputs (e.g. fertilisers and credit), realigning domestic and world market prices, eliminating pan-seasonal and pan-territorial pricing, and reducing overvaluation of the exchange rate • Import and export procedures were liberalised, abolishing licensing requirements. Tariff-based protection replaced the import controls, and temporary export stabilisation tax on certain exports was removed • A facility initiated by the Bank of Uganda to give medium to long term financing to potential exporters via various credit lines and support schemes which were supported by external donor agencies, giving loans to SMEs within the private sector via licensed banks • Development of the National Agricultural Research Organisation in 1992 to undertake, promote, and co-ordinate research pertaining to agricultural development As a result of these measures, the economic growth rate climbed to 6.9% in the 1990s, lifting the GDP per capita from US$251 in 1990 to US$347 in 1999, and dropping the inflation rate to just 10% per annum. Uganda regained its position as Africa's leading exporter of coffee by abolishing the marketing board's monopoly on coffee (and tea and cotton), raising producer prices and surging production. While the Coffee Marketing Board (CMB) was responsible for exporting Uganda's coffee, local farmers received a mere 30% of the export price. When the CMB was abolished the local farmers' share rose to 45% in 1991/92 and 82% in 1996/97. As an estimated 2.5 million people (i.e. 13% of Uganda's population at the time) relied on coffee for their livelihood via production and marketing, this had a strong positive impact on poverty reduction (Opolot & Kuteesa, 2006). The economic recovery itself also coincides with the reduction due to the trickle-down nature of economic growth (Kappel, Lay & Steiner, 2004; Fan & Zhang, 2008; Kabananukye, Kabananukye & Owomugasho, 2004). The incidence of poverty (both urban and rural) declined from 55.5% in 1992 to 35.2% in 1999/2000, with half of the reduction only coming after 1997. However, urban poor tended to benefit more from the general economic growth than did their rural counterparts, which is to be expected. Poverty reduction levels were lowest where infrastructure was poor, with poverty incidence in these regions being double that of the national average (Fan & Zhang, 2008)
Uganda's national poverty reduction programmes (1992-2000)	Policies more specifically focused on poverty alleviation were developed in conjunction with the economic growth promoting policies that also had a positive impact on poverty reduction. In 1995 the first poverty eradication action plan (PEAP) was developed, and updated in 2002 after much broader consultation to include poverty assessment and determining the views of the poor themselves. The PEAP rests on four pillars (Mbuli, 2009), namely: • Creating an enabling environment for rapid and sustainable economic growth and structural transformation (promoting equitable and efficient collection and use of public resources, macroeconomic stability, and private sector development) • Good governance and security (promoting conflict resolution, decentralised governance with strengthened bottom-up accountability, tackling corruption, legal sector reform, and public information) • Actions that directly increase the ability of the poor to increase their income (promoting access to agricultural advisory services, rural finance and markets, rural roads, secure access to land, sustainable energy resources for the poor, and sustainable natural resource utilisation) • Actions that directly improve quality of life for the poor (promoting free primary education, improved access to clean water and sanitation, improved adult literacy, improved healthcare, and reducing HIV/AIDS infection rate)

Approach	Description and results
	To support the PEAP, the Poverty Action Fund (PAF) was set up with the important function of funding activities that have a direct impact on poverty, e.g. agricultural extension, feeder roads, primary education, primary health care, water and sanitation, etc. The PAF effectively strengthened the government's budget allocation emphasis on infrastructure and social services (Foster & Mijumbi, 2002). In agreement with the PEAP, the living standards of the poor were improved upon. For instance, in addition to the positive impacts of free market reforms, substantial investments in roads contributed to lower transportation costs and subsequently a significant reduction in market price spread. Free primary education also resulted in a 90% increase in enrolments (Larson & Deininger, 2001). In terms of health standards, benefits of the programme included a halving of HIV infection rates from 14% in 1995 to just 6.1% in 2000 (Uganda Demographic and Health Survey, 1995, 2001)

Vietnam

In the same manner as with China and Vietnam, two main factors contributing to the poverty reduction in Vietnam in the 1993 to 2004 period included: good economic performance in predominantly rural areas, which can be attributed to the economic and institutional reforms of the late 1980s, and; the various targeted poverty reduction programmes initiated in 1992. The details of the reforms and programmes are outlined in Table E-4.

Table E-4 Vietnam's approaches to poverty alleviation

Approach	Description and results
Vietnam's Doi-Moi poverty alleviation programme (1993-2004)	With a failing Vietnamese economy with an inflation rate of 774.7% by 1986, the status quo of the country was dire. Bad weather coupled with poor incentives yielded a far from sufficient harvest in 1987, with a drop of one million tonnes of grain in comparison to the year before. Food shortages by 1988 were grim and resulted in starvation affecting 9.3 million people, representing 39.7% of farm households (Nguyen & Chu, 1996). To counter this, the Vietnamese government developed and implemented the Doi-Moi (renovation) programme which took a while to get started. Similar to the institutional and economic reforms made by China, the Vietnamese sought to create economic opportunities for the poor and foster effective mechanisms for macroeconomic management that would develop an incentive system for private enterprises to grow rapidly. The programme also dealt with distribution of land to rural farming households, marketising the rural economy, and creating incentives for farm production (e.g. relaxing trade restrictions on rice exports, relaxing internal barriers to allow rice to move freely within the country, reducing fertiliser supply constraints, and improving development of market infrastructure). The Doi-Moi eliminated consumption and production subsidies, streamlined the public sector, stabilised inflation, and liberalised foreign trade and investment (Dollar, 2002; Dollar & Litvack, 1998; Wiens, 1998). Critical to the success of the DoioMoi was the accompanying creation of a legal framework to amend and promulgate the business-related laws and regulations of the corporate sector. These reforms resulted in Vietnam exhibiting one of the fastest growing economies in the world from 1993 to 2004 with a growth rate of 7% to 8% per annum. Agricultural growth had risen so steeply that Vietnam went from a rice-importer to one of the biggest exporters in the world during the 1990s. This has grown to include other produce such as cashew nuts, coffee, and pepper. From 1987 to 1999, exports increased from US$854.2 million to US$11,540 million. As a knock-on effect, Vietnam's poverty rate has declined substantially, dropping from 58.1% in 1993 to 37.4% in 1998, 28.9% in 2002, and 19.5% in 2004. Similarly, in the same years the food poverty level dropped from 24.9% to 15%, to 10.9%, and 7.4% (Fan, Huong & Long, 2004)
Vietnam's national poverty reduction programmes (1993-2005)	In order to assist those lacking the necessary assets to participate meaningfully in the economy, the Vietnamese government initiated a number of targeted programmes. A hunger and poverty eradication plan was hence developed (Anh, 2005). From 1992 to 1995 a framework of 14 national development programmes aided in poverty alleviation by focusing on things such as: eradication of illiteracy, job creation, provision of preferential credit, reduction of child malnutrition, reforestation, etc. The plan addressed immediate poverty by allocating funds to provide credit to households, providing the poor

Approach	**Description and results**
	with essential goods (e.g. blankets, clothes, food, kerosene, salt, etc.), and constructing commercial infrastructure to promote long-term economic opportunities (e.g. commune clinics, electricity grids, irrigation, rural roads, schools, etc.). The better-off locals also contributed large sums to poverty alleviation (Ha, 2002). Some specialised programmes for poverty reduction included the: • Bank for the Poor (renamed Bank for Social Policies): a financial service institution to encourage economic development of the poor in 1995 • National Targeted Program for Hunger Eradication and Poverty Reduction (HEPR): formed in 1996 and aiming to co-ordinate poverty reduction actions and mobilising more resources to fight against poverty. From 2001 to 2005 it also included job creation as one of its focal points, and was renamed to the National Targeted Program for Hunger Eradication, Poverty Reduction and Job Creation (or Programme 143) • Programme for Socio-Economic Development in Communes faced with Extreme Difficulties (PDCED, or Programme 135): this focuses on poverty alleviation in poorest regions, and was started in 1998. It looked at the construction of inter-commune centres in mountainous regions, supporting disadvantaged households of ethnic minorities, and sedentarisation Other policies were issued for social protection of the poorest Vietnamese communities, including additional allocation of cultivated land to the poor, exemption of education fees, health insurance, supply of safe water, support for improvement of private housing, and support for ethnic minority groups, etc. The programmes have reduced poverty substantially, with HEPR reducing chronic hunger levels from 17.7% in 1997 to 10% in 2000. The housing policy positively impacted 260,000 households by 2004, with 180,000 new ones being built and 80,000 being repaired. Other developments have also benefited the poor, including: access to education and healthcare, access to telecommunications, better water supply, electrification, infrastructure development in rural areas, irrigation for poor farmers, etc. (Swinkels & Turk, 2003)

Appendix F The entrepreneurial climate in South Africa

Entrepreneurs are actively taking part in new business ventures everywhere, in economies at every stage of development, in the most and least supportive political climates, and from the lowliest of social classes to the most elite. The ease with which entrepreneurial ideas are realised has a large effect on the growth rate of the economy and the impact these ideas might have on the lives of the average person in that economy, including but not restricted to employment, poverty alleviation, and economic growth. There are a number of factors which have an effect on the probability of business success, which include: the ability to give legal form to the idea which means being able to start a business quickly, easily, and relatively inexpensively with limited liability; having the right people for the job; the financial capacity to start the business; the option to import and export without difficulty, and lastly; a straightforward means for paying taxes. Government regulations play a huge role in the probability of business success. A few more specific considerations will now be discussed.

Starting a business is a complex feat, requiring the transition from an intentional entrepreneur to an actual entrepreneur. Many reasons may contribute to the difficulties associated with this shift, however a key component and often hindrance is that of government policies. The importance of governments in terms of their role in enhancing entrepreneurial activities is acknowledged the world over. Be that as it may, it is not governments' responsibility to create businesses or provide all with employment, however it is their prerogative to cultivate an environment which is conducive not only to new business creation but also to sustaining new and existing businesses. This is achieved via reforms and regulations which act so as to minimise and lessen needless bureaucratic burdens whilst simultaneously making the act of doing business a whole lot easier. According to Herrington *et al.* (2015:35) the greatest government-related impeders of entrepreneurial performance and business sustainability in the South African SMME sector relate to problems posed in the areas of:

- Availability of and accessibility to entrepreneurial finance
- Government policies and regulations combined with inefficient government bureaucracy
- Red tape associated with business start-ups and the management thereof
- Transfer of research and development, and
- Physical infrastructure, of which the supply of electricity has become a major concern

With respect to obtaining finance, the difficulties experienced by entrepreneurs in South Africa are not necessarily attributable to a lack of funds in the government's or financial aid organisations' coffers, but rather due to a lack of knowledge of the aid structures that exist as well as difficulties in accessing them.

The World Bank's Doing Business 2015 report (World Bank, 2014:218) shows that the average business in South Africa still requires 19 days to cover five legal procedures as of 2015 (in comparison to 35 days on average for the formerly nine procedures of 2007). Although this is an improvement, Herrington *et al.* (2015:36) argue that it has hitherto stagnated and it is once again time for government to ease regulations associated with starting a business. The improvement may have largely been due to the need for rapid development brought on by hosting the 2010 FIFA World Cup.

The advantages of greater ease of starting a business can be seen in Mauritius, the best performing country in Africa according to both the World Bank's Doing Business 2015 report (World Bank, 2014:4) and The Global Competitiveness Report 2014-2015 (Schwab & Sala-i-Martín, 2014:13). In comparison to the 19 days required in South Africa, Mauritius takes a mere six days for the equivalent five procedures to be covered in starting a business, revealing its importance. It has been shown that simpler, shorter and more efficient start-up procedures are critical for fostering formal entrepreneurship as there is then a higher net entry rate and greater business density in those countries (Herrington *et al.*, 2015:37).

For years South Africa has been characterised by monopolistic industry leaders which lend towards unique difficulties for SMMEs. Lack of competition combined with government influence in key sectors such as energy, telecommunication, and transport leads to a unique business climate within which new and old businesses alike need to learn to traverse. One noteworthy example is Eskom which has the monopoly of energy provision in South Africa but is currently struggling to provide substantial levels of uninterrupted electricity, having a large negative impact on factories and businesses which cannot run unimpeded. Low competition and government influence work together to create inefficiency in the whole system. Each of the aforementioned sectors is furthermore generally key to business success, making for a precarious environment for SMMEs to operate in.

The Global Competitiveness Report 2014-2015 (Schwab & Sala-i-Martín, 2014:341) lists restrictive labour regulations as being the number one most problematic factor for doing business in South Africa. Out of the 144 countries in the report South Africa more notably ranks as shown in Table F-1. It should be remembered however that legislation per se does not itself create employment, it is in actual fact value-adding entrepreneurial actions that create jobs though regulations can be enabling or impeding in nature.

Table F-1 Key Global Competitive Index 2014-2015 indicators (Schwab & Sala-i-Martín, 2014:341)

Consideration	**Indicator**	**Rank out of 144 countries**
Areas of concern	Level of cooperation in labour-employer relations	144
	Quality of math and science education	144
	Efficiency of hiring and firing practices	143
	Quality of the education system	140
	Wage flexibility	139

Consideration	Indicator	Rank out of 144 countries
	Pay and productivity	136
	Quality of primary education	133
	Business costs of crime and violence	133
	Burden of government regulation	120
	Availability of scientists and engineers	102
Areas of proficiency	Availability of latest technologies	39
	Country capacity to attract talent	39
	Intensity of local competition	36
	Capacity for innovation	35
	Foreign market size index	34
	Quality of scientific research institutions	34
	Buyer sophistication	31
	University-industry collaboration in R&D	31
	Organisation-level technology absorption	29
	GDP as a share of world GDP	25
	Extent of marketing	24
	Domestic market size index	24
	Intellectual property protection	22
	Property rights	20
	Extent of staff training	18
	The effect of taxation on incentives to work	15
	Strength of investor protection	10
	Availability of financial services	6
	Soundness of banks	6

These, along with many other less pressing indicators, were broken down into the following 12 areas shown in Figure F-1 on a scale of one to seven. The average values of each area for South Africa are represented against that of Sub-Saharan Africa so as to give an indication of South Africa's competitive position.

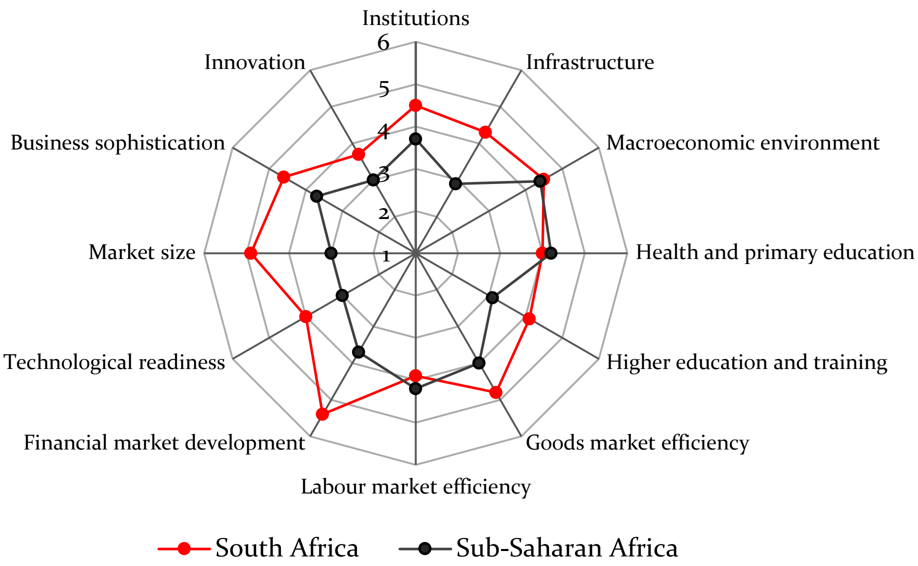


Figure F-1 South Africa's Global Competitiveness Index scores (Schwab & Sala-i-Martín, 2014:340)

Restrictive labour regulations, an inadequately educated workforce, inefficient government bureaucracy, corruption, inadequate supply of infrastructure, and policy instability are the top six most problematic factors for doing business. Undoubtedly, raising the standard of education and increasing the efficiency of the labour market is key to progress. The importance of this is further shown in light of the high unemployment rate exceeding 20% (sometimes even up to 45% has been claimed depending on the measuring technique employed) of which youth unemployment is in excess of 65% (Herrington *et al.*, 2015:19). Minimum levels of worker protection from unscrupulous behaviour will always need to be legally enforceable however labour legislation needs to at the same time be flexible enough to favour also the employer and the unemployed. The low levels of productivity combined with high cost of labour and unfriendly labour legislation act so as to deter investors away from South Africa and also make starting and growing a business an onerous task.

In conclusion, an economy cannot raise either the quality or quantity of flourishing entrepreneurs without an accompanying enabling environment. At a government level, informed policy decisions will be needed to foster this environment so that it is enabling in nature for all phases of the business life cycle, from start-up to maturity. It can be seen that entrepreneurship is best advanced in an investment-friendly and crime free environment whereby entrepreneurs can rest assured that their property rights will be respected, their investments and savings secure, with improving standards of education and training for employees, and with steady gains in productivity.

Appendix G Requirements, verification, and stakeholders

In the following tables, the verification evidence proving that the framework adheres to the listed requirements is given alongside the requirements and the relevant chapter sections from whence the requirements were derived.

The column labelled *Requirements and important considerations* lists framework requirements for the respective *Section* of the dissertation. The column labelled *Verification evidence* either points to the process within the framework wherein the specific requirement is adhered to or it explains how that requirement is considered in the respective system which forms part of the framework. The last four columns list the stakeholders for which the requirements are important, i.e. the requirements that must be addressed before or when dealing with said stakeholder.

The different levels of the framework are indicated by the following formatting, to aid in crosschecking that the framework does address said requirements:

- First (highest) level is indicated by **CAPITALISED BOLD PRINT**
- Second level is indicated by **Bold print**
- Third level is indicated with Normal print
- Fourth (lowest) level is indicated in *Italicised print*

The abbreviations for each of the systems wherein the requirements are addressed are indicated by:

- **BMS:** business modelling system
- **SDS:** sustainable development system
- **BSS:** business strategy system
- **INS:** innovation system
- **MAS:** marketing system
- **SAS:** strategic alliance system

The key stakeholders, as addressed in Chapter 13.6, include:

- Enterprises (private)
- Money lenders (e.g. venture capitalists, angel investors)
- BOP (as partners and co-creators)
- NGOs

A cross indicates relevant concerns and a plus indicates important concerns that were addressed by the experts on more than one occasion.

G.1 Preliminary requirements, verification, and stakeholders

Table G-1 Preliminary requirements, verification, and stakeholders

Sections	Requirements/important concerns	Verification evidence	Enterprises	Money lenders	BOP	NGOs
1.2.2	It is necessary to understand that although the following BOP 1.0 approaches are necessary, they are insufficient: • Rationale: utilising the power of enterprise to serve the poor, create livelihoods, and alleviate poverty • Approach: business model innovation, emphasising the adaptation of existing products, the reduction of price points, and an extension of distribution to customers that were previously un- or under-served • Distribution: utilising existing channels • Relationships with BOP: arm's length transactions • Partnerships: utilising NGO partnerships to compensate for lack of market experience, however not stopping at arm's length relationships • Market approach: tapping into existing markets	Used as the foundation on which the framework is built			x	x
	It is necessary to understand that although the following BOP 2.0 approaches are necessary, they are insufficient: • Rationale: utilising the power of enterprise and working with the poor to serve the poor, create livelihoods, and alleviate poverty • Approach: promoting enterprise that is inclusive, culturally embedded, sustainable, as well as profitable, leapfrogging to sustainable technologies, and also creating unique metrics and timelines suited to the distinctive features of the under-served market • Distribution: actively taking on the challenge of gaining effective distribution in typically decrepit or non-existent transport routes, as well as the high costs associated with dedicated downstream channels set up for sole products or narrow value propositions • Relationships with BOP: co-creation of value propositions with under-served communities through partnering with the poor (instead of merely marketing low-cost products from the top down), creating protected organisational white space to allow BOP initiatives the time and space for creative co-creation and embedding, in essence innovating from the bottom-up • Partnerships: NGOs facilitate relationships with the poor, promoting direct and personal relationships with the poor • Market approach: creating new markets, with success or failure argued as being driven by the organisation's strategy, price point, business model, and/or value proposition				x	x
	It is necessary to understand the following core tenets of BOP 3.0 thinking: • Rationale: pursuing and integrating a sustainable development (and triple bottom line accounting) perspective into the BOP space to arrive at socially, environmentally and economically sustainable business • Approach: moving the focus towards inclusive business and thus enhance transformation of the whole socio-economic system of the BOP, considering BOP endeavours in the broader context of the organisation's core purpose, mind-set, and level of ambition, moving towards open innovation to	Inherent in design of framework	x	x	x	x

Sections	Requirements/important concerns	Verification evidence	Enterprises	Money lenders	BOP	NGOs
	gain the ability to draw on the wisdom of the crowd to generate previously unheard-of solutions • Distribution: looking towards more collaborative and creative approaches to distribution, including wider bandwidth value propositions and sharing channels with other complementary partners and players • Relationships with the BOP: the BOP are included in projects as entrepreneurs, producers, and consumers, and through partnerships are able to co-create inclusive innovations • Partnerships: collaboration among various role players in the development of scalable solutions as opposed to specific pilot projects, forming sophisticated and complex partnership networks with NGOs, governments, and academic partners, across a broad array of sectors • Market approach: embedding the organisation in a larger innovation ecosystem, which should include: non-traditional demand-side innovators and informal sector workers, lead users, potential technology providers, innovation intermediaries who operate between original suppliers and final consumers, innovators who help with product diffusion, on-the-ground partners, capacity builders, funders, and supply chain players					
1.2.4.1	Although it is useful to take note of objective poverty measures (an expert derived definition, which allows an objective identifier of poverty that can be used to monitor progress over time), it is pivotal that social enterprises utilise subjective poverty measures (focusing on the poor's preferences, looking to how much the poor value some or other good or service, in essence increasing individual utility to alleviate poverty) as well	MAS: **Account for all need types**			+	x
	Several dominant approaches to measuring subjective poverty that are ideal to use include: • Perceived wealth: BOP must indicate whether or not they deem themselves as poor • Minimum income requirement: BOP must define the minimum income they would require to make ends meet, often referred to as the Leyden approach. This is advantageous over the pre-defined money-metric objective approach in that respondents can define a threshold which is relevant in their particular context • Economic ladder method: BOP must consider a number of steps which correspond to their (or their household's) economic status in particular reference areas (e.g. community, city, province) • Multi-dimensional indicators: by combining a number of the domains just outlined, this approach asks the BOP persons whether or not specific consumption needs are being met adequately				x	x
	Both providing for physiological needs (income, clothing, food, and shelter, i.e. basic needs) and sociological needs (dealing with the underlying structural inequities and inherent disadvantages in society to enable the poor to take full advantage of the resources they have and buy) is necessary at the BOP in order to alleviate poverty effectively	BMS: **BRAINSTORM INNOVATIVE BUSINESS MODEL IDEAS**			x	x
3.2 & 3.4.3	It is advantageous for enterprises to follow a low price, low margin, high volume approach, when operating at the BOP to simultaneously alleviate poverty and turn over a profit, as achieving scale rapidly is often tantamount to success	SDS: **ASSESS ECONOMIC FEASIBILITY**			+	

Sections	**Requirements/important concerns**	**Verification evidence**	**Enterprises**	**Money lenders**	**BOP**	**NGOs**
3.2	BOP markets require simpler and more affordable products, whereby simpler denotes an elimination of excess and has nothing to do with lower quality	MAS: **Address the 4As**	x		x	
3.3.2	In market segmenting, consumer characteristics which might be used to segment a market include demographic, geographic, psychographic, benefit, and buying behaviour (or usage) segmentation	MAS: Use BOP specific segmentation criteria		x	x	
	The Living Standard Measure (LSM) is a South African multivariate segmentation tool and is useful in segmenting the BOP as it groups people according to their living standard using wealth and access indicators			x	x	
3.3.3	In developing applicable solutions to poverty, it is imperative that value offerings take cognisance of the impact that determinants of poverty (economic, social, political, environmental) have on the characteristics of the offering, so as to not inadvertently exacerbate poverty or be ineffective	SDS: **Test of time**			x	x
3.3.4	In keeping with international best practices for maximal poverty alleviation, it is imperative to utilise the creation of economic opportunities for the poor, good governance, and targeted programmes to reduce poverty on a national scale	SDS: **Test for social equity**			x	
3.4	In order to develop an appropriate value proposition for the BOP, it is worthwhile ensuring it is consistent with their consumption patterns	BMS: **Articulate value propositions**		x	x	x
3.4.2	The discretionary spending power of the BOP must be taken into account when trying to price offerings, as the regularity and timing of cash flows are critical to ensure both monthly and daily income earners have the ability to pay up front or on credit if possible	BMS: **Estimate revenue streams**		x	+	
3.4.3	To achieve high market penetration in the BOP, prioritise on urban BOP populations over rural ones initially, as the high density of urban BOP communities makes it much more accessible and therefore is a penetrable market allowing for scale	MAS: Use traditional segmentation criteria		x	x	
	The key to sustainable BOP dealings lies in enterprises improving their margins by reducing variable costs and raising price points for single transactions: • Localising base products sold as a bundle: by packaging several product functions in bundles the price point per transaction can be increased • Creating an enabling service: concurrent services can increase product value to customers, increasing sales likelihood • Marketing through customer peer groups: greater associations among customer groups can help aggregate sales	BSS: Get the strategic sequence right		x	x	
3.5	Critical dimensions of the BOP that must be understood to quell misconceptions include that: • There is money at the BOP • BOP markets can be accessed • Brand-consciousness exists at the BOP • The BOP market is connected • BOP consumers readily accept advanced technology	SDS: **ASSESS SOCIAL FEASIBILITY**	x		x	
3.6	Impediments to enterprise action at the BOP must be dealt with early in the business life cycle, and must address the following: • Economic: higher macro-economic volatility, disproportionate and low income, high population density and bad or non-existent infrastructure (energy, telecommunications, and transportation) • Financial: difficulty obtaining finances from financial institutions • Geographic: proximity (isolated, dispersed and also distant locations)	BMS: **BRAINSTORM INNOVATIVE BUSINESS MODEL IDEAS**			x	

Sections	**Requirements/important concerns**	**Verification evidence**	**Enterprises**	**Money lenders**	**BOP**	**NGOs**
	• Political: likelihood of policy changes that are not conducive to success in the BOP • Cultural: barriers (lifestyle and language), religious differences, lack of education and skills					
4.5.1	The orientation of the enterprise must move from survivalist to proprietorial, and most ideally to entrepreneurial so as to increase the likelihood of attaining growth: • Survivalist: low income, trading only, relatively negligible cumulative growth • Proprietorial: maintenance orientation, niche entrepreneurship, transient nature, surplus generated mostly used for personal consumption purposes • Entrepreneurial: systemic entrepreneurship, economic entrepreneurship, long term goals, capital accumulation and reinvestment, personal austerity to build business					
4.5.2	Entrepreneurship requires that the entrepreneur always searches for change, responds to it, and exploits it as an opportunity, effectively shifting economic resources out of areas of lower and into areas of higher productivity and greater yield	INS: **Foster the necessary climate for innovation**			x	
4.6.2 *4.6.2.1* *4.6.2.2* *4.6.2.3* *4.6.2.4*	Social enterprises must distinguish themselves from traditional ones by clearly defining their: • Mission: establishing the primacy of social benefit over private gain • Opportunity: gaining motivation from the opportunity identified, the relentless pursuit of that vision, and attaining a sense of fulfilment in realising these ideas in conjunction with financial gain • Value proposition: generates value via benefits to society in part or as a whole which are large-scale and transformational, not assuming the market will comfortably afford the offering but rather accounting for the generally underserved, highly disadvantaged, and neglected nature of the population in question rather than organising itself to serve markets that can comfortably afford the value offering • Measuring wealth creation: the value created is directly proportional to the degree of improvement in areas of social concern, rather than wealth creation • Resource deployment approach: difficulty of accessing funds and possible utilisation of alternatives to pecuniary compensation of BOP stakeholders involved in the enterprise, compared to commercial enterprises who can access capital markets relatively easily	SDS: **ORIENTATE THE ENTERPRISE**	x		x	x
4.6.3	Social entrepreneurship must entail a direct means of creating social value, and furthermore aim to create and sustain a new equilibrium	Inherent in MAS design	x		+	x
4.6.3 *4.6.3.1* *4.6.3.2* *4.6.3.3* *4.6.3.4*	A for-profit must be chosen over a not-for-profit one as the former enamours: • Efficiency and innovation: due to their drive to maximise every penny invested whilst minimising expenses in their efforts to create and deliver value to their customers • Leveraging of scarce public and philanthropic resources: for-profit approaches allow philanthropic and government funding to be directed towards leveraging scarce social resources in terms of niches, programs, and market segments that need subsidies • Rapid response to demand: for-profits are much more responsive to dynamic and rapid fluctuations in market demand than not-for-profits	SDS: **ASSESS ECONOMIC FEASIBILITY**	x	x	x	x

Sections	**Requirements/important concerns**	**Verification evidence**	**Enterprises**	**Money lenders**	**BOP**	**NGOs**
	• Improved access to skilled personnel: being able to give financial incentives is a great way of attracting more highly skilled people to the social venture					
5.2.1	It is crucial for enterprise owners and managers to understand that growth is predominantly determined by internally controlled business practices, not external factors	Inherent in framework design				
5.4.2.1	It is necessary to reach the minimum efficient scale (the lowest point where the enterprise can make enough produce or provide enough service such that its long-term average costs are sufficiently minimised)	INS: **Ensure the minimum efficient scale is reached**	x	x		
5.4.3.3	It is imperative to seek simultaneity (sustaining a simultaneous focus on current events and the desired future outcomes, bending strategies to deal with current situations while keeping the goals and timeframes relatively fixed) and selectivity (instead of accepting timeframes imposed by key customers, employees, or suppliers, actively seek the aforesaid persons such that they too share a congruent pace and movability to that of the enterprise)	BMS: **Prioritise simultaneity and selectivity**	x	x	+	+
5.5.2.1	At the BOP, solutions must: • Be creative and low cost in addressing societal problems • Utilise generation of profit is necessary as it makes undertakings sustainable, provides capital to invest in growth and infrastructure, and attracts investors • Be built on partnerships with local communities	Addressed clearly in BMS and MAS	x		x	
5.5.3	Understanding that pursuing profit is not inconsistent with delivering social value is key to maximising growth	SDS: **ASSESS ECONOMIC FEASIBILITY**	x	x	x	x

G.2 Business model requirements, verification, and stakeholders

Table G-2 Business model requirements, verification, and stakeholders

Sections	Requirements/important concerns	Verification evidence	Enterprises	Money lenders	BOP	NGOs
6.2	Uniquely formulated business models are imperative when targeting the BOP as a market, as conventional approaches will not do in formulating a workable business plan	The BMS is structured around Osterwalder's which is uniquely formulable	+	+	+	x
6.2.1	The business model must perform a number of vital functions in order to be of use to the enterprise including articulating the value proposition, identifying a market segment, defining the value chain structure, estimating the costs structure and profit potential of the offering, orientating the organisation in the value network, and formulating a strategy for strategic enterprise action	The BMS aids in these endeavours by looking at the value proposition, key activities, key relationships, cost structure, revenue streams, and important channels, INS: **Arrive at possible technological and market opportunities requiring distinctive competencies of the enterprise**	x	x	x	x
6.2.2	Business models must have clearly defined goals pertaining to the customer, the value proposition, the way money is made, and how value is brought to the customer	The BMS ensures the value creation process is clearly understood	+	+	x	x
6.3	The business model must, by definition, describe the core logic for the creation and capturing of value	By defining the nine building blocks (in addition to sustainable development) and their interrelationships the BMS achieves this	+	x		x
	Business model innovation is necessary in this day and age to differentiate an organisation from its competitors via a structured analysis, to arrive at an innovative value offering that is embodied in an economically viable enterprise	BMS: **BRAINSTORM INNOVATIVE BUSINESS MODEL IDEAS**	+	+	+	x
	The business model must facilitate the analysis, testing, and validation of the cause-and-effect relationships that flow from [previously made] strategic choices	BMS: **Continually amend and refine the model**	x		+	
6.4	A business model must provide complete understanding of the key areas (infrastructure, offer, customer, and financial viability) and building blocks (key partners, key activities, key resources, value proposition, customer relationships, channels, customer segments, cost structure, and revenue streams) of the business model canvas	In the BMS, all these areas are addressed, as well as their building blocks	x	+	x	x
6.4.1	Different segments will be of different sizes; therefore, it is important for an organisation to decide actively which segments to serve and which to disregard	BMS: *Disregard segments that are not sizeable enough*	x	+	+	x
	When defining criteria for customers (the different groups of people or organisations an enterprise aims to reach and serve) being from different segments, management must differentiate customers according to: • Their willingness to pay for different aspects of the offer • Their needs which require and justify a distinct offer • If they have substantially different profitabilities	BMS: **Define customer segments**		x	+	

Sections	**Requirements/important concerns**	**Verification evidence**	**Enterprises**	**Money lenders**	**BOP**	**NGOs**
	• Whether they need to be reached through different distribution channels • The different types of relationships they require					
6.4.2	When developing value propositions (the combination, aggregation, or bundle of products and services that specific customer segments gain value from), the following must be understood: • The value being delivered to the customer • Which customer problems are being solved • Which of the customers' needs are being satisfied • The combination of products and services being offered to each different segment	BMS: **Articulate value propositions**	x	x	+	x
	The following routes to increasing the value of an offering should be considered: accessibility, brand/status, convenience/usability, cost reduction, customisation, design, ability to get the job done, newness, performance, price, risk reduction				+	+
6.4.3	Determining which channels (means of allowing for purchase, delivering the offering, evaluating propositions, providing support, and raising awareness) are best requires the following considerations to be taken into account: • Different customers prefer different channels when trying to be reached • The manner in which the various channels are best integrated • Some channels are more effective than others • The cost-efficiency of various channels is crucial to assess	BMS: **Define channels**			+	+
	In order to reach and communicate with customer segments in delivering a value proposition, the following functions must be served to customers via channels: the ability to purchase specific products and services, a means of evaluating the proposition, provision of post-purchase support, a raised awareness of products and services		x		+	
	It is imperative to pursue a balance between different channel types so that they can be integrated in a manner that creates a great customer experience and thus maximises revenues	BMS: *Balance different channel types*			x	x
6.4.4	Defining customer relationships (aligned with the motives for it, e.g. customer acquisition, customer retention, or boosting sales) is key to developing them to their best, requiring an understanding of: • The type of relationship each customer segment expects the enterprise to establish and maintain • The costs associated with the relationships • The manner in which the relationships are best integrated into the rest of the business model	BMS: **Define customer relationships**			+	x
	All of the following relationship forms must be considered: automated services, communities, co-				x	

Sections	**Requirements/important concerns**	**Verification evidence**	**Enterprises**	**Money lenders**	**BOP**	**NGOs**
	creation, dedicated personal assistance, personal assistance, and self-service					
6.4.5	Determining which revenue streams (income generated from customers, i.e. revenues less costs equals earnings) are most ideal for the specific market settings requires cognisance of the following: • The value for which customers are willing or able to pay • The value customers currently pay for • The means by which customers pay, or would prefer to pay • The contribution of each revenue stream to the company's overall revenues	BMS: **Estimate revenue streams**		x	+	
	Understanding which of the following revenue streams is most applicable is important: advertising, asset sale, brokerage fees, lending/renting/leasing, licensing, subscription fees, usage fees			x	+	
6.4.6	The key resources (the most important assets that are required to make a business model work) of the business must be understood and planned for, including key resources which: • Are necessitated by the enterprise's value propositions • The enterprise's distribution channels require • Customer relationships necessitate • The revenue streams demand	BMS: **Understand key resources**	x	x	x	x
	Management must acknowledge the different types of key resources which may include: financial, human, intellectual and physical resources		x	x	x	x
6.4.7	It is important that the organisation understands which activities are key to ensuring a functional business model, in terms of activities which are: • Necessitated by the value proposition • Required by the distribution channels • Needed for the customer relationships • Demanded by the enterprise's revenue streams	BMS: **Understand key activities**	x	x	x	x
	Activities in each of the following categories must be ascertained: platform/network, problem solving, and production		x		x	x
6.4.8	Key partnerships must be considered, including: • Buyer-supplier relationships to assure reliable supplies are available when needed • Coopetition which is the formation of strategic partnerships between competitors • Joint ventures to aid in developing new businesses • Strategic alliances that exist between non-competitors	BMS: **Understand key partnerships**	x		x	x
	It is important that the organisation understands which partners are key to ensuring a functional business model, in terms of: • Who the key partners are • Who the key suppliers are		x		x	x

Sections	**Requirements/important concerns**	**Verification evidence**	**Enterprises**	**Money lenders**	**BOP**	**NGOs**
	• Which key resources are being acquired from which partners • Which key activities are being performed by which partners					
	Understanding the rationale for the partnership from the following is key to effectively managing the partnership: acquisition of particular resources and activities, optimisation and economies of scale, or reduction of risk and uncertainty		+		x	x
6.4.9	Understanding the cost structure is imperative for a working business model, and requires the enterprise to: • Understand which costs are most important • Determine which key resources are most expensive to the enterprise • Determine which key activities are most costly to the enterprise	BMS: **Estimate cost structure**	x	+	x	
	The cost structure most suitable to the BOP is one of minimising costs, requiring an understanding of the potential economies of scale, economies of scope, fixed costs, and variable costs		x	+	+	
6.5 & 6.6	For social endeavours targeting the BOP as a market, sustainability must be addressed in the financial viability area of the business model canvas	BMS: **Estimate cost structure** and **Estimate revenue streams**		+		
6.6.1	Organisations must understand that the BOP market is multi-dimensional, and has to be segmented even more finely than in traditional upper tier markets	BMS: **Identify customer segments**	x	x	x	x
	To be successful, BOP targeting enterprises must firstly identify and group customers according to behavioural and need characteristics rather than just demographics				+	x
	Cross-country segments must be uncovered, identifying and targeting those segments which are both scalable and transportable across different countries, cultures, and languages			x	x	x
	Primary favourable BOP product and service characteristics may include high quality, simplicity, robustness, and low cost	BMS: **Articulate value propositions**, MAS: **DETERMINE WANTS AND NEEDS OF BOP**	x		+	
6.6.2	Traditional market value propositions cannot simply be reconsidered and repackaged for the BOP market, unique value propositions catering to the needs of the BOP must be developed, requiring an in-depth analysis of and engaging with the market to understand the customers' perception of need		x		+	x
	The BOP needs to be seen, in addition to as customers, as employees, distributors, and suppliers which can be achieved through building local embeddedness and capacity	BMS: **Understand key partnerships**			+	
	Local capacity building in the community increases the BOP's ability to invest further down the line in a greater range of products and services	BMS: **Understand key activities**		x	x	
	Increasing local embeddedness must be pursued to help forge relationships which can be extremely advantageous when developing products and services which will create real value for the BOP market segments				x	x

Sections	**Requirements/important concerns**	**Verification evidence**	**Enterprises**	**Money lenders**	**BOP**	**NGOs**
	Value-adding partnerships with longstanding BOP organisations such as NGOs provide enterprises with access to market expertise and knowledge, develop the enterprise's legitimacy, reduce risk and costs and maximise sustainable value creation, and provide the enterprise with access to infrastructure and even better, distribution channel entrants				x	+
6.6.3	A keen understanding of various means of accessing the BOP market is often necessary, through both formal and informal communication, distribution, and sales channels, as the BOP are generally hard to reach due to the fact that they often reside in regions with little to no infrastructure in dispersed clusters	BMS: **Define channels**, **Understand key partnerships**, and **Identify customer relationships**			+	x
	Before committing to developing a value proposition, it is necessary that enterprises targeting the BOP know the channels in place for reaching and servicing the customers, as they must either create new channels or innovatively deal with the given adverse market conditions to mitigate the shortcomings of oftentimes having no set channels		x		+	x
	Advertising techniques both above the line (mass media, e.g. TV, print, radio) and below the line (e.g. mobile advertisements, roadshows, touch and feel advertisements) must be considered	BMS: **Define channels**	x		+	x
	It is effective to use an atomised distribution approach at the BOP wherein channels are arranged in a manner that brings products and customers as close together as possible through making use of multiple small or existing distributors, achieved via the following four modes that utilise available networks and infrastructure: 5. Removing middlemen so as to be more cost effective 6. Applying a micro franchise sales and distribution model 7. Employing independent contractors to sell products from their own homes or pushcarts 8. Utilising numerous reachable existing outlets other than retailers, e.g. post offices				+	x
	Franchising as a channel promoting mechanism is advantageous in that the franchisee is empowered, and thus more buyers may themselves seek to become part of the distribution channel			x	+	
6.6.4	Irregular income patterns, language and literacy diversities, frugal attitudes of consumers, low population density across the country, lack of efficient government involvement or legislative support, scarcity of BOP information on market characteristics, and limited mobility at the BOP makes customer relationships imperative to foster according to a carefully planned approach	Inherent in the design of the BMS BMS: **Define customer relationships**			+	x
	Relationship building with the BOP must be based on trust and transparency whereby there is clear engagement with the communities in a hands-on, face-to-face manner				+	x

Sections	**Requirements/important concerns**	**Verification evidence**	**Enterprises**	**Money lenders**	**BOP**	**NGOs**
6.6.5	The BOP market requires minimisation of costs and maximising of value, due to their low cash flows which requires that the enterprise aligns its profit pursuit with poverty alleviation whilst simultaneously empowering those at the BOP so as to gain lasting success in the marketplace	INS: **Focus on value innovation**, BMS: **Articulate value propositions**	x	x	+	
	The evaluation of investments in the BOP should not only be measured by short-term figures (e.g. revenue or profit) but rather through long-term objectives (e.g. the development of transaction capacity) following a combined approach seeking social welfare in conjunction with traditional revenue generating approaches	BMS: **IMPLEMENT THE BUSINESS MODEL**	x	x	x	x
6.6.6	Renewable and minimal resources should be used for sustainable development at the BOP, with a clear understanding of their availability, sustainability, and appropriateness	BMS: **Understand key resources**, INS: **Adhere to practical resource management tips**, SDS: **Test for environmental quality**	x		x	
	Technologies that curb the expenses of high level distribution infrastructure by using renewable resources (e.g. solar photovoltaics, wind turbines, micro-turbines, and fuel cells) are key resources necessary for operating at the BOP	BMS: **Understand key resources**	+		x	
6.6.7	The operational and managerial processes must be both repeatable and scalable, so as to allow for high growth to be achieved	BMS: **Understand key activities**, MAS: **Use traditional segmentation criteria**	+	x	x	
6.6.8	It is necessary to partner with the BOP in order to achieve higher levels of success in reaching the BOP market, shifting from a mind-set of BOP 1.0 to one of BOP 2.0 and also to partner across sectors according to BOP 3.0 so as to bolster the enterprise's core competencies	BMS: **Define customer relationships**, INS: **Engage the BOP via bottom-up innovation**, MAS: **Use BOP specific segmentation criteria**, **Utilise pure exchange**			+	
	The traditional BOP business model needs to be innovatively redesigned so as to incorporate an interactive component with the customer as partner notion of BOP 2.0	BMS: **Define customer relationships**			x	
	Paying buyers to sell backwards may be the best route to growth (and enable them to reach even lower income segments), which lowers costs by combining enterprise resources with assets and capabilities of mutually committed local actors in the ecosystem	BMS: **Understand key partnerships**		x	+	
	It is important that no single BOP partner takes the role of authority or control, so as to minimise potential unrest or rivalry amongst BOP partners				x	
	Moving from an interactive to an inclusive business model requires long-term working relationships, with some level of training, education, empowerment, and skill transfer for the partnerships to flourish				+	
	Creating an R&D white space to support experimentation outside the scope of the current business model and its development processes is key to developing new offerings	BMS: Create an R&D white space	x		+	x
	Partner organisations in the BOP should be chosen such that they: • Are open to learning new capabilities and display an ability to use enterprise as a way to advance its mission	BMS: **Understand key partnerships**	x		x	x

Sections	**Requirements/important concerns**	**Verification evidence**	**Enterprises**	**Money lenders**	**BOP**	**NGOs**
	• Have staff that are experienced in using participatory development practices • Are socially embedded in the community					
6.6.9	Low costs and prices must be pursued above and beyond profits per transaction, looking to sales of volume and capital efficiency to realise profits with low margins	MAS: **Address the 4As**, **Ensure 4Ps are complementary**, INS: **Focus on value innovation**, BSS: **Implement the six principles of BOS**, **Recognise need for value innovation**	x	x	x	
	It is key to ensure that products and services for the BOP are affordable to people with a low disposable income, matching the cash flows of customers who generally receive intermittent daily incomes	BMS: **Estimate revenue streams**	x	x	+	
	A low-cost approach is needed wherein instead of maximising the profits for the enterprise, the value for the customer is maximised, with only as much profit being taken from sales as is necessary to grow the enterprise	BMS: **Estimate cost structure**, **Utilise low cost approach**	x	+	x	
	Ideally, innovative pricing models must take the place of customary price-performance relationships, and these innovations must be designed for ease of adoption in similar BOP market segments	BMS: **Estimate cost structure**	x	x	x	
	In pursuing high production volumes, scalability is central to attaining success in pro-poor innovations (scalability is the ability of a system, network, or process to handle growing amounts of work in a capable manner or its ability to be enlarged to accommodate that growth)	BMS: **Understand key activities**	x	+	x	x
6.6.10	For sustainable development, social and environmental costs must be minimised, not only economic ones, so as to create lasting value for the poor	BMS: **Estimate cost structure**, SDS: **ASSESS ECONOMIC FEASIBILITY**, **ASSESS SOCIAL FEASIBILITY**, **ASSESS ENVIRONMENTAL FEASIBILITY**	x	+	x	x

G.3 Sustainable development requirements, verification, and stakeholders

Table G-3 Sustainable development requirements, verification, and stakeholders

Sections	**Requirements/important concerns**	**Verification evidence**	**Enterprises**	**Money lenders**	**BOP**	**NGOs**
7.2	Sustainable development is crucial for an economically profitable, environmentally friendly, and socially equitable South Africa that meets the basic needs of all and extends to all the opportunity to fulfil their aspirations for a better life in such a way that actions today do not limit the range of economic, social, and environmental options open to future generations	Nature of system promotes sustainable development being treated with importance, SDS: **Test of time**	x	+	+	+
	Key South African socio-economic and environmental needs include: income inequality, youth unemployment, inadequate healthcare access, a poor social safety net, access to sanitation, minimal wastewater treatment measures, rapidly depleting fish stocks, high carbon dioxide emission levels	Inherently addressed in framework design			x	+
	Measures of sustainability in business practices (meeting the triple bottom line) are imperative for lasting improvement and must be used for assessing organisation performance	SDS: **ASSESS ECONOMIC FEASIBILITY, ASSESS SOCIAL FEASIBILITY, ASSESS ENVIRONMENTAL FEASIBILITY**		+	x	
	It is important to seek to adhere to planetary ethics, unimpeded by national (political) or cultural (moral) beliefs	SDS: Adhere to a planetary ethic				
	In an organisational sense, a continuous improvement strategy is necessary, promoting: • An enhancement of the value (fair treatment) of life for all stakeholders: employees, customers, shareholders, society • A zero tolerance of environmental degradation regarding: product design, processes, practices, and premises • Growth in an economic sense: turning over profits	SDS: Follow a continuous improvement strategy	x		x	
7.3	Social equity (rather than equality) is necessary for sustainable and lasting poverty alleviation strategies, by providing people with what they need to enjoy full, healthy lives	SDS: Promote development that is empowering			x	x
	Each person is to have an equal right to the most extensive scheme of equal basic liberties compatible with a similar scheme of liberties for others	SDS: Test for mutual advantage			x	
	Social empowerment is needed to ensure that BOP citizens know that their participation has the potential to make changes and impact society in such a way that there are indeed visible outcomes (e.g. a livelihood, education and resources, full participatory rights in the political and cultural life of a community)	SDS: Promote social empowerment			+	
	Investing in the BOP must result in an increase in common socio-cultural factors/indicators associated with social equity, such as: extent of dualism, extent of urbanisation, importance of the indigenous middle class, extent of social mobility, extent of literacy, extent of mass communication, degree of cultural and ethnic homogeneity, degree of social tension, degree of modernisation of outlook, predominant type of religion, and level of socioeconomic development	SDS: Promote social empowerment		x	+	x

Sections	**Requirements/important concerns**	**Verification evidence**	**Enterprises**	**Money lenders**	**BOP**	**NGOs**
7.4	Environmentally friendly development is imperative for reducing the disease burden of the poor	SDS: **ASSESS ENVIRONMENTAL FEASIBILITY**			x	x
	It is important to assess and control environmental health (physical, chemical, and biological) factors that can potentially affect health to prevent disease and create health-supportive environments	SDS: Prove that no adverse environmental impact may come about as a result			x	x
	It is necessary that the burden of proof (to demonstrate that there cannot be any damaging consequences brought about) for any change affecting the environment should lie on the person who wants to introduce the change	SDS: Ensure green design		x		
	Environmentally sustainable design of products and services requires adherence to the twelve principles of green engineering	SDS: **ASSESS ENVIRONMENTAL FEASIBILITY**, and **Adhere to the twelve principles of green design**	x	x	x	
7.5	Sustainable economic development is only realisable through increasing resource productivity, and the value extracted from each unit of resource, i.e. emphasise technologies that increase resource productivity (the amount of value extracted per unit of resource) rather than those for increasing resource throughput itself	SDS: **Test for environmental quality** SDS: **ORIENTATE THE ENTERPRISE** INS: **Adhere to practical resource management tips**	x		x	
	Understanding the qualitative aspect of and thus the need for development (to expand or realise the potentialities of something and bring it gradually to a better state of being) over growth (the natural increase in size by addition of material through accretion or assimilation) being key to economic improvement	SDS: **ASSESS ECONOMIC FEASIBILITY**		x	x	x
	Economic development must be sought to stay ahead of competitors, whereas growth must be sought to increase the value of investments (i.e. turn over profits) to maintain stakeholder satisfaction	SDS: **ASSESS ECONOMIC FEASIBILITY**	x	x	x	

G.4 Business strategy requirements, verification, and stakeholders

Table G-4 Business strategy requirements, verification, and stakeholders

Sections	**Requirements/important concerns**	**Verification evidence**	**Enterprises**	**Money lenders**	**BOP**	**NGOs**
8.2	In order to eliminate competition, it is imperative to pursue BOS over a competitive strategy based on Porter's five forces	The BSS pursues a blue ocean approach, not a competitive one BSS: **Recognise inadequacy of red ocean approach**	x		x	
	The focus should be placed on creating new market space as opposed to competing for customers (even in the BOP), instead of dominating existing ones	BSS: Reach beyond existing demand	x		x	
	Value innovation which increases buyer value and minimises costs must be utilised to create superior value for the enterprise and the buyer	BSS: **Recognise need for value innovation**, INS: **Focus on value innovation**	x		+	x
	By looking at the market environment, management must steer clear of operating in red oceans (competitive markets) but rather pursue blue ones (uncontested market space), by differentiating itself from competitors	MAS: **Understand the developments and trends in the marketing environment**	x		x	x
	If a market is saturated, it is unlikely that a blue ocean will be found, making it necessary to look elsewhere for marketable opportunities	BSS: **Test for market saturation**			x	
	As a market becomes saturated, a competitive approach becomes more apt, and to expand the organisation new markets must be sought	BSS: **ASSESS NEED FOR COMPETITIVE SHIFT**	x		x	x
8.3	If there are too many competitors in a given market, the aim should be to eliminate competition through creating uncontested market space	BSS: **DRAW THE STRATEGY CANVAS**	x		x	
8.3 & 3.5	The BOP constitute an ideal blue ocean in that they are: • Largely underserved by SMMEs • Generally more willing to try new ways of doing things than other tiers of the economic pyramid • Largely uncontested as a market due to the false myths surrounding the market, i.e. that there is: no money, inaccessible markets, lack of brand consciousness, no connectivity, and an inability to accept advanced technology, etc.	BSS: **Foster a blue ocean view of the BOP**	+		x	
8.3.1	If the enterprise is still having to choose between average value with lower costs or higher value with higher costs in developing a value offering for customers, it is likely still trapped in a red ocean and is not properly pursuing value innovation (maintaining profitable growth in an organisation by offering customers value at a low cost), and therefore needs to reassess its stance	BSS: **Test for market saturation**, and **Utilise the four actions framework to arrive at new or different factors to make the competition irrelevant**	x		x	
8.3.2	Necessary to sustained profit generation is the redesigning of strategy to target blue oceans by using the strategy canvas, breaking out of red oceans to make competition irrelevant by opening up and capturing uncontested market space of blue oceans	BSS: **DRAW THE STRATEGY CANVAS**	x		x	x
8.3.2.1	Utilising a visual representation of the strategy yields the best results in charting an effective plan for the future	Inherent in BSS design with drawing canvas		x		
	A good strategy must be coherent, commercially viable, and easy to understand to be of value to everyone in the organisation, and requires focus (on a particular set of competitive factors), divergence (from the strategy of competitors), and a compelling tag line (a clear message	BSS: **INCORPORATE KEY COMPONENTS IN STRATEGY DEFINITION**, SDS: **ASSESS ECONOMIC FEASIBILITY**, MAS: Use traditional segmentation criteria	x	x		

Sections	Requirements/important concerns	Verification evidence	Enterprises	Money lenders	BOP	NGOs
	that advertises an offering truthfully so customers don't lose trust and interest) for it to be effective					
8.3.2.2	When utilising the strategy canvas, it is imperative that the newly developed value curve (depiction of strategic competitive factors that are invested in) of the enterprise's offering is sufficiently different to that of the industry's and competitors' (existing and potential ones) offerings and that the whole range of competitive factors are included in the analysis, addressing the degree to which they are invested in (currently and in future)	BSS: **Utilise the four actions framework to arrive at new or different factors**	x		x	x
8.3.2.2 and 8.3.3	In developing a new value curve, it is necessary that competitive (key success) factors (strategic focus, customers, assets and capabilities, product and service offerings) can be eliminated, reduced, raised, or created to unprecedented levels within the industries		x			x
8.3.3	It is necessary to eliminate and/or reduce old factors to drop the enterprise's cost structure against competitors		x		+	x
	It is necessary to create new and/or raise old factors to lift buyer value and create new demand		x		+	x
8.4	Strategy formulation must be supported and integrated with execution for success	BSS: Build execution into strategy	x		x	x
8.4.1 *8.4.1.1* *8.4.1.2* *8.4.1.3* *8.4.1.4* *8.4.1.5* *8.4.1.6*	It is necessary to reconstruct market boundaries in the blue ocean offering to break away from competitors (to attenuate search risk), by: • Looking across alternative industries (that provide substitutes or alternatives) • Looking across strategic groups within the same industry (private, civil, and public-sector actors) • Looking across the chain of buyers (purchasers, users, influencers) • Looking across complementary product and service offerings • Looking across functional (utility) or emotional appeal (feelings) of buyers • Looking across time (trends and evolution of customers' perceptions of value)	BSS: Reconstruct market boundaries, INS: **Utilise the innovation space to determine in which direction change is needed**, Determine type of innovation required from 4Ps of innovation	x		+	x
8.4.2	In developing a strategy, it is important to focus on the big picture (industry dynamics), looking to the future, and to not get lost in the numbers, which can be achieved by ensuring that the members of the enterprise: • Are visually awakened to the current strategy and know what needs to change • Have gone into the field to explore the six paths to creating blue oceans, assessing pros and cons of existing offerings, deciding which factors to address how • Have queried the general public (customers, competitors' customers, and noncustomers), and experts as to the potential of the to-be strategy • Understand the difference between the old and new strategy well, choosing projects and operational moves that are practical, actualisable, and allow gaps to be closed	BSS: Focus on the big picture, not the numbers, INS: **Engage the BOP via bottom-up innovation**	x		x	x
	It is imperative to not see the BOP consumers as individuals acting in a social vacuum but rather as people bound by ties to wider groups, using the household or the family as the unit of analysis	MAS: **Foster a customer-centric organisation**			+	x

Sections	**Requirements/important concerns**	**Verification evidence**	**Enterprises**	**Money lenders**	**BOP**	**NGOs**
8.4.3	A focus must be put on reaching beyond existing demand, as attaining new customers in a blue ocean trumps getting the majority of the existing ones in a red ocean, by: • Focusing on noncustomers before customers • Commonalities before differences • Desegmentation before finer segmentation	BSS: Reach beyond existing demand			x	
8.4.3.1	It is equally important to know who the noncustomers are (soon-to-be, refusing, and unexplored noncustomers) as it is to know who your customers are, so as to increase the blue ocean market size				x	
8.4.4 & 8.4.4.1	In developing a BOS idea, it is imperative to get the strategic sequence right, looking at buyer utility first and foremost (to ensure a sizeable market exists), price second (to ensure saleability), cost third (to ensure profitability), and then the adoption (to ensure idea actualisation)	BSS: Get the strategic sequence right MAS: **Account for all need types**	x		x	
8.4.4.2	Designing for exceptional buyer utility (using the buyer utility map) in the business idea is fundamentally important, providing the BOP with an offering which exhibits cognisance of the six utility levers (customer productivity, simplicity, convenience, risk, fun and image, and environmental friendliness) and six stages of the buyer experience cycle (purchase, delivery, use, supplements, maintenance, and disposal)	BSS: Get the strategic sequence right	x		x	x
8.4.4.3	Generally speaking at the BOP, market penetration must be achieved at scale in a rapid fashion early on or an offering is unlikely to achieve much success in time	MAS: **Pursue segments that are big, show potential for growth, are going to be profitable, exhibit scale economies, are low risk, and makes sense in light of the enterprise's objectives, competencies, and resources**		x	x	
	Selling excludable goods (those protected by patents or limited access) is ideal to keep an ocean blue as long as possible	BSS: **Promote the sale of exclusive goods**	x	x		
	To retain buyers, the value offering's reputation has got to be earned from the first day, as brand building is hugely impacted by word-of-mouth recommendations, which spread rapidly due to the highly networked society of this day and age	MAS: **Pursue segments that are big, show potential for growth, are going to be profitable, exhibit scale economies, are low risk, and makes sense in light of the enterprise's objectives, competencies, and resources**			+	x
	For an offering to be at all viable, the price must be easily accessible to the mass of buyers achieved through identifying the price corridor of the mass	BSS: Get the strategic sequence right		x	+	
	It is necessary to pursue pricing against substitutes and alternatives across both industries and non-industries as opposed to just pricing against competitors, and determine ideal pricing from comparing to existing offers with: • Different forms but same function • Different forms and functions but that have the same over-arching objective		x	x	+	x
	Pricing must be reduced as much as possible so that the value offering is affordable, but optimised to arrive at a profit that doesn't make it too easy for competitors to imitate the offering:			x	+	

Sections	**Requirements/important concerns**	**Verification evidence**	**Enterprises**	**Money lenders**	**BOP**	**NGOs**
	• Upper-level pricing for offerings with a high level of legal and resource protection (hard to imitate) • Mid-level pricing for offerings with some degree of legal and resource protection • Lower-level pricing for offerings with a low degree of legal and resource protection (easy to imitate)					
8.4.4.4	Equally as important as pricing, is hitting the cost target to profit at the strategic price decided upon, and using the levers for hitting the target cost is imperative (levers include streamlining operations and introducing cost innovations from manufacturing to distribution, partnering, and changing the pricing model of the industry)			x	x	
8.4.4.5	Understanding and overcoming the adoption hurdles for all stakeholders (employees, business partners, and the BOP personnel) is key to successful BOS implementation, and can be done by engaging in open discussion with stakeholders regarding the need for change, providing stakeholders with an explanation of the key merits, expectations of its ramifications, and a description of how they will be dealt with	BSS: Overcome key organisational hurdles	x		x	x
8.4.5	It is imperative that the key organisational hurdles to strategy execution are overcome in key areas by focusing on and exploiting factors of disproportionate influence: • Political: dealing with opposition from powerful vested interests, by determining what factors exercise a disproportionately positive influence on breaking the status quo • Motivational: dealing with unmotivated staff and partners by determining which factors motivate key players to aggressively move forward with change • Resources: dealing with limited resources by determining which factors get the maximum bang for buck of resources • Cognitive: dealing with mindsets and paradigms being stuck to the status quo by determining what factors knock down political roadblocks that often trip up even the best strategies		x		x	
8.4.6 & 8.4.6.1	Execution must be built into the strategy by: • Adhering to fair process so as to gain complete buy-in of all employees through engagement with individuals in strategic decisions involving them, explaining why the final strategic decisions were made, and clearly outlining what is expected of employees, i.e. expectation clarity • Cultivating a culture of trust and commitment • Promoting voluntary cooperation	BSS: Build execution into strategy			x	

G.5 Innovation requirements, verification, and stakeholders

Table G-5 Innovation requirements, verification, and stakeholders

Sections	Requirements/important concerns	Verification evidence	Enterprises	Money lenders	BOP	NGOs
9.2	Innovative efforts are imperative for bringing about superior ideas and ensuring that the value proposition remains the best it can be for the target market	The aim of the INS is to aid the enterprise in an innovative capacity therefore fulfilling this need	x		+	x
	Innovation is important in that it increases the ability of an organisation to mobilise knowledge and technological skills (and experience) to create novelty in both value offerings and the manner in which these offerings are brought to market		x		x	
	Innovation provides enterprises with the capability to respond quickly and efficiently to legislative and regulative openings or restrictions faster than competitors		x		x	
9.2.1	Smaller enterprises (SMMEs) typically exhibit a number of advantages over their larger counterparts, which should be capitalised on: • High quality of communication (everyone knows what is happening) • Greater decision-making speed • Informal culture • Shared and clear vision • Agility and flexibility • Entrepreneurial spirit and risk-taking propensity • Energy, enthusiasm, and passion for innovation • Generally good at networking, both internally and externally	INS: **Capitalise on size-related pros and mitigate cons**	x			
	Smaller enterprises (SMMEs) typically exhibit a number of disadvantages compared to their larger counterparts, which should be accommodated for: • Lack of formal control systems for management (costs, project times) • Limited or lack of access to key resources (financial, intellectual, physical) • Lack of experience and important skills • General lack of long-term strategy and direction • Lack of structure and succession planning • Poor risk management capabilities • Deficiency of supporting systems		x			
9.2.2	The way in which innovation is managed is tantamount to its effectiveness, requiring the enterprise to move from passive (unaware of need), to reactive (aware of need but not in which direction), to strategic (aware of need and direction needed), and ideally ending at being a creative (proactively seek change in right direction) with respect to its response to gathering of knowledge and building and improving of effective innovation routines	INS: **Foster the necessary climate for innovation**	x		x	
9.3	Organisations must view innovation as the process by which new and different ideas are brought to reality so as to maximise the value captured from them (ideally for all stakeholders)	INS: **IMPLEMENT STEPS TO CREATE THE INNOVATIVE IDEA, CAPTURE VALUE FROM THE INNOVATION**	x	x	x	x
9.4	It must be understood that innovations range from incremental to radical ones, requiring altogether different management approaches	INS: *Determine the degree of innovation needed*, **Map desired solution on the innovation search space, determine which search**	x		x	

Sections	Requirements/important concerns	Verification evidence	Enterprises	Money lenders	BOP	NGOs
		space zone is relevant and address challenges specific to that zone				
9.4.1	There exist four distinct categories of innovation, including product (changes in the products or services which an enterprise offers), process (changes in how products or services are created and delivered), position (changes in the context in which products or services are introduced), and paradigm (changes in the underlying mental models that frame what the enterprise does) innovations, which together can be mapped onto an innovation space allowing for rival offerings to be evaluated against one another. In this way, the enterprise should evaluate its innovative ideas against those in industry	INS: Determine type of innovation required from 4Ps of innovation	x		x	x
9.4.2 *9.4.2.1* *9.4.2.2* *9.4.2.3* *9.4.2.4* *9.4.2.5* *9.4.2.6*	The following managerial lenses through which innovative efforts must be viewed for successful implementation include: • Determining if the degree of novelty in the innovation required is radical or incremental in nature (or where in between) as the resource commitment to and uncertainty of each is substantially different, and therefore the associated risks • Deciding on whether or not to use platform innovation (e.g. branding, lean management) to allow for later derivatives to extend upon the basic features initially offered • Assessing the market scenario to see if discontinuous innovation may require a fundamental shift in the organisation's direction or value offerings to remain in business (i.e. to avoid the sailing ship effect), due to triggers of discontinuity being realised: new market formation, new technology emergence, different political rule development, running out of opportunities, market behaviour or sentiment changes, regulatory changes, fault line fractures, unthinkable events, and business model innovations • Determining the level of innovation required in the new innovative offering is necessary, from sole component to architectural level innovation • Understanding the timing of the innovation with respect to the market conditions, it may be necessary to focus more or less on product (newer industries) or process (mature industries) innovation • Understanding the impact of the contextual setting of the organisation on innovative efforts: enterprise size, sector, etc.				x	
9.5	The innovation process provides a number of steps which must be followed and understood so that it is logical and repeatable, as opposed to haphazard and once off: search (uncontested market space, population-specific needs, alignment to vision), select (possible market and technological opportunities, distinctive competencies, business fit), implement (acquire knowledge, execute project, launch and sustain the innovation), then capture (environmental, economic, and social value)	The IS itself provides this repeatable structure, BSS: **Implement the six principles of BOS**, INS: **SEARCH FOR INNOVATIVE SOLUTIONS**, **CREATE THE INNOVATION**, **CAPTURE MAXIMAL VALUE FROM THE INNOVATION**			x	

Sections	**Requirements/important concerns**	**Verification evidence**	**Enterprises**	**Money lenders**	**BOP**	**NGOs**
	The search phase requires: • The detection of signals in the environment indicating a potential for change, e.g. new technologies develop, market requirements change, regulations change, etc. • Fostering the development of mechanisms for identifying, processing, and selecting key information regarding changes in the environment	INS: **Search for environmental changes**	x			x
	The selection phase requires: • Setting the course of the rest of the process, limiting the focus for development, and resolving which fundamental inputs are needed for the final offering • Understanding of the market's needs • Know the limits, or scope for action • Answering what needs the organisation is best equipped to try answer with regards to its key competencies	INS: **Set in place selection phase controls**			+	
	The implementation phase requires: • Bringing ideas to reality, through acquiring knowledge from within and outside the enterprise • Effective project management in order to execute the innovative project, whereby the idea is turned into a sustainable offering for the target market • Managing resources effectively and responsibly	INS: **Manage the creation phase**	x		x	
	The capturing value phase requires: • Understanding the process by which value is captured from the innovation • Ensuring the innovation is adopted and diffused as quickly as possible in the intended market • Understanding all the forms in which value comes, for both the enterprise (gaining economic value as well as knowledge of the target market) and the target market (utility of the innovation)	INS: **Manage the value capturing phase**	x	x	x	x
9.6.1	All the various sources of innovation must be considered: • Knowledge push • Need pull • Users as innovators • Extreme users • Watching others • Recombinant innovation • Design-led innovation • Regulation • Futures and forecasting • Accidents	INS: **Consider the various sources of innovation**			+	
9.6.2	The enterprise must balance its exploration and exploitation search activities optimally by: • Exploiting incremental innovations by using knowledge leveraging activities to build on what exists • Exploring the potential of new, higher risk cross-functional innovations which requires long jumps and reorientations for the enterprise to adopt altogether new knowledge outside its normal routines or domains • Using a portfolio approach to combine the two approaches, with partial focus on peripheral and	INS: **Balance exploration and exploitation**	x		x	

Sections	**Requirements/important concerns**	**Verification evidence**	**Enterprises**	**Money lenders**	**BOP**	**NGOs**
	emergent areas around the currently existing market segments and technologies					
9.6.3	There are a number of search tools and mechanisms which need to be adequately considered in searching for alternative innovation sources: • Partnering with other organisations • Deep diving • Exploring multiple futures • Extending external connections • Managing internal knowledge connections • Sending out scouts • Using the web • Working with active users	INS: **Utilise the various search tools and mechanisms**	x		+	x
9.6.4	Within the innovation search space there exists a number of zones and challenges which require the use of specific tools to overcome them: • Exploit: new innovations should be pursued around the existing business model. Technological and market boundaries need to be incrementally extended, refined, and improved. Key players play a large role in the search process • Bounded exploration: business model doesn't change; however, new and different innovative components will need to be searched for. Technological and market frontiers must be pushed by the searched for innovative idea, using advanced techniques. Key strategic knowledge sources are necessary • Co-evolve: change of paradigm must occur, with new or different elements of the environment being looked to, mixing and matching different architectures. To reframe the enterprise, alternative options must be explored via the introduction of new elements. Experimentation, open ended research, and market and technological periphery breadth are important to focus on • Reframing: completely new but incremental innovations, occurring within the enterprise with the capacity to change the architectural paradigm of the entire sector. It is important to co-evolve with stakeholders as the innovation emerges	INS: **Determine which search space zone is relevant and address challenges specific to that zone**			x	
9.7.1	A number of mechanisms should be used to provide enterprises sources of strategic advantage: • Offering complexity (difficult to imitate or master) • Extended range of competitive factors (shifting the competitive basis) • Legal protection of intellectual property (limit use by others) • Platform design (allow later products to build upon primary offering) • Process novelty (offering services in ways that others cannot) • Product or service offering novelty (something new and unique)	Inherent in the framework systems				

Sections	**Requirements/important concerns**	**Verification evidence**	**Enterprises**	**Money lenders**	**BOP**	**NGOs**
	• Reconfiguring the process (rethinking interrelationships of system parts to increase effectiveness) • Rewriting the rules (offering a completely new product, service, or process) • Timing (first-mover advantages) • Transferring across different application contexts (recombining pre-established products and services for different markets)					
	Strategic innovation requires a new who (target customers, e.g. the BOP), new what (value propositions), and new how (cost-efficient means of offering propositions to customers) to be arrived at, thus moving beyond industry norms or sustaining innovation to attain architectural or business model innovation, thus disrupting their competitors and generating value for the organisation (and shareholders) and customers	The framework is developed for the BOP (the new who) to give them new products and services (new what) through profitable value innovation (the new how)			+	
	New value propositions (whats) can be arrived at for the BOP, making them affordable and acceptable by: • Changing the price-performance ratio in a considerable way • Modifying upper tier products and services to be culturally acceptable • Reducing or completely eliminating unnecessary features from the product or service to reduce prices • Changing the scale, size, or capacity of the product so it can be shared or conversely personalised	MAS: **Address the 4As**	x		+	
	New means of getting these propositions to the BOP must be utilised, ensuring availability and awareness by: • Developing new and appropriate distribution channels in order to create demand for a product or service • Using local transportation methods, direct sales organisations, digitisation of products (e.g. tickets, banking) to reach the BOP • Educating the BOP to promote demand creation for a new product • Pursuing alternative media channels for advertising in the BOP where television, radio, and press (newspaper or magazine) access is limited or non-existent		x		+	x
9.7.2	According to the logic of value innovation, strategy must focus on expanding existing markets or creating new ones, not beating the competition	INS: **Focus on value innovation**, BSS: Reach beyond existing demand				
	Empathic design is necessary which requires that innovators need to enter into the living world of end users and implies an understanding of user needs through empathy with the user world rather than from user articulation of needs	INS: **Engage the BOP via bottom-up innovation**			+	
9.7.3	Disruptive innovations are best suited to the BOP market, bringing them products and services which were once only available to high-end customers, requiring enterprises to shift their focus towards the BOP	INS: **Favour disruptive innovations**	x			
	Disruptive innovation requires a technology (or service), a business model, and a disruptive value network in bringing about radical change	Inherent in framework design	x		x	x
9.7.4	A bottom-up innovation policy must promote:		x		x	x

Sections	Requirements/important concerns	Verification evidence	Enterprises	Money lenders	BOP	NGOs
	• Redefining rules, investing in cross-cutting platforms, shared resources, and competition among many technologies to accomplish the same goal • Collaboration among interdependent stakeholders via a network life cycle approach to innovation • Regional focus, leveraging and building on existing technological, industrial, and human capital assets of regional economies and business ecosystems • Targeted, strategic investments from agencies					
	Bottom-up innovation requires active engagement of people at a local level in the BOP, developing solutions from the bottom up	INS: **Engage the BOP via bottom-up innovation**			+	
	There must exist strong feelings of ownership and empowerment in the development process (at the BOP)	SDS: **Test for social equity**			+	
	The following types of support are necessary for successful bottom-up innovation with local innovators: • Establishing awards for innovation • Establishing clear organisational goals so as to encourage staff to succeed innovatively • Meetings or consultations with staff • Providing informal recognition for innovators • Providing innovators with a fair chance to demonstrate the workings of their innovative idea • Providing resources for innovators, especially: · time for innovators to work on their own projects · with necessary reduction in other responsibilities · an adequate budget to pay for their projects' running costs • Relaxing constraints on innovators	SDS: **Understand key activities**			+	
	Crowdsourcing and co-creation at the BOP are two tools that may well be used to solve problems by aggregating talent and leveraging ingenuity whilst reducing the cost and time formerly needed to solve such problems	INS: **Consider the various sources of innovation**				
9.7.5	Building rich and extensive linkages with potential sources of innovation through open innovation (a more permeable view of knowledge where organisations recognise the importance of external sources and also make their own knowledge more widely available) is key to success for young and small enterprises		x		x	x
	Adhering to the principles of open innovation is necessary: • Use external ideas to help create value, and internal R&D to claim a portion of that value • Make the best use of internal and external ideas to win • Promote building a better business model over getting to market first as being able to capture value is equally as important as being able to create it • Tap into the potential of smart people who do not work for the organisation • Aim to both profit from others' use of the enterprise's intellectual property (IP), and buy other organisations' IP whenever it advances the enterprise's business model	Inherent in INS design	x		x	x

Sections	**Requirements/important concerns**	**Verification evidence**	**Enterprises**	**Money lenders**	**BOP**	**NGOs**
	• Expand R&D's role to include not only knowledge generation, but knowledge brokering as well					
	Effectively managing innovation must entail moving from the creation of knowledge to the trading and managing of knowledge flow		x		x	
	An open strategy is necessary that balances the value creation forces (found in creative people, innovative communities, and collaborations) with the capturing of value that is vital to sustain continued participation and also support of those activities	INS: **Understand that capturing value is more important than creating it**	x		x	x
	Open innovation activities must aim to cultivate multiple customers in multiple markets which spread the costs and risks of adoption whilst simultaneously identifying new service applications that an SMME may have missed without collaboration with a larger enterprise	Inherent in BSS approach			x	
9.7.6	Oftentimes what is most needed at the BOP is a clean slate approach to value proposition design, aiming at closing the developing market's specific need gaps	INS: **Engage the BOP via bottom-up innovation**			x	
	Project level actions that must be taken for promoting reverse innovation include: • Establishing radical goals: aggressive goals and the daunting constraints can spark success in novel ways • Practicing clean-slate organisational design: a new organisational structure is necessary for clean-slate design • Leveraging global resources: if part of a multinational, innovation teams must not isolate themselves but rather make extensive use of the enterprise's assets • Choosing team leaders without conflicting interests: the team leader's highest, if not only, priority should be the project to avoid traditional revenue based thinking for short-term goals		x		x	x
	Managerial level actions that must be taken for promoting reverse innovation include: • Rebranding the enterprise's future: denial and resistance of employees flourish in situations without clear direction and relation of goals from leaders • Shifting people and power to emerging markets: a change of people and hierarchy is necessary to change the dominant logic • Increasing R&D spending in emerging markets and focusing it on local needs: the focus of innovators and engineers is best able to accommodate locals' needs when they are surrounded by the local atmosphere • Bulking up on emerging-market knowledge and expertise: this is necessary for leaders to have the info they need to believe in the potential of emerging markets and continue to pursue them by shattering the glocalisation mind set and fostering the reverse innovation view • Ensuring that large businesses continue to thrive whilst calming fears of product cannibalisation: for effective management of glocalisation and reverse	Inherent in INS, INS: **Determine and pursue the potential for reverse innovation**			x	

Sections	**Requirements/important concerns**	**Verification evidence**	**Enterprises**	**Money lenders**	**BOP**	**NGOs**
	engineering within one enterprise management will have to see it as a central organisational issue					
	It is necessary to find partners from the BOP due to the fact that local employees might be as far removed from this socioeconomic segment as the organisation's colleagues located in developed markets	INS: **Engage the BOP via bottom-up innovation**			+	
9.7.7	Inclusive innovation is necessary for lasting positive impact at the BOP, ensuring that innovations are useful to the BOP customer, and requires: • Creating innovations within an inclusive frame of discourse and knowledge • Actively bringing BOP actors (or groups) excluded from the mainstream of development into the innovation process • Developing an innovation platform that establishes linkages between stakeholders driven to address a key issue • Creating or enhancing opportunities that improve the wellbeing of the BOP • Catering for user-producer interactions focusing on producer-consumer related learning and innovation • Innovating frugally, to minimise resource usage, costs, and complexity • Learning to be emphasised over problem solving, which requires a key informant to act as a primary information source (for capturing qualitative data) • Managing complex informal, loose, but socialised relations to engender diffusion, learning and capability transfer, and retention • Considering the context of the innovation system • Analysing processes within the system	INS: **Follow an inclusive approach**	x		x	x
9.7.8	In order to overcome the constraints to innovation when operating in the BOP market, the twelve principles of BOP innovation should be adhered to: • Focus on quantum jumps in price performance of products and services • Develop hybrid solutions • Developed solutions must be scalable and transportable across countries, cultures, and languages • Reduce resource wastage in developed markets • Product development must be radically redesigned beginning with an understanding of both form and functionality • Process innovations and product innovations are equally important in BOP markets • Deskilling of work is critical • Educating customers on product usage is key • Products must work in hostile environments • For BOP consumers research on interfaces is critical • Innovations must reach the consumer • Focus on the broad architecture of the system	INS: **Understand the core tenets of BOP innovation**			x	
9.8.1	Components which should be observed in a successful innovative enterprise include: • appropriate structure	The framework promotes each of these or addresses them directly				

Sections	Requirements/important concerns	Verification evidence	Enterprises	Money lenders	BOP	NGOs
	• creative climate • effective team work • external focus • high-involvement innovation • key individuals • shared vision, leadership, and a will to innovate					
	Determining the right organisational structure is key to effective strategy implementation: • Simple structure: a centralised organic structure, centrally controlled giving it the ability to respond rapidly to environmental changes, giving the entrepreneur the ability to maintain all authority to design and control the enterprise in addition to a clarity of purpose due to interacting with key stakeholders daily, with the weakness of the entrepreneur's individual misjudgements and prejudices as well as resource limits coming into play more • Mission-oriented structure: held together by a shared common, and often altruistic purpose and values, which results in high commitment and ability of individuals to take initiative without being coerced, however the enterprise owner has a lower degree of control due to employees wanting to act in manners which they deem likely to best benefit the social group they are involved with (i.e. wanting to be the hero) and as such requires energy from a key visionary leader and a clearly articulated shared purpose	This is dependent on how the particular enterprise in question adheres to the framework requirements				
9.8.2	Managers of successful innovative organisations must be prudent in the choice of direction and allocation of resources for innovative activities, which requires: • Incrementalism • Sensitivity analysis • Simple rules • Stopping criteria • Evaluation of different types of innovation • Reduction of key uncertainties	INS: **Adhere to practical resource management tips**			x	
9.8.3 *9.8.3.1* *9.8.3.2* *9.8.3.3* *9.8.3.4* *9.8.3.5*	Increasing the rate of diffusion and adoption of innovations to maximise the value created and collected can be achieved by: • Increasing compatibility • Lowering levels of perceived complexity • Increasing the degree of observability • Maximising the relative advantage • Enhancing the trialability (ensuring innovations are used by BOP is imperative, teaching the BOP via doing, using, and interacting (DUI) approaches)	INS: **Promote diffusion and adoption**			+	

G.6 Marketing requirements, verification, and stakeholders

Table G-6 Marketing requirements, verification, and stakeholders

Sections	**Requirements/important concerns**	**Verification evidence**	**Enterprises**	**Money lenders**	**BOP**	**NGOs**
10.2	Marketing must be viewed as the activities and actions which identify and meet human and social needs by creating superior value for the customer, and then communicating it and delivering it to the target market, whilst simultaneously capturing revenues and key information from the BOP	The MAS process is one of focusing on the customer to create value which is deliverable and ideally suited to BOP needs			x	
	The aim of marketing should be to make the value offering so in line with what the customer wants and needs that it basically sells itself	MAS: **Account for all need types**			+	x
10.2.1	Both the task environment (actors in the production, distribution, and promotion of the value offering, e.g. the enterprise, suppliers, distributors, dealers, and target customers) and broad environment (the demographic, economic, natural, political-legal, social-cultural, and technological environments) must be understood clearly when assessing the market environment	MAS: **Understand developments and trends in the marketing environment**	x		x	x
10.2.2 *10.2.2.1* *10.2.2.2* *10.2.2.3* *10.2.2.4*	A holistic view of marketing must be employed by recognising and reconciling the scope and complexity of marketing activities, whereby the following is taken into account: • Integrated marketing by devising the enterprise's marketing activities and programs such that value is created, communicated, and delivered to the consumers in a way which makes the whole greater than the sum of its parts (via communications, products and services, and channels) • Relationship marketing to develop long lasting relationships with all involved parties in the value creation and delivery process through understanding each constituent's capabilities, desires, goals, needs, and resources (customers, channels, and partners) • Multiple measures of performance must be used in marketing, above and beyond financial performance measures (sales revenue, brand and customer equity, ethics, environment, legal, community) • Marketing must begin within the organisation, in what is called internal marketing which requires hiring, training, and motivating capable employees that have a desire to serve customers well (marketing department, senior management, other departments)	MAS: **Recognise the scope and complexity of the various dimensions of marketing**	x		x	x
10.3	Marketing requires the systematic design, collection, analysis, and reporting of data and findings relevant to a specific marketing situation in such a way that new customers are gained and old customers are kept	MAS: **Perform market sensing**			x	
10.3.1	Creating customer value is the only way in which any business can thrive, and therefore the customer must be the focus of the business (i.e. exhibit customer-centricity)	MAS: **Foster a customer-centric organisation**			+	x
	The customer must reign supreme, with the needs of those who directly meet, serve, and satisfy them (i.e. frontline people) coming directly after, whilst management acts to enable and support frontline people in their efforts				x	
10.3.2	Serving the BOP market is more about satisfying needs than wants (so as to avoid exploitation), and therefore understanding the different types of needs (stated, real, unstated, delight, and	MAS: **Account for all need types**			x	x

Sections	**Requirements/important concerns**	**Verification evidence**	**Enterprises**	**Money lenders**	**BOP**	**NGOs**
	secret needs) and addressing more than just the stated ones is imperative, initially focusing on primary needs and shifting to secondary ones when the BOP is more empowered					
10.3.3	It is important to serve the most pressing customer needs first, starting from the base of Maslow's hierarchy of needs, progressing from: 1. Physiological needs: food, water, shelter, to 2. Safety needs: security, protection, to 3. Social needs: sense of belonging, love, to 4. Esteem needs: self-esteem, recognition, status, to 5. Self-actualisation needs: self-development, self-realisation	MAS: **Use Maslow's hierarchy to rank identified needs**			x	x
10.4	It is imperative that specific market segments are targeted to ensure a value offering is sellable	MAS: **TARGET SPECIFIC MARKET SEGMENTS**	x	+	x	x
10.4.1	For effective segmentation, the following features must be exhibited in each market segment: • Measurability: of segment size, purchasing power, and characteristics • Substantiality: must be large and profitable enough • Accessibility: able to be effectively reached and served • Differentiability: conceptually distinguishable, exhibiting different responses when various marketing mix elements and activities are applied to them • Action-ability: effective programs should be able to be formulated for attracting and serving the segments	MAS: Use traditional segmentation criteria	x		x	
10.4.2	If the segment is big, shows potential for growth, is going to be profitable, exhibits scale economies, and is low risk, then it is sufficient as a market segment only if it still makes sense in light of the enterprise's objectives, competencies, and resources also	MAS: **Pursue segments that are...**			x	
10.4.2 *10.4.2.1* *10.4.2.2* *10.4.2.3* *10.4.2.4*	The level of segmentation must be selected and evaluated from the following approach options: • Full market coverage: serving all customer groups with all the products they could possibly need • Multiple segment specialisation: serving a subset of the multiple segments available, with each segment in the subset being attractive and appropriate, however not necessarily similar or related to one another • Single segment concentration: serving only one segment in particular • Individual marketing: serving customers through one-to-one marketing in a highly customisable setting	MAS: Determine required segmentation level	x		x	x
10.4.3	In order to be increasingly profitable, the goods or services developed for the BOP communities must enable them to grow more affluent, so that their increased income as a result of the use of the product or service will trigger more demand in the communities	MAS: Address most pertinent needs first...			+	
10.4.3 *10.4.3.1* *10.4.3.2*	The BOP market should be specifically broken down into the following segments so as to maximise the impact of the value offering: • Living standard segmentation (low income, i.e. upper LSM group 4, subsistence, i.e. LSM groups 2 and 3, or extreme poverty, i.e. LSM group 1) • Value creation role segmentation (consumers, co-producers, or clients)	MAS: Use BOP specific segmentation criteria			+	x
10.5	Appropriate branding must incorporate a name, term, sign, symbol, or design, or a combination of them, so as to clearly	MAS: **Incorporate brand building and defensive elements...**			+	

Sections	Requirements/important concerns	Verification evidence	Enterprises	Money lenders	BOP	NGOs
	identify the goods or services of one seller or group of sellers and differentiate them from those of competitors					
	Brand equity (the value added to a product or service due to its branding) must be maximised by ensuring that over time the customer's perception of value is increased by influencing what they have felt, heard, learned, read, seen, and thought about the brand, exacting a favourable response	MAS: **Maximise brand equity**			+	
	The six criteria for choosing brand elements must be adhered to in developing a strong brand: • Memorable: ease of customer recollection and recognition at purchase and consumption • Meaningful: credibility and suggestiveness in terms of a specific type of product category or customer persona • Likable: aesthetic appeal • Transferrable: ability to represent (introduce) new products in the same or different categories • Adaptable: ability to improve and update the brand • Protectable: legal and competitive protectability	MAS: **DEVELOP SUITABLE BRANDING**	x	x	x	x
	Slogans must not limit the brand and decrease the chance of it being applicable over a broad range of offerings			x		
10.6	Three broad ranging channel types must be used to reach the target market, including: • Communication channels: to deliver and receive messages from target buyers in both monologue and dialogue channels, e.g. newspapers, radio, billboards, posters, fliers, toll-free numbers, the internet, etc. • Distribution channels: to display, deliver, and sell the value proposition to the buyers or users, e.g. distributors, wholesalers, etc. • Service channels: to carry out transactions with potential buyers, e.g. transportation enterprises, banks, warehouses, etc.	MAS: **FIND OR DEVELOP APPROPRIATE CHANNELS**	x		+	x
	Intermediaries may need to be used in developing effective marketing channels: • Merchants: those who buy, take title to, and then resell merchandise (i.e. BOP 2.0) • Agents: those who search for and negotiate with customers on behalf of the enterprise but do not take title to the offerings (e.g. sales agents) • Facilitators: those who assist the enterprise in distributing products but neither negotiate purchases or sales, nor do they take title to goods (e.g. advertising agencies, transportation enterprises)		x		+	x
	Balancing the following strategy types is key to maximising effectiveness: • Push (inducing the intermediaries to promote, carry, and sell the product to the end user through some or other means): apt when the offering exhibits low brand loyalty, has a clearly understandable benefit, and the product is an impulse item • Pull (getting the intermediaries to persuade customers to demand the product from the intermediaries, thus inducing these intermediaries to order it from the enterprise): apt when there is high brand loyalty, high consumer involvement in the offering, it is easy to distinguish from other brands, and when the choice of	MAS: **Balance push and pull strategies**	x		x	

Sections	Requirements/important concerns	Verification evidence	Enterprises	Money lenders	BOP	NGOs
	brand is made before the customer goes looking for a product or service					
10.7 *10.7.1* *10.7.2* *10.7.3* *10.7.4*	There exist four types of exchange which occur at the BOP, each of which must be assessed as a possible means of interacting with the consumers: • Structured: specialised and structured formal intermediaries or channels of distribution which provide standardised processes to facilitate the flow of transactions, e.g. neighbourhood retail stores, wholesalers • Networked: making use of managed relationships between individuals and entities so as to accrue benefits based on their cultural, economic, or social links, e.g. small-scale networks • Pure: when products or assortments are openly exchanged at defined trade centres operating within BOP communities, wherein bargaining is common and bartering is sometimes utilised instead of paying in cash when concluding deals, e.g. vendor's market stalls • Centralised: utilises political or economic power in a BOP community to direct transaction flows towards the entity that exercises this power in a manner that benefits that entity, e.g. government initiatives	MAS: **ASSESS AND EXPLOIT THE VARIOUS FORMS OF EXCHANGE**	x	x	+	x
10.8.1 *10.8.1.1* *10.8.1.2* *10.8.1.3* *10.8.1.4*	The 4Ps framework gives the enterprise a strong point of departure for ensuring that a holistic marketing mix is brought to the customer, and must take into account the: • Product (service): that output of the enterprise which satisfies the customer • Price: the amount of money a customer will pay for the product or service offering • Place (distribution): the provision of products and services in a place which is ideal in terms of convenience to customers • Promotion: the methods of communication open to the marketer for providing information to the various constituents regarding the product or service offering	MAS: **Ensure 4Ps are complementary**		x	x	
10.8.2 *10.8.2.1* *10.8.2.2* *10.8.2.3* *10.8.2.4*	The 4As framework must be used to ensure the validity of the marketing mix strategy for the BOP market, by taking into account the following aspects regarding the value offering: • Availability: the extent to which customers are able to readily acquire and use a product or service • Affordability: the degree to which an enterprise's goods or services are affordable to BOP consumers • Acceptability: the extent to which consumers and others in the value chain are willing to consume, distribute or sell a product or service • Awareness: the degree to which customers are aware of a product or service	MAS: **Address the 4As**		x	+	

G.7 Strategic alliance requirements, verification, and stakeholders

Table G-7 Strategic alliance requirements, verification, and stakeholders

Sections	**Requirements/important concerns**	**Verification evidence**	**Enterprises**	**Money lenders**	**BOP**	**NGOs**
11.2	The micro (process related) and macro (social, political, and economic) drivers of collaborations should be understood before forming an alliance to avoid post formation disillusionment	SALS: **Prepare for alliance formation**	x		x	x
	Full commitment on all sides is required to create value through an enduring partnership	Inherent in SALS setup	x		+	x
11.2 & 11.3.1	Alliances must enable social enterprises to access needed resources and gain capabilities that are otherwise unattainable to drive down costs of the BOP context	SALS: **Provide alliance formation rationale**	x			
11.3	Strategic alliance must achieve a synergy wherein each collaborating organisation accrues benefits from the alliance which would not be possible acting alone		x			x
	Alliances must enable the solving of social problems which would otherwise be too complex for single organisations to cope with alone		x			x
11.3.1	To utilise an alliance most effectively, it must be differentiated from other forms of interaction with other organisations, preferably before alliance formation	SALS: **Prepare for alliance formation**	x		x	x
11.3.2	The theoretical underpinnings of strategic alliance literature provide a holistic view of the concept, which is worth investigating to better understand from which theory potential partners predominantly operate and the rationale for forming alliances		+			x
	An ideal view of alliances must incorporate: • Structure as well as process • Creation and organisation of inter-organisational networks • Accounting of both structure and action, and their interrelationships • Simultaneous addressing of power, cognition, and legitimacy issues with respect to the process through which economic effectiveness is constituted • Adequate explanations of alliance instability and failure	Inherent in the design of the SALS				
11.3.3	Alliances should only be employed on a temporary basis or when involving noncore activities, so as to not compromise competitive advantage	SALS: **Prepare for alliance formation**	x			
	Forming an alliance is only ideal if it will augment and support the adaptation strategies of the participants		x		x	x
11.3.3.1 & 11.3.3.2	Understanding the benefits and costs of strategic alliances prior to formation is key to making the right decision for growth		x		x	x
11.3.4	In terms of the process by which alliances happen, it is detrimental to utilise only a life cycle (deterministic, limited) approach, as teleological (iterative, flexible), evolutionary (adaptive), and dialectical (internal tensions) approaches are more process friendly and can provide the owner with a better understanding of the way an alliance can be managed most effectively					
11.3.5	Alliances must promote the progression of the degree of integration to attain higher returns with time, moving from a state of cooperation (with shared information and mutual support) to coordination (with common tasks and compatible goals), to collaboration (with integrated strategies and collective	SALS: **If alliance is performing well, pursue next stage of relationship**	x		x	

Sections	**Requirements/important concerns**	**Verification evidence**	**Enterprises**	**Money lenders**	**BOP**	**NGOs**
	purpose), and finally to coadunation (with unified structure and combined cultures)					
11.4	Adequate planning is crucial when deciding to form an alliance, and it is ideal to utilise the following tools for the planning phase: value chain analysis form, needs analysis checklist, and partnering need versus do it alone analysis	SALS: Utilise planning phase tools	x		x	x
	It is crucial to first analyse it in light of the company's strategic alternatives (e.g. joint ventures, acquisitions) and secondly in light of its overall strategic objectives	SALS: **Analyse alternate options**	x		x	x
	It is imperative that the collaborative advantage of the partnership is advanced, not only focusing on the financial side, but also by addressing the human side of the relationship in addition to adequately screening potential partners in financial terms	SALS: **Assess potential partners along key criteria**	x		+	x
	At the BOP, in line with the TCV, minimising the sum of production and transaction costs is crucial	SALS: **Provide alliance formation rationale**	+		+	x
	Key to success at the BOP is the accessing of valuable/scarce resources		x			x
	Organisations must make sure that the alliance is a means of supplementing and improving embedded knowledge, not as substitutes for internal development		x		x	x
	Deciding to form an alliance requires that risks be mitigated beforehand	SALS: **Prepare for alliance formation**	x		x	x
	Alliances should be formed when transaction costs of an exchange are intermediate, not high enough to justify vertical integration	SALS: **Analyse alternate options**	x		x	
	Alliances are ideal when critical inputs for pursuing the opportunity are owned by different parties and when these inputs are inseparable from the other assets of the owner organisations	SALS: **Provide alliance formation rationale**	x			x
	Collaborations should be chosen when the goal is to enhance knowledge in critical areas where the requisite level of knowledge is lacking and cannot be developed within an acceptable timeframe or cost		+		x	+
11.5	Adequate planning is crucial when assessing and selecting partners, and it is ideal to use the following tools for the partner assessment and selection phase: partner screening form, technology and patent domain maps, cultural fit evaluation form, and due diligence team	SALS: Select strategic partner	x		x	x
	In-depth searching for a suitable partner is necessary even when it seems as if the perfect partner is apparent	SALS: **Conduct an in-depth search for new partners but promote alliances with pre-existing contacts with positive track records**	x		x	x
	It is imperative to understand potential alliance partners' reasons for wanting an alliance prior to contract formation, and can be achieved by asking: • What will their strategic position be as a result of the alliance, presently and in future? • Why would the partner wish to enter into such an alliance? • What weaknesses of the partner are likely to be strengthened by the alliance?	SALS: **Assess potential partners along key criteria**	x			x
11.5.1	Alliances should only be utilised when management determines that there exist appropriate levels of fit along multiple key dimensions of complementarity: mission/goals fit, compatibility, comparability of values, complementary skills/capabilities,		x		x	x

Sections	**Requirements/important concerns**	**Verification evidence**	**Enterprises**	**Money lenders**	**BOP**	**NGOs**
	resource fit, chemistry (managerial and workforce), target market fit, product/cause fit, cooperative cultures, cycle fit, self-analysis, clarity of expectations/evaluations, commensurate levels of risk, potential for reputational damage, and adequacy of legal form					
	Ensure ability to identify and meet alliance-level (e.g. joint value creation and building of community capacity) and participant-level (e.g. access to resources, enhanced visibility and image, learning from other sectors) objectives prior to alliance formation		x		x	x
11.5.2	Partners from various sectors each exhibit different degrees of ability to address particular areas of concern, and must be chosen accordingly, with specific criteria for evaluation in mind	SALS: **Understand institutional impact on governance mechanisms**	x		x	x
	Upper tier markets require more regulative governing whilst lower tier markets rely more on normative and cognitive forms of governance		x		+	x
	Organisations must develop in an ecosystem that is defined by structural holes and regulative institutional gaps that prevent industry development at the BOP, by utilising alliances with government, non-profits, and the community to foster a growth oriented business ecosystem at the BOP and using BOP stakeholders as substitutes for missing actors and supporting industries often found in the strong regulative institutions of upper tier markets		x		x	x
	The difference in institutional distance between regulative external institutions that the social entrepreneur operates in with upper tier partners and the normative and cognitive institutions prevalent at the BOP influences the structure of any direct partnerships or dealings with the BOP, requiring the enterprise to adapt to cater for all institutions in how they govern relationships		x		x	x
11.5.3.1	Positioning the enterprise is important for social entrepreneurs, as their mission and goals often tend to align more with one sector than the others, which influences how it must relate to partner organisations from each sector	SALS: **DETERMINE IF AN ALLIANCE IS STRATEGICALLY IDEAL**	x		x	x
	Managers must understand that the private sector mainly acts so as to create products and services, guarantee profits for investors, and deliver employment opportunities, innovation and economic growth		+			
	Managers must alleviate perceived commercial and reputational risks for private sector partners		x			
	Relationships between social enterprises and the private sector should seek to benefit from scale, access to resources, and gaining expertise in manufacturing, operations, and financing		x			
	Managers must sell the strengths of social enterprise partnerships to private sector partners, such as: enhanced reputation, gaining favour with stakeholders, ability to access BOP markets due to having keen local knowhow and deeper understanding of locals in the BOP, helping them communicate with hard-to-reach audiences at a community level, addressing CSR and developing PR spin offs, and motivating employees (impacting morale, performance, and productivity) by giving them a sense of social purpose		x			
	Managers must understand that the public sector mainly acts so as to create the framework for economic, political, and social rights, as well as provide regulations and standard-setting mechanisms				x	

Sections	**Requirements/important concerns**	**Verification evidence**	**Enterprises**	**Money lenders**	**BOP**	**NGOs**
	Relationships between social enterprises and the public sector should aim to attain better fiscal options, improve the legislative environment to better traverse costly red tape, and if necessary form contractual arrangements to deliver services, products, or projects traditionally provided by the public sector				x	
	Managers must sell the strengths of social enterprise partnerships to public sector partners, such as: providing innovative solutions to social needs, maximising positive impact through application of expertise					
	Managers must understand that the civil sector mainly acts so as to create opportunities for individual creativity and growth, provide services and support for those in need or excluded from mainstream society					x
	Relationships between social enterprises and the civil sector should help to transfer impulses from the private sector into the public or the civil sector, build networks between sectors to scale expansion of innovations, access funds, garner localised knowledge to address gaps, increase social embeddedness in informal networks, and provide access to legitimacy for local informal institutions					x
	Managers must sell the strengths of social enterprise partnerships to civil sector partners, such as: access to capital, improved accountabilities and efficiencies, scale economies, and distribution networks					x
11.5.3.2	Understanding the position of the enterprise in the supply chain is pivotal to arriving at an appropriate strategy for partnering with other organisations, and requires that the relative power of the organisation is assessed, by: • Determining the supply chain position of alliance, according to: degree of concentration, product and technology characteristics, and transactional behaviour and entry barriers • Ascertaining relative power and required strategy: focal organisation dominance, upstream network dominance, focal organisation obedience, and downstream network dominance	SALS: **Understand impact of supply chain position**	x		x	x
	Vertical (within the same supply chain) collaborations should be used for improving coordination between entities by optimising interfaces		x		x	x
	Horizontal (different supply chains at same level, e.g. competitors) collaborations should be used to help share resources, capabilities, risks, and costs to realise bigger projects		x		x	x
	Diagonal (combining both vertical and horizontal) collaborations should be used for accessing new markets		x		x	x
11.5.3.3	Ascertaining the enterprise's as well as the partner organisation's motives for the alliance regarding their strategic intent is important to peaceful cooperation. The degree to which exploitation (elaboration and deepening of already existing capabilities to incrementally enhance competencies) and exploration (experimenting and establishing new assets and capabilities to discover new opportunities) activities are pursued has ramifications for how to best manage the relationship, resulting in the following types: • Learning alliances (high exploit, low explore intents) to reveal new insights into markets, core competencies, and technologies. Must balance learning rates of partners	SALS: **Determine knowledge orientation of alliance**	x		x	x

Sections	**Requirements/important concerns**	**Verification evidence**	**Enterprises**	**Money lenders**	**BOP**	**NGOs**
	• Business alliances (low exploit, high explore intents) to secure new incremental revenues from a combination of specific assets unique to each partner • Hybrid alliances (high exploit, high explore intents) that seek to simultaneously maximise both opportunities for capturing value from the leveraging of existing capabilities and assets, as well as maximising the opportunities to create new value through joint learning activities (low degree of both relates to arm's length transactions being more favourable)					
11.5.3.4	Deciding on the equity orientation of the alliance is crucial to effective management of the alliance, and can either be equity based (i.e. equity joint ventures or minority equity alliances), or non-equity based (i.e. unilateral and bilateral contract-based alliances)	SALS: **Determine alliance structural preferences**	x		x	x
11.6	Adequate planning is crucial when designing the alliance via contracts and negotiation, and it is ideal to use the following tools: negotiation matrix, needs versus wants checklist, alliance contract template, alliance structure guidelines, and alliance metrics framework	SALS: **DESIGN ALLIANCE VIA CONTRACT AND NEGOTIATION**	x			x
	Partners must ensure that governing bodies involved in legal proceedings of contracts, etc. do not dominate the proceedings, making it too depersonalised	SALS: **Design the contract**	x			x
	Time is needed to arrive at actionable plans that will result in early effectiveness		x			x
	Contracts must be used as they are important governance mechanisms, specifying the: commitments, contributions, benefits each partner accrues, conflict resolution mechanisms, and arbitration clauses (as well as lawsuit provisions) of the alliance		x	x		x
	Strong agreements must include: • Specific joint activity, a first-step project • Commitment to expand the relationship • Clear signs of continuing independence for all partners		x		x	x
	Sound contracts must incorporate: • An explicit mission and specific performance objectives • A timetable for their achievement, i.e. clearly specified milestones • Communication channels appropriate for the collaboration • Its own resources and control systems • Personnel with a sense of loyalty and commitment to the alliance's success • An operating plan providing clear guidance/agreement on: · How labour is divided · How costs will be shared · How partner resources should and are allowed to be accessed · How patents and/or royalties will be managed · How scale benefits will be divided · How to measure the value that is created · Protocols for the alliance		x			x

Sections	Requirements/important concerns	Verification evidence	Enterprises	Money lenders	BOP	NGOs
	· The exit strategy in the event of alliance dissolution · The role and impact of intangible value created or shared · Time horizons for investment returns · Time limits for projects · What administrative mechanisms will resolve questionable cases · What technology and know-how will be contributed to the alliance · What the definition of knowledge is · What value is attributed to assets so they are contributed synonymously · What will remain proprietary as well as what should be transparent or opaque · Who is responsible for the running of what					
	Attention to detail is critical in negotiations and contract formation, making it ideal to utilise focus groups with representatives of each functional department as well as key players in the proposed alliance to encourage them to engage in group discussions to gain a clearer picture of all of the people and agencies involved with the formation and delivery of the collaborative effort	SALS: **Gain key input from and familiarise key stakeholders with alliance strategy**	x			x
	Conducting a workshop with representatives from the project's key agencies and entities (identified in the focus group) must be done to enable the building of relationships and set the context of collaboration, also collecting baseline quantitative and qualitative data to be used for formative evaluation purposes. The result of this workshop should be a consensus on current and projected levels of integration with practical guidelines on how to attain these levels, requiring both inter- and intra-organisational brainstorming, requiring that the following questions are answered: • What would it look like if their ideal level of integration was reached? • What actions would they need and want to take to bring about their ideal level of integration? • What evidence would indicate that they have reached their ideal level of integration?		x			x
	In order to guard against partner opportunism via regulative forms of governance, in alliances where the risk of opportunism is high, it is preferable to form equity based contracts for governance wherein the equity acts as hostage, increasing the cost for partners who engage in opportunistic behaviour	SALS: **Establish apt governance mechanisms**	x			x
	At the BOP, normative and cognitive governance mechanisms are more ideal, such as non-financial hostages, access to constituencies, contributions in kind, and reputation				x	
	Forms of pre-commitment should be used with BOP partners, whereby gifts and in-kind contributions should be used to show commitment				x	
11.7	Adequate planning is crucial when managing the alliance and it is ideal to use the following tools: problem tracking template, trust building work sheet, alliance contact list, and alliance communication infrastructure	SALS: **MANAGE THE ALLIANCE**	x		x	x
	Ensure strategic fit with partner prior to alliance formation and afterwards by embedding the alliance in the partners' strategies,	SALS: **Renegotiate the alliance**	x		x	x

Sections	Requirements/important concerns	Verification evidence	Enterprises	Money lenders	BOP	NGOs
	regular reporting, and promoting symmetry in strategic intent by recalibrating and thus maintaining the alliance over time					
11.7.1	Network relationships must be fostered, with each entity bringing unique value-adding resources and capabilities to the network, making it more valuable for each member to remain in the network than to go it alone	SALS: **Develop networks**	x		x	x
	Only a subset of activities must be part of a network, with autonomy in others		+		x	x
	Loyalty to each network member must be balanced to maintain stability		x		x	
	It is key to success that the enterprise establishes multiple, independent centres of competence and innovation from which further value can be created in new directions in new networks		x		x	x
	It is key to minimise degree centrality (how many direct links it has to other organisations) and power imbalances (influence and control over other network players) as they only act to destabilise networks		x		x	x
	Social enterprises should seek to exploit the current external network and resources of the founding entrepreneur(s) to survive, and thereafter they should actively seek new and additional resources for growth, growing by taking advantage of structural holes (the gaps between two organisations who have complementary sources to information)		x		x	x
	It is imperative for success that social enterprises leverage the benefits of networking, such as: • Prior organisational affiliations and experiences to arrive at broader and more functional networks • Network connections formation such that they increase the organisation's endowments in terms of needed, available, and accessible resources • Compositional quality of network ties (extent to which a single tie can provide needed resources, e.g. expertise, financing, and legitimacy)		x		x	x
	When dealing with BOP networks, it is necessary to clearly address the dimensions along which it differs to upper tier networks: • Lower centralisation • Less linearity • Higher intra-cluster densities and lower inter-cluster densities • More structural holes • Wider in scope • Higher tie domain frequency • Greater network member diversity • More unpredictable and less stable formal aspects • Greater resilience of informal aspects				x	
11.7.2	For effective alliance management, it is important at the small group level to minimise behavioural disintegration, emotional conflict, and stereotyping	SALS: **Address culture**	x		x	x
	Above and beyond the inter-organisational level, focus must be directed at the small group level in managing the cultural differences that exist		x		+	x
	Cultural integration is crucial in developing a long-term alliance		x		+	x
11.7.2.1	National culture must be accounted for in the way the enterprise manages its alliances, understanding the dimensions along which culture groups differ, i.e. balancing the national culture tensions:		x		+	x

Sections	Requirements/important concerns	Verification evidence	Enterprises	Money lenders	BOP	NGOs
	• Masculinity versus femininity • Small versus large power distance • Weak versus strong uncertainty avoidance • Universalism versus particularism • Individualism versus collectivism • Neutral versus affective • Specific versus diffuse • Achievement versus ascription • Sequential versus synchronic Internal versus external control					
11.7.2.2	Workplace practices must be designed so that an organisational culture is developed which surpasses the individual values of its employees, by engraining organisational values of managers in workplace practices to ensure employees with different values perform effectively regardless of personal beliefs		x		+	x
	Organisational culture must be accounted for in the way the enterprise manages its alliances, understanding the dimensions along which organisational cultures differ, i.e. balancing the organisational culture tensions: • Bounded versus professional focus • Process versus result oriented • Employee versus job oriented • Open versus closed system • Loose versus tight control • Pragmatic versus normative • Rigidity versus flexibility • Cooperation versus competition • Short- versus long-term orientation		x			x
11.7.2.4	Leveraging employee outputs and mitigating risk must be effected by addressing the organisational culture above and beyond the national culture, by using best practices to account for differences in values between organisations		x		+	
	Understanding the national, organisational, and professional cultures plays a key role in deciding how to manage the alliance most effectively to minimise tensions		x			x
	Partner selection should promote organisations with an innovative organisational culture characterised by a: • Medium professional focus of interest • Medium to strong result orientation • Balanced employee and job oriented approach • Medium to loose work discipline • Strong open systems • Medium to strong pragmatic attitude	SALS: **ASSESS AND SELECT ALLIANCE PARTNER**	x			x
	Partners to avoid include those set on maintaining stability and perfecting established routines in their organisational culture, typically characterised by: • Much stronger process orientation • More parochial and relatively closed (inward looking) • Pretty tight control mechanisms • Stringent behavioural norms		x			x
11.7.3	Developing the proper infrastructure for effective communications across functions along with the sharing of information is necessary for learning the most from an alliance	SALS: **Manage communication**	x		x	x
	Removing internal barriers to communication is important		x		x	x
11.7.3.1	Appropriate communication behaviour is critical to alliance effectiveness, requiring the following to be addressed:		x		x	x

Sections	**Requirements/important concerns**	**Verification evidence**	**Enterprises**	**Money lenders**	**BOP**	**NGOs**
	• Communication quality • Information sharing extent (assuage partner fears of opportunistic behaviour through reassurance of commitment and fairness of dealings) • Participation level					
11.7.3.2	It is crucial to maintain open lines of communication with multiple points of contact (both formal and informal) to enable clarity and alignment of partner expectations as well as flow of information		x		x	x
11.7.3.3	Promoting cooperation and coordination is beneficial and can be achieved via formal and informal means to arrive at more cost-effective solutions		x		x	
	It is key to use communication to engender cooperation and coordination, thus deterring competition via: • Reducing coordination costs and addressing management issues related to bounded rationality and decision biases by converging expectations and joint problem solving • Engendering cooperation through moral suasion, trust, and group identity development, by forming multilateral promises, and actively appealing for cooperation		x		x	x
11.7.3.4	Important to generating and/or accessing financial capital is the effective development and communication of social capital, ensuring that the enterprise develops positive stakeholder perceptions by ensuring: • legitimacy of the partners' functional and/or ideological identities • compatibility of partners' identities, and actual functional or ideological identity of the alliance		x			x
11.7.3.5	Partners and their colleagues must learn how to say no to requests for information and/or access, as well as know how best to position oneself when doing so by: • Providing natural and ideally passive barriers to classified information communication whenever possible, instead of active measures • Defining beforehand what must remain proprietary and what can be shared openly • Giving employees control over what they share • Defining steps that they can take to query requests quickly with managers		x		x	x
11.7.3.6	Enterprises must not form too many alliances lest it detracts from stakeholders' perceptions of the positive impact the alliance will bring (in accordance with the scarcity principle)		x			x
11.7.4.1	Partners must balance exploration (drive for learning outcomes) and exploitation (drive for performance outcomes) before trust can safely be established	SALS: **Understand relational dynamics**	x			x
	Friendship, loyalty, trust and commitment are crucial to cooperation within an alliance over time, with trust promoting loyalty which reinforces cooperation and commitment of partners		x		+	x
	To assuage fears of opportunistic behaviour, it is imperative to foster trust and commitment, by ensuring that: • similar values are shared • communication in their relationship is healthy		x		+	x

Sections	**Requirements/important concerns**	**Verification evidence**	**Enterprises**	**Money lenders**	**BOP**	**NGOs**
	• there is no history of taking malicious advantageous behaviour					
11.7.4.2	In alliances, loyalty is key but it is necessary to reduce tendencies for inter-organisation opportunistic behaviour and what can be termed tribal conflict (for learning alliances in specific, do not transfer management of learning to partner or repatriating it will be extremely difficult)		x		x	x
	Fostering friendships is important to develop better communication, increased loyalty, increased trust, and increased commitment, which all tend to minimise the risk of opportunistic actions, but a professional culture must be maintained in the workplace to ensure the risk of potential personal disputes and opportunistic behaviour between friends are mitigated		x		+	x
11.7.4.3	Shared commitment is required to deal with conflicts instrumentally, and is promoted by orienting the partners around the future, exerting effort and balancing short-term problems with the promise of long-term goal achievement		x		x	
11.7.4.4	Appropriate control mechanisms should be used to increase trust, depending on the degree of knowledge of the transformation process and outcome measurability: • Output control: when there is low task programmability and high outcome measurability, to attenuate performance risk • Behaviour control: when there is high task programmability and low outcome measurability, to attenuate relational risk • Social control: when there is low task programmability and low outcome measurability, to attenuate relational and performance risk • Behaviour and output control: when there is high task programmability and high outcome measurability		x		x	x
	Business alliances should be predicated on the application of clear control mechanisms and unambiguous outputs, e.g. financial and market performance		x			
	Learning and hybrid alliances should be predicated on the application of control mechanisms based on behaviours and processes		x		x	x
11.7.5	The collective learning process must be managed carefully by partners to simultaneously acquiring knowledge and access previously inaccessible knowledge by enabling partners to: • more effectively integrate knowledge regarding the production of complex goods and services • increase the efficiency with which knowledge is utilised	SALS: **Manage knowledge and learning**	x		x	x
	In learning alliances, partners must keep up with the pace of knowledge creation by benchmarking the partner's learning as opposed to just their own		x			x
	In business alliances, continuous reviewing of the business model is necessary (by measuring and evaluating the business model and guarding against complacency)		x		x	
	Effective learning can only be accomplished if information channels are designed so as to be fed directly into decision making		x		x	x
	Key to learning is the process of collaboration, balancing collaborative (which permits access to and transfer of proprietary		x		x	x

Sections	**Requirements/important concerns**	**Verification evidence**	**Enterprises**	**Money lenders**	**BOP**	**NGOs**
	skills and knowledge) and competitive (whereby knowledge and expertise provided by a partner is exploited) learning activities					
11.7.5.1	Maximising the value extracted from an alliance is key, by: • bargaining over the stream of economic benefits that issues directly from the successful execution of joint tasks • internalising the skills of partners • increasing the absorptive capacity of the enterprise to appropriate a greater volume of the collective knowledge generated in the alliance		x		x	x
	It is ideal to maximise capacity to learn so as to outlearn partners, to enable the enterprise to relate the critical links between learning, dependency, and bargaining power and thus lessen dependency on partners and improve the enterprise's bargaining power		x			x
	Higher levels of absorptive capacity should be arrived at by increasing technological knowledge via capitalising on prior and current investments in R&D					
	The ability of the enterprise to absorb knowledge is important in learning and hybrid alliances to effectively reduce information asymmetry between partners and promote valuable learning, and can be achieved by having predefined structures and processes in place to keep pace with the rate that knowledge is created in the alliance, anticipating and mediating mixed performance signals		x		x	x
	In business alliances, the ability to absorb knowledge must be promoted when partners must transfer strategic capabilities to one another		x		x	x
	Effective learning requires that partners change their own routines for the best learning outcomes, by: • changing joint activities • enhancing mutual commitment of resources • undertaking joint decision-making		x			x
11.7.5.2	There is a need to understand the role of and deal with the managerial implications of ambiguity on the process of knowledge transfer, by effectively addressing the antecedents of ambiguity: • Complexity • Cultural and organisational distance • Experience • Partner protectiveness • Specificity • Tacitness		x		x	x
	Inter-organisational learning strategies must be utilised to avoid exploitation, by considering the trade-offs that must be made between the development of collective learning and how the learning outcomes are divided between partners		x			x
	Choosing the correct learning strategy is crucial, and must be done according to the parent organisation's exhibited receptivity and transparency levels in comparison to their partner's levels: • collaboration (high receptivity and transparency) • competition (high receptivity, low transparency) • compromise (moderate receptivity and transparency) • accommodation (low receptivity, high transparency) • avoidance (low receptivity and transparency)		x			x
	Understanding the impact of timing (i.e. the evolution) on learning strategies is key to a lasting successful alliance, and it is		x			x

Sections	Requirements/important concerns	Verification evidence	Enterprises	Money lenders	BOP	NGOs
	therefore crucial to promote empowering strategy evolutions (from disintegration to symbolic to moderation to deadlock to integration) by developing an understanding of how the learning strategy is likely to develop for the partner in the next time period based on the current strategies employed by the parent and partner organisations					
11.7.6	Aligning the organisation with the resources of its partners must enable the enterprise to gain access to key resources of the partner and maximise the utilisation thereof	SALS: **Manage resources**	x		x	x
	The enterprise's resources must be identified and classified, appraising the weaknesses and strengths relative to competitors and partners wherein opportunities for resource acquisition or utilisation must be identified		x		x	x
	It is important to reconcile the enterprise's capabilities (what it can do more effectively than rivals and partners) with its available resources, as well as to identify the inputs to and complexity of each capability		x		x	x
	It is important to appraise the rent-generating potential for resources and capabilities for the parent and partner organisations in terms of their potential for generating sustainable strategic advantage and according to the appropriability of their returns		x		x	x
	The strategy for resource management must be selected such that it best exploits the combinations of resources provided by the parent and partner organisations		x		x	x
	Resource gaps need to be identified and filled through investing in replenishing, augmenting, and upgrading the enterprise's resource base		x		+	x
11.7.6.1	Certain resource characteristics (imperfect mobility, imperfect imitability, and imperfect substitutability) make partners more attractive, and these must be sought in an alliance. Exhibiting the characteristics ensures the enterprise is safe from being compromised		x		x	x
	Causal ambiguity must be promoted where necessary to hide which resources are key to the core competencies of the enterprise, protecting it by promoting resource tacitness, complexity, and specificity		+		x	x
11.7.6.2	All resource types of partner organisations must be utilised to maximise value where possible, including tangible and intangible resources such as financial capital resources, physical resources, human resources, organisational resources, technological resources, and managerial resources		x		x	x
	Depending on the resource types of the partner, namely property based or knowledge based, as well as their characteristics (mobility, imitability, and substitutability), resources must be managed appropriately		x		x	x
11.7.6.3	Strategic fit among partners regarding their resources is key, requiring that resources are classified according to their similarity and utilisation into the following groups: supplementary (similar performing), complementary (dissimilar performing), surplus (similar nonperforming), and wasteful (dissimilar nonperforming), from which they can be better aligned with the alliance strategy		x		x	x
11.7.7.1	Early stage risks require that input measures (financial resource use, partner morale, personnel turnover, productivity, reciprocity, adaptability, efficiency, and innovativeness) are predominantly used to evaluate alliance performance, whilst	SALS: **Evaluate performance**	x		x	x

Sections	Requirements/important concerns	Verification evidence	Enterprises	Money lenders	BOP	NGOs
	conventional output measures (profits and cash flow) become more significant with time as the alliance produces the fruits of its initial inputs (starting with output measures is only apt in industries with short product life cycles)					
11.7.7.2	Supplementary and complementary resource alignments are beneficial, and are necessary to bolster the strength of the alliance	SALS: **Manage resources**	x		x	x
11.7.7.3	Partnerships with the civil sector should be sought to help in meeting customer needs and in bypassing institutional environment constraints (e.g. those caused by formal institutional voids and knowledge gaps)	SALS: **Evaluate performance**			x	x
	Partnerships with the public sector should be sought to help in coping with challenges in the institutional environment				x	
	Partnerships with both private and civil sector partners should be sought to help in dealing with responsiveness to difficult market conditions		x			x
	Partnerships with the private sector should be sought to help in responding to market conditions at the BOP		x			
11.7.7.3	Relational success criteria must be used to assess the alliance performance, including: individual excellence, importance, interdependence, investment, information, integration, institutionalisation, and integrity		x		x	x
11.7.8	Successfully managing alliance risk, instabilities, conflict, and tension is key, requiring the matching of strategic intents (i.e. pursuit of symmetry) by continuous mutual adaptation, recalibration and reaffirmation of strategic intents of the alliance partners	SALS: **Address risk**	x		x	x
11.7.8.1	Identifying the sources of risks in accordance with the theoretical views of alliances is advantageous as it forewarns management		x		x	x
11.7.8.2	Using risk typologies is an effective way of outlining the most important risks from a diverse range of sources, including: • Life cycle risks: in finding fit, maintaining flexibility, managing the collaboration, planning for the future • Functional categories of risk: compliance, operational, reporting, and strategic risks • Relational and performance risk		x		x	x
	Using risk management frameworks is vital to controlling risks, and the following are worthwhile looking into: • Belief systems • Boundary systems • Diagnostic control systems • Interactive control systems • Action controls • Cultural controls • Personnel controls • Results controls • Assigning decision rights • Performance measurement • Rewards and punishments		x		x	x
11.7.8.3	Strategic alliance orientations are dependent on the primary resources (physical and knowledge based) and risk types (relational and performance risk) of the organisation: • Control: (for property resources with high relational risk) use contractual, equity, and managerial control • Flexibility: (for property resources with high performance risk) use contracts, avoid JVs and		x		x	x

Sections	Requirements/important concerns	Verification evidence	Enterprises	Money lenders	BOP	NGOs
	minority equity alliances, and insist on specific costing and pricing formulas with clear property rights • Security: (for knowledge resources with high relational risk) maintain a knowledge barrier, and clarify that learning will and must be prevented • Productivity: (for knowledge resources with high performance risk) focus on knowledge productivity, and identifying and eliminating internal resistance and learning barriers					
11.7.8.4	Recognising and dealing with sources of internal tensions is imperative, such as: • Broader involvement problems • Constitution and governance tensions • Contention between respect and resentment • Discovery of differences • Legitimate structural arrangements and ownership tensions • Organisation-environment linkages and accountability tensions • Paradigm commitments and tension between goals and logic		x		x	x
11.7.8.5	Trust and control mechanisms suitable to the nature and degree of the risks should be used to effectively reduce risk		x		x	x
11.7.8.6	Creating a mutual hostage situation whereby contracts make it such that opportunistic behaviour is too costly is a great risk mitigating approach		+		x	x
	Close monitoring of collaborative interaction to identify potential conflict situations helps detect and prevent partner behaviour that might be directed towards deliberately opportunistic goals		x			x
11.8	Multiple approaches to conflict resolution in alliances should be taken when they arise, each of which may be pursued prior to alliance disintegration: • Introducing a third party • Coercion • Conjoined resolution • Persuasion • Sanction	SALS: **ASSESS, THEN RENEW OR TERMINATE ALLIANCE**	x			x
	Adequate planning is crucial when assessing and terminating an alliance, and utilising the following tools is useful: relationship evaluation form, periodic status report, termination checklist, and termination planning work sheet		x			x
	Without an airtight alliance termination contract, what may have seemed beneficial in the short run could end up losing the enterprise's strategic position when the alliance dissolves	SALS: **Design the contract**	x			x
	It is pivotal that during the course of the alliance life time that the following are disallowed: • The outsourcing or eroding of control over core competencies • The compromising of competitive advantages	SALS: **MANAGE THE ALLIANCE**	+		x	x
	Understanding the impact of time horizons on the likelihood of failure is crucial to predicting when dissolution will occur, for: • Learning alliances: limited time horizons, extending no further than the length of a learning cycle unless renewed, thus the major challenge is recognising when to end the relationship	SALS: **Understand the impact of time horizons on the likelihood of failure when predicting when dissolution will occur**	x			x

Sections	Requirements/important concerns	Verification evidence	Enterprises	Money lenders	BOP	NGOs
	• Business alliances: last as long as a business opportunity exists, and as such the challenge lies in knowing how to maintain both continuity and oversight over an extended period of time, with dissolution occurring when economic viability no longer remains • Hybrid alliances: hard to predict in that multiple time horizons need to be juggled					

Appendix H Definitions of high growth

The various range of definitions which high growth enterprise scholars base their findings on are shown in Table H-1.

Table H-1 Scholarly definitions of high growth

Reference	**Growth type**	**Industry/sectors and/or alternate definition of high growth**	**Sample size**	**Size category**	**Annual turnover threshold (x10^3)**	**Sales growth rate per annum (%)**	**Number of consecutive years**	**Age of organisation in years**
Fischer et al. (1997)	High	Travel service, film (special effects), telemarketing, software	5			>=100	5	>7
	Low	Software	3			<20	5	>7
Duchesneau and Gartner (1990)	High	Production, distribution services	13	Small	$1,800			<7
	Failure		13		$500			<7
Feeser and Willard (1990)	High	High-tech	39		$100	>62.5		>=5
	Low		39			<20		>=5
Barringer et al. (1998)	High	Service, manufacturing, distribution, retail	70			>=50	3	>=5
Smallbone et al. (1995)	High	Printing, instruments, pharmaceuticals, clothing, industrial, toys/games, electronics, furniture. More than doubling sales turnover in real terms over an eleven-year period	70	SME	£500			
Barringer et al. (2005)	High	High-tech	50	Large		>=80	3	
	Low		50			<=35	3	
Barbero et al. (2011)	High	Industry, building, commerce, and service	100	SME		>=10		>=5
Parker et al. (2010)	High	Manufacturing, services	121	Medium		>=36	4	
Markman and Gartner (2002)	High	Multiple	500	Large	$100	>=100	5	
Moreno and Casillas (2007)	High	Multiple. High growth measurement also requires employment growth of over 15% per annum	723	SME		>25	4	
Goedhuys and Sleuwaegen (2010)	High	Food, garments, textiles, machinery and equipment, electronics, chemicals, non-metallic mineral products, wood, metal, manufacturing	947	Small, medium, large		>=20	4	
Siegel et al. (1993)	High	Manufacturing, distribution services, business services	1600	Small	$100	>=25	3	<5
	High	Entrepreneurial	105	Medium	$200	>=25	3	<20
Senderovitz et al. (2012)	High	Manufacturing, building, trade, transport, ICT, knowledge services, financial services	2475	Small, medium, large	$200	>=100	4	
Mohr et al. (2013)	High	Biotechnology, instrumentation, telecommunication, information technology, electrical engineering, mechanical engineering, chemistry, technology consulting, general services, specialist distribution, it services	167	SME		>=20	3	
	Other		2807			<20		
Birch et al. (1995)	High	Multiple		Small, medium, large	$100	>20	4	

Appendix H

Reference	**Growth type**	**Industry/sectors and/or alternate definition of high growth**	**Sample size**	**Size category**	**Annual turnover threshold ($x10^3$)**	**Sales growth rate per annum (%)**	**Number of consecutive years**	**Age of organisation in years**
Bamiatzi and Kirchmaier (2014)	High	Multiple sectors. Consistently growing enterprises are defined as those enterprises that not only exhibited positive sales growth during the examined period, but had never experienced negative sales growth in any of the years. Enterprises exhibiting outstanding growth are those that not only reported consistent growth, but also diverged from the negative industry trend by more than 50 percent	20	SME				
Delmar et al. (2003)	High	Enterprise has to be among the top ten percent of all enterprises in terms of an annual average in one, or more, of six categories: 1) absolute total employment growth, 2) absolute organic employment growth, 3) absolute sales growth, 4) relative (i.e. percentage) total employment growth, 5) relative organic employment growth, and 6) relative sales growth	1501	SME				
Acs et al. (2008)	High impact	Define a high-impact enterprise as an enterprise whose sales have at least doubled over the most recent four-year period and which has an employment growth quantifier of two or greater over the same period. The employment growth quantifier (EGQ) is the product of the absolute and percent change in employment over a four-year period of time, expressed as a decimal	299973	Small, medium, large			4	
	High	Multiple	345330			>=25	4	
Almus (2002)	High	Manufacturing, construction, trade, and services. Top 10% of employment growth distribution	1949	SME				

Appendix I Literary sources

I.1 Titles, references, and ID numbers of literary sources (IWs and KIWs)

The literary sources, including titles, references, and ID number used in this study are shown in detail in Table I-1.

Table I-1 Titles, references, and ID numbers of literary sources (IWs and KIWs)

Title	Reference	ID
Who creates jobs? Small versus large versus young	Haltiwanger *et al.* (2013)	1
Entrepreneurial ecosystems and growth oriented entrepreneurship	Mason and Brown (2014)	2
Arriving at the high-growth firm	Delmar *et al.* (2003)	3
Organizational growth: Linking founding team, strategy, environment, and growth among US semiconductor ventures, 1978-1988	Eisenhardt and Schoonhoven (1990)	4
Initial human and financial capital as predictors of new venture performance	Cooper *et al.* (1994)	5
A multidimensional model of venture growth	Baum *et al.* (2001)	6
Strategies for superior performance under adverse conditions: A focus on small and medium-sized high-growth firms	Bamiatzi and Kirchmaier (2014)	7
Clarifying the entrepreneurial orientation construct and linking it to performance	Lumpkin and Dess (1996)	8
Entrepreneurial orientation and small business performance: a configurational approach	Wiklund and Shepherd (2005)	9
Competitive strategy: Techniques for analyzing industries and competitors	Porter (1980)	10
The Theory of the Growth of the Firm	Penrose (1995)	11
Internal capabilities, external networks, and performance: a study on technology-based ventures	Lee *et al.* (2001)	12
Is innovation always beneficial? A meta-analysis of the relationship between innovation and performance in SMEs	Rosenbusch *et al.* (2011)	13
A quantitative content analysis of the characteristics of rapid-growth firms and their founders	Barringer *et al.* (2005)	14
Age, size, growth and survival: UK companies in the 1980s	Dunne and Hughes (1994)	15
Effects of age at entry, knowledge intensity, and imitability on international growth	Autio *et al.* (2000)	16
Innovation, growth and survival	Audretsch (1995)	17
Linking two dimensions of entrepreneurial orientation to firm performance: The moderating role of environment and industry life cycle	Lumpkin and Dess (2001)	18
Building an integrative model of small business growth	Wiklund *et al.* (2009)	19
Founder competence, the environment and venture performance	Chandler and Hanks (1994)	20
Aspiring for, and achieving growth: the moderating role of resources and opportunities	Wiklund and Shepherd (2003)	21
New venture growth: A review and extension	Gilbert *et al.* (2006)	22
The growth of firms: A survey of theories and empirical evidence	Coad (2009)	23
Legal form, growth and exit of West German firms—empirical results for manufacturing, construction, trade and service industries	Harhoff *et al.* (1998)	24
Continued entrepreneurship: Ability, need, and opportunity as determinants of small firm growth	Davidsson (1991)	25
Innovation and firm growth in high-tech sectors: A quantile regression approach	Coad and Rao (2008)	26
Linking prefunding factors and high-technology venture success: An exploratory study	Roure and Maidique (1986)	27
Understanding the dynamics of new venture top management teams: cohesion, conflict, and new venture performance	Ensley *et al.* (2002)	28
The relationship of entrepreneurial traits, skill, and motivation to subsequent venture growth	Baum and Locke (2004)	29
Success among high-technology firms	Cooper and Bruno (1977)	30
What happens to gazelles? The importance of dynamic management strategy	Parker *et al.* (2010)	31
A profile of new venture success and failure in an emerging industry	Duchesneau and Gartner (1990)	32
Founding strategy and performance: A comparison of high and low growth high tech firms	Feeser and Willard (1990)	33
Market orientation, marketing capabilities, and firm performance	Morgan *et al.* (2009)	34
Advancing firm growth research: A focus on growth mode instead of growth rate	McKelvie and Wiklund (2010)	35
A stage-contingent model of design and growth for technology based new ventures	Kazanjian and Drazin (1990)	36
High-impact firms: gazelles revisited	Acs *et al.* (2008)	37

Appendix I

Title	Reference	ID
Hot spots and blind spots: geographical clusters of firms and innovation	Pouder and John (1996)	38
Impact of entrepreneurial and management experience on early performance	Stuart and Abetti (1990)	39
Start-up ventures: Towards the prediction of initial success	Stuart and Abetti (1987)	40
Product innovation and small business growth: a comparison of the strategies of German, UK and Irish companies	Roper (1997)	41
Clusters and the new economics of competition	Porter (1998)	42
Characteristics distinguishing high-growth ventures	Siegel *et al.* (1993)	43
High-growth SMEs versus non-high-growth SMEs: a discriminant analysis	Moreno and Casillas (2007)	44
Networking and growth of young technology-intensive ventures in China	Zhao and Aram (1995)	45
Small firm growth	Davidsson *et al.* (2010)	46
Entrepreneurial networks and new organization growth	Hansen (1995)	47
Is Extraordinary Growth Profitable? A Study of Inc. 500 High-Growth Companies	Markman and Gartner (2002)	48
Do small businesses create more jobs? New evidence for the United States from the National Establishment Time Series	Neumark *et al.* (2011)	49
Growth of new technology-based firms: which factors matter?	Almus and Nerlinger (1999)	50
Firm networks: external relationships as sources for the growth and competitiveness of entrepreneurial firms	Lechner and Dowling (2003)	51
A longitudinal study of the relation of vision and vision communication to venture growth in entrepreneurial firms	Baum *et al.* (1998)	52
Technology strategy and software new ventures' performance: Exploring the moderating effect of the competitive environment	Zahra and Bogner (2000)	53
Corporate ventures into industrial markets: Dynamics of aggressive entry	MacMillan and Day (1988)	54
Do small innovating firms outperform non-innovators?	Freel (2000)	55
Collective efficiency: Growth path for small-scale industry	Schmitz (1995)	56
Entrepreneurial orientation, learning orientation, and firm performance	Wang (2008)	57
Predictors of success in new technology based ventures	Roure and Keeley (1990)	58
High-growth entrepreneurial firms in Africa: a quantile regression approach	Goedhuys and Sleuwaegen (2010)	59
New venture growth and personal networks	Ostgaard and Birley (1996)	60
Employment effects of business dynamics: Mice, Gazelles and Elephants	Acs and Mueller (2008)	61
Testing Gibrat's law for small, young and innovating firms	Calvo (2006)	62
Planning and financial performance of small, mature firms	Bracker and Pearson (1986)	63
What characterizes a fast-growing firm?	Almus (2002)	64
Firm growth: empirical analysis	Coad and Hölzl (2012)	65
Small business growth through geographic expansion: a comparative case study	Barringer and Greening (1998)	66
Growth of micro and small enterprises in southern Africa	McPherson (1996)	67
Managerial capabilities and paths to growth as determinants of high-growth small and medium-sized enterprises	Barbero *et al.* (2011)	68
Research on small firm growth: A review	Davidsson *et al.* (2005)	69
Firm growth, size, age and behavior in Japanese manufacturing	Yasuda (2005)	70
A social capital model of high-growth ventures	Florin *et al.* (2003)	71
The performance implications of fit among business strategy	Olson *et al.* (2005)	72
The growth of firms in theory and in practice	Geroski (1999)	73
The effects of entrepreneurial personality, background and network activities on venture growth	Lee and Tsang (2001)	74
Is the R&D Behaviour of Fast Growing SMEs Different?	Hölzl (2009)	75
Market orientation and other potential influences on performance in small and medium-sized manufacturing firms	Pelham (2000)	76
Constellations of firms and new ventures	Lorenzoni and Ornati (1989)	77
High-growth firms and employment	Schreyer (2000)	78
Business Planning for New Ventures: A Guide for Start-ups and New Innovations	Butler (2014)	79
Small vs. young firms across the world: contribution to employment, job creation, and growth	Ayyagari *et al.* (2011)	80
The role of socially constructed temporal perspectives in the emergence of rapid growth firms	Fischer *et al.* (1997)	81
The characteristics and strategies of high growth SMEs	Smallbone *et al.* (1995)	82
Size of investment, opportunity choice and human resources in new venture growth: Some typologies	Thakur (1999)	83
The small, the young, and the productive: Determinants of manufacturing firm growth in Ethiopia	Bigsten and Gebreeyesus (2007)	84
The role of legal status in influencing bank financing and new firm growth	Storey (1994a)	85

Appendix I

Title	**Reference**	**ID**
Determinants and dimensions of firm growth	Zhou and De Wit (2009)	86
The role of alliances in the early development of high-growth firms	Mohr *et al.* (2013)	87
Four years on–are the Gazelles still running? A longitudinal study of firm performance after a period of rapid growth	Senderovitz *et al.* (2012)	88
The facts about growth	Zook and Allen (1999)	89
Profitable business models and market creation in the context of deep poverty: A strategic view	Seelos and Mair (2007)	90
Dynamic capabilities and venture performance: The effects of venture capitalists	Arthurs and Busenitz (2006)	91
The turnover of market leaders in UK manufacturing industry, 1979-86	Geroski and Toker (1996)	92
Contours of development	Singer (1995)	93
Small firm growth in developing countries	Nichter and Goldmark (2009)	94
Geographic cluster size and firm performance	Folta *et al.* (2006)	95
Entry barriers and new venture performance: a comparison of universal and contingency approaches	Robinson and McDougall (2001)	96
The effects of human capital, organizational demography, and interpersonal processes on venture partner perceptions of firm profit and growth	Watson *et al.* (2003)	97
Firm resources as moderators of the relationship between market growth and strategic alliances in semiconductor start-ups	Park *et al.* (2002)	98
Marketing for business growth	Levitt and Levitt (1974)	99
Strategy process-content interaction: Effects on growth performance in small	Olson and Bokor (1995)	100
The influence of guided preparation on the long-term performance of new ventures	Chrisman *et al.* (2005)	101
Linking marketing capabilities with profit growth	Morgan *et al.* (2009)	102
Competencies and institutions fostering high-growth firms	Henrekson and Johansson (2008)	103
Ideas and growth	Lucas (2009)	104
A qualitative study of the management practices of rapid-growth firms and how rapid-growth firms mitigate the managerial capacity problem	Barringer *et al.* (1998)	105
Growth Intention and Its Impact on Business Growth amongst SMEs in South Africa	Neneh and Vanzyl (2014)	106
Entrepreneurship as growth: Growth as entrepreneurship	Davidsson, Delmar and Wiklund (2006)	107
What makes a new business start-up successful?	Reid and Smith (2000)	108
Will promoting more typical SME start-ups increase job creation in South Africa?	Neneh and Smit (2013)	109
Edith Penrose's theory of the growth of the firm and the strategic management of multinational enterprises	Buckley and Casson (2007)	110
Three strategies for managing fast growth	Von Krogh and Cusumano (2001)	111
What's distinctive about growth-oriented entrepreneurship in developing countries?	Lingelbach, De La Vina and Asel (2005)	112
Technological innovation and employment: complements or substitutes?	Benavente and Lauterbach (2008)	113
Building the rural economy with high-growth entrepreneurs	Henderson (2002)	114
Sustaining innovation and growth: Public policy support for entrepreneurship	Audretsch (2004)	115
The effect of financial factors on the performance of new venture companies in high tech and knowledge-intensive industries: An empirical study in Denmark	Bollingtoft *et al.* (2003)	116
Bankable Business Plans for Entrepreneurial Ventures	Rogoff (2007)	117
The 7 irrefutable rules of small business growth	Little (2005)	118
The rapid internationalisation of high-tech young firms in Germany and the United Kingdom	Fier *et al.* (2001)	119
Entrepreneurial narratives and the dominant logics of high-growth firms	Mishina *et al.* (2002)	120
Strategy and Human Resource Management Integration in Fast Growth Versus Other Mid-sized Firms	Buller and Napier (1993)	121
The Physics of Business Growth: Mindsets, System, and Processes	Hess and Liedtka (2012)	122

I.2 Literary source citation and linkage data

The literary source citation and linkage data is shown afterwards in Table I-2.

Table I-2 Literary source citation and linkage data

ID	Year of publication	Google Scholar	Weighted (20)	Web of Science	Weighted (20)	Modification Factor	Weighted Citation Subtotal	Cited by Others	Weighted (40)	Citing Others	Weighted (20)	Weighted Linkage Subtotal	OVERALL WEIGHTED TOTAL
1	2013	459	8.81	24	1.88	27.18	290.42	1	5.00	1	2.00	7.00	100.00
2	2014	35	0.67	1	0.08	149.5	112.11	0	0.00	0	0.00	0.00	100.00
3	2003	904	17.35	226	17.66	1	35.01	13	40.00	8	16.00	56.00	91.01
4	1990	1950	20.00	663	20.00	1	40.00	13	40.00	4	8.00	48.00	88.00
5	1994	1748	20.00	441	20.00	1	40.00	16	40.00	2	4.00	44.00	84.00
6	2001	1042	20.00	256	20.00	1	40.00	10	40.00	2	4.00	44.00	84.00
7	2014	10	0.19	3	0.23	149.5	63.73	0	0.00	14	20.00	20.00	83.73
8	1996	5402	20.00	1302	20.00	1	40.00	13	40.00	1	2.00	42.00	82.00
9	2005	1254	20.00	284	20.00	1.1	44.00	6	30.00	3	6.00	36.00	80.00
10	1980	35758	20.00	N/A	20.00	1	40.00	23	40.00	0	0.00	40.00	80.00
11	1995	21677	20.00	N/A	20.00	1	40.00	25	40.00	0	0.00	40.00	80.00
12	2001	1424	20.00	427	20.00	1	40.00	4	20.00	9	18.00	38.00	78.00
13	2011	322	6.18	74	5.78	5.16	61.72	1	5.00	5	10.00	15.00	76.72
14	2005	404	7.75	82	6.41	1.1	15.58	8	40.00	24	20.00	60.00	75.58
15	1994	765	14.68	219	17.11	1	31.79	13	40.00	0	0.00	40.00	71.79
16	2000	1854	20.00	611	20.00	1	40.00	5	25.00	3	6.00	31.00	71.00
17	1995	743	14.26	180	14.06	1	28.32	8	40.00	0	0.00	40.00	68.32
18	2001	1439	20.00	352	20.00	1	40.00	4	20.00	4	8.00	28.00	68.00
19	2009	254	4.88	64	5.00	2.47	24.39	4	20.00	10	20.00	40.00	64.39
20	1994	573	11.00	N/A	11.00	1	22.00	10	40.00	1	2.00	42.00	64.00
21	2003	439	8.43	93	7.27	1	15.69	8	40.00	3	6.00	46.00	61.69
22	2006	297	5.70	95	7.42	1.27	16.67	5	25.00	22	20.00	45.00	61.67
23	2009	240	4.61	0	0.00	2.47	11.38	6	30.00	19	20.00	50.00	61.38
24	1998	449	8.62	110	8.59	1	17.21	9	40.00	2	4.00	44.00	61.21
25	1991	664	12.74	126	9.84	1	22.59	6	30.00	3	6.00	36.00	58.59
26	2008	329	6.31	93	7.27	2.01	27.30	4	20.00	5	10.00	30.00	57.30
27	1986	326	6.26	N/A	6.26	1	12.51	10	40.00	2	4.00	44.00	56.51
28	2002	456	8.75	134	10.47	1	19.22	5	25.00	5	10.00	35.00	54.22
29	2004	838	16.08	215	16.80	1	32.88	3	15.00	3	6.00	21.00	53.88
30	1977	480	9.21	118	9.22	1	18.43	7	35.00	0	0.00	35.00	53.43
31	2010	119	2.28	36	2.81	3.34	17.02	4	20.00	8	16.00	36.00	53.02
32	1990	520	9.98	107	8.36	1	18.34	6	30.00	2	4.00	34.00	52.34
33	1990	390	7.49	109	8.52	1	16.00	6	30.00	2	4.00	34.00	50.00
34	2009	432	8.29	126	9.84	2.47	44.79	1	5.00	0	0.00	5.00	49.79
35	2010	190	3.65	47	3.67	3.34	24.44	1	5.00	10	20.00	25.00	49.44
36	1990	374	7.18	88	6.88	1	14.05	7	35.00	0	0.00	35.00	49.05
37	2008	230	4.41	N/A	4.41	2.01	17.75	6	30.00	0	0.00	30.00	47.75
38	1996	781	14.99	282	20.00	1	34.99	2	10.00	1	2.00	12.00	46.99
39	1990	524	10.06	121	9.45	1	19.51	5	25.00	1	2.00	27.00	46.51
40	1987	279	5.36	75	5.86	1	11.21	7	35.00	0	0.00	35.00	46.21
41	1997	231	4.43	52	4.06	1	8.50	7	35.00	1	2.00	37.00	45.50
42	1998	10595	20.00	1333	20.00	1	40.00	1	5.00	0	0.00	5.00	45.00
43	1993	273	5.24	66	5.16	1	10.40	6	30.00	2	4.00	34.00	44.40
44	2007	148	2.84	40	3.13	1.56	9.31	3	15.00	9	18.00	33.00	42.31
45	1995	423	8.12	108	8.44	1	16.56	5	25.00	0	0.00	25.00	41.56
46	2010	50	0.96	N/A	0.96	3.34	6.41	3	15.00	25	20.00	35.00	41.41
47	1995	555	10.65	N/A	10.65	1	21.31	4	20.00	0	0.00	20.00	41.31

Appendix I

ID	Year of publication	Google Scholar	Weighted (20)	Web of Science	Weighted (20)	Modification Factor	Weighted Citation Subtotal	Cited by Others	Weighted (40)	Citing Others	Weighted (20)	Weighted Linkage Subtotal	OVERALL WEIGHTED TOTAL
48	2002	158	3.03	N/A	3.03	1	6.07	5	25.00	4	8.00	33.00	39.07
49	2011	135	2.59	33	2.58	5.16	26.67	2	10.00	1	2.00	12.00	38.67
50	1999	469	9.00	104	8.13	1	17.13	3	15.00	3	6.00	21.00	38.13
51	2003	585	11.23	163	12.73	1	23.96	2	10.00	2	4.00	14.00	37.96
52	1998	474	9.10	112	8.75	1	17.85	4	20.00	0	0.00	20.00	37.85
53	2000	486	9.33	80	6.25	1	15.58	4	20.00	1	2.00	22.00	37.58
54	1988	241	4.63	72	5.63	1	10.25	5	25.00	1	2.00	27.00	37.25
55	2000	225	4.32	50	3.91	1	8.22	5	25.00	2	4.00	29.00	37.22
56	1995	1055	20.00	185	14.45	1	34.45	0	0.00	1	2.00	2.00	36.45
57	2008	359	6.89	83	6.48	2.01	26.88	1	5.00	2	4.00	9.00	35.88
58	1990	338	6.49	79	6.17	1	12.66	3	15.00	4	8.00	23.00	35.66
59	2010	80	1.54	21	1.64	3.34	10.61	1	5.00	17	20.00	25.00	35.61
60	1996	389	7.47	75	5.86	1	13.33	4	20.00	1	2.00	22.00	35.33
61	2008	255	4.89	58	4.53	2.01	18.95	3	15.00	0	0.00	15.00	33.95
62	2006	183	3.51	60	4.69	1.27	10.41	3	15.00	4	8.00	23.00	33.41
63	1986	395	7.58	72	5.63	1	13.21	4	20.00	0	0.00	20.00	33.21
64	2002	203	3.90	28	2.19	1	6.08	5	25.00	1	2.00	27.00	33.08
65	2012	44	0.84	5	0.39	9.86	12.18	0	0.00	14	20.00	20.00	32.18
66	1998	158	3.03	35	2.73	1	5.77	4	20.00	3	6.00	26.00	31.77
67	1996	322	6.18	62	4.84	1	11.02	4	20.00	0	0.00	20.00	31.02
68	2011	34	0.65	6	0.47	5.16	5.79	1	5.00	22	20.00	25.00	30.79
69	2005	137	2.63	N/A	2.63	1.1	5.79	1	5.00	17	20.00	25.00	30.79
70	2005	276	5.30	61	4.77	1.1	11.07	3	15.00	2	4.00	19.00	30.07
71	2003	468	8.98	155	12.11	1	21.09	0	0.00	4	8.00	8.00	29.09
72	2005	506	9.71	184	14.38	1.1	26.50	0	0.00	1	2.00	2.00	28.50
73	1999	242	4.64	N/A	4.64	1	9.29	3	15.00	2	4.00	19.00	28.29
74	2001	483	9.27	114	8.91	1	18.18	0	0.00	5	10.00	10.00	28.18
75	2009	122	2.34	27	2.11	2.47	10.99	1	5.00	6	12.00	17.00	27.99
76	2000	444	8.52	95	7.42	1	15.94	2	10.00	1	2.00	12.00	27.94
77	1989	373	7.16	83	6.48	1	13.64	2	10.00	2	4.00	14.00	27.64
78	2000	137	2.63	N/A	2.63	1	5.26	4	20.00	1	2.00	22.00	27.26
79	2014	3	0.06	N/A	0.06	149.5	17.22	1	5.00	1	2.00	7.00	24.22
80	2011	101	1.94	N/A	1.94	5.16	20.01	0	0.00	2	4.00	4.00	24.01
81	1997	74	1.42	N/A	1.42	1	2.84	3	15.00	3	6.00	21.00	23.84
82	1995	305	5.85	N/A	5.85	1	11.71	2	10.00	1	2.00	12.00	23.71
83	1999	104	2.00	22	1.72	1	3.71	3	15.00	2	4.00	19.00	22.71
84	2007	100	1.92	22	1.72	1.56	5.68	3	15.00	1	2.00	17.00	22.68
85	1994	147	2.82	33	2.58	1	5.40	3	15.00	1	2.00	17.00	22.40
86	2009	24	0.46	N/A	0.46	2.47	2.28	0	0.00	16	20.00	20.00	22.28
87	2013	4	0.08	N/A	0.08	27.18	4.17	0	0.00	9	18.00	18.00	22.17
88	2012	4	0.08	N/A	0.08	9.86	1.51	0	0.00	11	20.00	20.00	21.51
89	1999	29	0.56	N/A	0.56	1	1.11	4	20.00	0	0.00	20.00	21.11
90	2007	351	6.74	87	6.80	1.56	21.11	0	0.00	0	0.00	0.00	21.11
91	2006	212	4.07	56	4.38	1.27	10.72	2	10.00	0	0.00	10.00	20.72
92	1996	87	1.67	22	1.72	1	3.39	3	15.00	1	2.00	17.00	20.39
93	1995	36	0.69	8	0.63	1	1.32	1	5.00	7	14.00	19.00	20.32
94	2009	196	3.76	34	2.66	2.47	15.85	0	0.00	2	4.00	4.00	19.85
95	2006	196	3.76	70	5.47	1.27	11.72	1	5.00	1	2.00	7.00	18.72
96	2001	178	3.42	53	4.14	1	7.56	1	5.00	3	6.00	11.00	18.56
97	2003	97	1.86	30	2.34	1	4.21	1	5.00	4	8.00	13.00	17.21
98	2002	257	4.93	91	7.11	1	12.04	1	5.00	0	0.00	5.00	17.04
99	1974	118	2.26	35	2.73	1	5.00	2	10.00	1	2.00	12.00	17.00
100	1995	147	2.82	19	1.48	1	4.31	2	10.00	1	2.00	12.00	16.31
101	2005	131	2.51	44	3.44	1.1	6.55	1	5.00	2	4.00	9.00	15.55

Appendix I

ID	Year of publication	Google Scholar	Weighted (20)	Web of Science	Weighted (20)	Modification Factor	Weighted Citation Subtotal	Cited by Others	Weighted (40)	Citing Others	Weighted (20)	Weighted Linkage Subtotal	OVERALL WEIGHTED TOTAL
102	2009	106	2.03	30	2.34	2.47	10.81	0	0.00	2	4.00	4.00	14.81
103	2008	71	1.36	N/A	1.36	2.01	5.48	0	0.00	4	8.00	8.00	13.48
104	2009	148	2.84	31	2.42	2.47	13.00	0	0.00	0	0.00	0.00	13.00
105	1998	77	1.48	N/A	1.48	1	2.96	1	5.00	2	4.00	9.00	11.96
106	2014	1	0.02	N/A	0.02	149.5	5.74	0	0.00	3	6.00	6.00	11.74
107	2006	215	4.13	62	4.84	1.27	11.39	0	0.00	0	0.00	0.00	11.39
108	2000	158	3.03	34	2.66	1	5.69	1	5.00	0	0.00	5.00	10.69
109	2013	1	0.02	N/A	0.02	27.18	1.04	1	5.00	2	4.00	9.00	10.04
110	2007	40	0.77	N/A	0.77	1.56	2.40	1	5.00	1	2.00	7.00	9.40
111	2001	75	1.44	12	0.94	1	2.38	1	5.00	1	2.00	7.00	9.38
112	2005	132	2.53	40	3.13	1.1	6.22	0	0.00	1	2.00	2.00	8.22
113	2008	38	0.73	N/A	0.73	2.01	2.93	1	5.00	0	0.00	5.00	7.93
114	2002	201	3.86	N/A	3.86	1	7.72	0	0.00	0	0.00	0.00	7.72
115	2004	190	3.65	N/A	3.65	1	7.29	0	0.00	0	0.00	0.00	7.29
116	2003	40	0.77	N/A	0.77	1	1.54	1	5.00	0	0.00	5.00	6.54
117	2007	5	0.10	N/A	0.10	1.56	0.30	1	5.00	0	0.00	5.00	5.30
118	2005	7	0.13	N/A	0.13	1.1	0.30	1	5.00	0	0.00	5.00	5.30
119	2001	31	0.60	N/A	0.60	1	1.19	0	0.00	2	4.00	4.00	5.19
120	2002	23	0.44	N/A	0.44	1	0.88	0	0.00	1	2.00	2.00	2.88
121	1993	58	1.11	N/A	1.11	1	2.23	0	0.00	0	0.00	0.00	2.23
122	2012	3	0.06	N/A	0.06	9.86	1.14	0	0.00	0	0.00	0.00	1.14

I.3 Factors addressed in each literary source

The factors addressed in each literary source are shown in Table I-3.

Table I-3 Factors addressed in each literary source

ID	Leadership qualities	Team size	Relevant industry experience	Level of education	Entrepreneurial experience	Entrepreneurial orientation	Breadth of professional and social network	Size and age	Legal form	Geographic location and expansion	Industry life cycle stage and market	Financial capital	Organisational structure	Vision, mission, and communication	Commitment to and motivation for growth	Strategy	Strategic alliances	Business planning	Marketing capabilities	International sales	Acquisition	Creating unique value for customers	Innovation	Human capital	Performance based incentives
1								x																	
2																	x	x					x		
3								x			x														
4		x	x		x		x				x					x							x		
5		x	x	x								x												x	
6			x	x	x						x				x	x									
7											x					x							x		
8						x																			
9						x					x	x													
10										x	x					x	x				x				
11					x										x						x				
12				x			x					x													
13																							x		
14		x	x	x	x		x			x	x			x	x		x	x				x	x	x	x
15								x																	
16				x				x												x		x			
17																							x		
18						x					x					x									
19				x							x	x			x										
20				x			x																		
21			x	x	x						x			x	x										
22	x						x			x	x	x	x			x								x	x
23								x						x	x					x	x		x	x	
24									x																
25															x										
26																							x		
27		x	x		x						x														
28		x																							
29				x	x										x										
30		x	x		x																				
31											x					x									
32	x		x		x		x				x			x	x			x			x				x
33																x									
34																			x						
35															x						x				
36											x	x	x												x
37								x																	

Appendix I

ID	Leadership qualities	Team size	Relevant industry experience	Level of education	Entrepreneurial experience	Entrepreneurial orientation	Breadth of professional and social network	Size and age	Legal form	Geographic location and expansion	Industry life cycle stage and market	Financial capital	Organisational structure	Vision, mission, and communication	Commitment to and motivation for growth	Strategy	Strategic alliances	Business planning	Marketing capabilities	International sales	Acquisition	Creating unique value for customers	Innovation	Human capital	Performance based incentives
38										x							x						x		
39			x	x	x								x			x									
40			x	x	x						x		x			x						x	x		
41																							x		
42							x			x	x						x								
43			x				x	x			x														
44								x				x													
45							x																		
46		x	x	x	x	x		x	x		x			x	x	x	x		x				x		
47							x	x									x								
48								x																	
49								x																	
50		x		x			x	x		x							x						x		
51							x										x								
52	x												x	x											
53											x	x				x	x								
54											x					x			x						
55								x												x			x		
56							x										x								
57				x										x											
58	x										x					x									
59				x				x															x		
60							x																		
61								x		x	x														
62								x															x		
63																		x							
64								x	x		x						x							x	
65				x	x			x			x												x		
66										x															
67								x		x	x													x	
68												x	x			x			x					x	
69		x	x	x	x	x		x	x	x	x				x		x			x					
70								x															x		
71							x																	x	
72													x			x			x				x		
73								x																	
74	x		x	x	x		x																		
75																							x		
76		x									x					x			x			x			
77																	x								
78		x									x												x		
79																x	x	x	x				x		
80								x																	
81																x		x							

Appendix I

ID	Leadership qualities	Team size	Relevant industry experience	Level of education	Entrepreneurial experience	Entrepreneurial orientation	Breadth of professional and social network	Size and age	Legal form	Geographic location and expansion	Industry life cycle stage and market	Financial capital	Organisational structure	Vision, mission, and communication	Commitment to and motivation for growth	Strategy	Strategic alliances	Business planning	Marketing capabilities	International sales	Acquisition	Creating unique value for customers	Innovation	Human capital	Performance based incentives
82											x				x	x			x						
83	x	x																						x	
84								x																	
85									x																
86	x			x				x			x	x	x	x	x									x	
87												x					x			x					
88																x									
89	x							x			x														
90																		x							
91												x													
92								x											x				x		
93								x			x	x					x								
94			x	x			x	x				x	x				x								
95										x							x								
96											x					x									
97	x			x							x													x	
98												x					x								
99																x		x	x				x		
100																x									
101																		x							
102																			x						
103								x			x														
104				x																				x	
105													x				x	x	x					x	x
106			x	x	x							x			x										
107						x										x									
108																x									
109															x				x				x	x	
110																x				x			x		
111											x			x	x	x									
112												x				x	x	x	x				x		
113																							x		
114								x		x					x									x	
115																							x		
116							x		x		x	x													
117																x	x	x	x				x		
118																x	x	x	x				x		
119			x		x			x												x			x		
120															x	x									
121											x					x								x	
122																x	x	x	x				x		

I.4 Supporting works (SWs) and factors addressed

The supporting works (SWs) and the factors they address are included for fullness, as shown in detail in Table I-4.

Table I-4 Supporting works (SWs) and factors addressed

Reference	Leadership qualities	Team size	Relevant industry experience	Level of education	Entrepreneurial experience	Entrepreneurial orientation	Breadth of professional and social network	Size and age	Legal form	Geographic location and expansion	Industry life cycle stage and market environment	Financial capital	Organisational structure	Vision, mission, and communication	Commitment to and motivation for growth	Strategy	Strategic alliances	Business planning	Marketing capabilities	International sales	Acquisition	Creating unique value for customers	Innovation	Human capital	Performance based incentives
Abor and Quartey (2010)	x			x												x									x
Acs et al. (2007)										x														x	
Barkham (1994)	x							x							x										
Carmeli et al. (2011)	x	x																							
Ireland and Hitt (1999)	x															x									
Peterson et al. (2008)	x																								
Baum et al. (2000)							x										x						x		
Bigsten and Söderbom (2006)								x																	
Bird (1988)														x											
Brush et al. (2001)		x	x		x		x										x							x	
Cardon (2003)																								x	
Cavusgil et al. (2008)																x				x					
Cohen and Levinthal (1990)			x	x	x		x							x	x								x	x	
Collins and Porras (1996)														x	x			x							
Collins and Porras (2005)														x	x			x							
Cooper et al. (1988)							x																		
Cope (2011)			x		x																				
Deeds and Hill (1996)																	x								
Deeds et al. (2000)			x		x					x														x	
Dencker et al. (2009)	x		x																						
Forbes (2005)					x																				
Goddard et al. (2002)								x																	
Goldmark and Barber (2005)							x													x					
Hannan and Carroll (1992)									x		x						x								
Harrison et al. (2008)																							x		
Haynie et al. (2010)					x																				
Headd (2010)								x																	
Humphrey (2003)							x			x							x								
Knight et al. (2001)															x										x
Landy and Becker (1987)															x										
Locke (2000)														x	x										
Mullins (1996)				x																				x	
Nooteboom (1994)																							x		
Oliver and Anderson (1995)																									x

Appendix I

Reference	Leadership qualities	Team size	Relevant industry experience	Level of education	Entrepreneurial experience	Entrepreneurial orientation	Breadth of professional and social network	Size and age	Legal form	Geographic location and expansion	Industry life cycle stage and market environment	Financial capital	Organisational structure	Vision, mission, and communication	Commitment to and motivation for growth	Strategy	Strategic alliances	Business planning	Marketing capabilities	International sales	Acquisition	Creating unique value for customers	Innovation	Human capital	Performance based incentives
Pearce and Michael (2006)										x						x			x						
Ryals (2005)																			x						
Sirmon et al. (2010)																x									
Sirmon et al. (2011)											x														
Starr and MacMillan (1990)							x										x								
Steen et al. (2005)																x	x								
Ucbasaran et al. (2010)					x										x										
Van der Sluis et al. (2005)				x																					
Wright and Stigliani (2013)															x	x									
Wright et al. (2015)	x											x											x		
Zenger (1992)																									x

Appendix J Modification factors for the Matthew Effect

The modification factors used to address the Matthew Effect are shown in Table J-1.

Table J-1 Modification factors for the Matthew Effect

Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Average number of citations	17.94	16.38	14.18	11.50	8.94	7.27	5.37	3.48	1.82	0.66	0.12
Modification factor	1.00	1.10	1.27	1.56	2.01	2.47	3.34	5.16	9.86	27.18	149.50

The modification factor is the value which the average number of citations (for each of the years from 2005 to 2014) would need to be multiplied by to attain the same average of the base year 2004.

Appendix K Details related to BOS

K.1 The four ordered steps of visualising strategy elaboration

Step 1 – Visual awakening

In this first step, organisations need to discuss strategy changes only after they have dealt with and resolved differences of opinion about the current strategy. If this is not done the different people contributing to the formation of the strategy will bring their own argumentative reasoning from a confrontational attitude into the process instead of a balanced and level-headed approach.

Furthermore, executives often have hidden interests in the status quo and may also not want things to change just yet, as they may be waiting for the tide to change in their favour before happily adopting a different strategy. To eradicate these false views towards strategy it is extremely useful to get executives to draw the value curve for the current business strategy so as to fully relate the need for change.

Step 2 – Visual exploration

After becoming aware of the need for change, managers need to get a fresh and real sense of how consumers use or do not use their products or services. This may be accomplished by sending a team into the thick of things and getting them face-to-face with customers. Visual exploration requires the enterprise to have sharp eyes which are rooted in a deep understanding of the organisation. For this reason, it is imperative that the organisation does not outsource this task. Furthermore, the insights into the BOP and the relationships formed with partners later on are substantially boosted by diving into the market (Akter, Ray & D'Ambra, 2012).

Strategic insights are rarely a result of inspiration but rather the by-product of challenging the boundaries of competition. This is why after looking at the customer, it is essential to also look at noncustomers to understand a wider spectrum of what could be most beneficial in the offering, i.e. looking across market segments in the BOP. As mentioned previously, users may not necessarily be the customers, though they have a huge impact on the success of a product or service offering and must therefore also be considered.

One example of the importance of seeing the target market up front in South Africa is portrayed by Kerry, Clie and Dimitri (2013) when they muse that:

> *Most studies in the marketing literature have taken a highly individualised approach, using, for example, the individual consumer not the household or the family as the unit of analysis, and theories such as 'self-determination' as part of the frame of reference. In other words, they've tended to see BOP consumers as individuals acting in a social vacuum rather than as people bound by ties to wider groups.*

Without getting into the field and experiencing how consumers use the products and services, the enterprise may end up theorising about what propositions would suit best based purely on assumptions of the way the BOP functions.

Thus, talking to the different groups of people at the BOP, watching their actions, and identifying the various complementary products or services which may work alongside the current offering may help in developing a superior offering to that of competitors. Again, it must be stressed that alternative means of fulfilling the needs of the customer must be looked into as well in order to ensure the new product or service, or change thereto, is not redundant.

Step 3 – Visual strategy fair

After rigorous and repetitive improvement of the proposed strategy canvases the various teams may then present their developmental strategy canvases at a visual strategy fair. Herein the teams must communicate the basics of their strategy. Attendees should include the managers of the enterprise, the owner, representatives of key partners in the BOP, and possibly some people from the BOP market segment being targeted. The winning strategies can be voted on by a judge panel which consists of the more noteworthy invited attendees.

What is looked for in the value curves are the two elements of originality and clarity when judging the curves and their pitches. Judges not only have to grade the various options, but also explain why they believed them to be best. This gives the teams a better understanding of which competitive factors matter most. Following the strategy fair, the teams are thus able to much more precisely and accurately decide upon the best representation of the existing strategy canvas. This puts managers into a better position to draw a future strategy curve, one which is distinctive and addresses a true hidden need in the marketplace.

Step 4 – Visual communication

The final step of visual communication is imperative for successful implementation and adoption of the new strategy in the enterprise. The new strategy must be communicated in a way that is easily understandable to any employee. Showing the old and new strategy canvases alongside one another can be a very effective visual technique. Furthermore, managers may meet with their colleagues and team members to walk them through the major changes and relate the new focus to employees, as well as to discuss which factors need to be eliminated, reduced, raised, and created.

K.2 Key organisational hurdles elaboration

The cognitive hurdle

One of the greatest difficulties organisations face during a change of strategy is in bringing people to an understanding of the need for change and to agree that it is a worthwhile endeavour. Looking at data and using numbers alone often fails to motivate employees to embrace change, often due to the fact that numbers are easily manipulated to sell an idea. This may further distance employees and make them question their trust in the organisation, sometimes to the extent of certain individuals harbouring resent, suspicion, and even hostility towards management. Beyond this, many times numbers can be misleading even if they've not been manipulated at all. Lastly, numbers are also easily forgotten. People on the shop floor and their associated managers may feel that any change is not applicable to them if they're doing well according to the old strategy and may simply ignore the new strategy thinking it's only for those departments which are struggling. At the other extreme, managers and employees who are in the doldrums and aren't operating successfully may see the change in strategy as an impossible to achieve command from top management to get a move on or move on, basically seeing the new strategic angle as an impromptu notice of their imminent contract termination. These people are more likely to look for other jobs than to try align the segment of the company they are involved in.

Tipping point leadership would not use numbers to try clear the cognitive hurdle as it is not a historically successful influencing factor. A tipping point leadership approach would rather look to getting employees to experience the tough position of the organisation first-hand. This is a much more real and memorable way of coming to an understanding for the need for change than numbers. It doesn't take much to realise that positive reinforcement or stimuli bring about positive behaviours and attitudes whereas negative ones do exactly the opposite (Ledoux, 1998; Morris *et al.*, 1998). Furthermore, the more abstract an idea or belief the less likely a person is to maintain a strong memory of it and therefore it is more easily forgotten (Baddeley, 1990; Kolb, 1983). With tipping point leadership, the goal is to inspire a change in mind-set which is internally driven by the person autonomously. Meeting with disgruntled customers and witnessing the worst operational problems are just two ways in which employees may experience the need for change instead of using numbers.

The resource hurdle

Once the need for change has taken root in everyone's minds and there is a general consensus on it, the next hurdle to be cleared is that of limited resources. Often the organisation has not got the necessary money for the change process and employees will need to know how the change will take place and what resources will be needed. Two detrimental approaches often employed by top management include a trimming of ambitions, or a fight for more resources. Trimming ambitions is bad in that it demoralises the workforce and shows a lack of ability in top management to bring the organisation through the change. Fighting for more resources from bankers or shareholders can take a lot of time and divert the much-needed attention off of the change process and its underlying problems. It also delves into the realm of company politics which is a minefield of potential problems waiting to happen.

The tipping point leadership approach would take the organisation's focus off of trying to get more resources and instead concentrate on leveraging the resources already available to the company, thus multiplying their value. Three factors of disproportionate influence can be used as levers in freeing up resources whilst multiplying their value:

1. **Hot spots:** these are activities which utilise a low resource input but boast generally high potential performance gains
2. **Cold spots:** these are activities which in contrast to hot spots require high resource input and only low performance impact
3. **Horse trading:** this involves trading excess resources in one area to fill requirements in resource gaps which exist in other areas

This all boils down to organisations needing to use their resources right, thus shrinking the need for resources. Freeing up low return resources to turn them towards high impact sites can lower costs and increase value when they're most needed.

The motivational hurdle

With everyone on board with the new strategy and resource availability at a high it is then necessary to motivate employees to perform above the status quo. Guidance must be provided on how to achieve the new goals with the resources available to them. Conventional wisdom would say that to motivate people towards massive action would require proportionately massive action from top management down. This however is a huge undertaking as there are a whole plethora of motivational needs to be answered throughout the organisation.

Instead of trying to spread motivation through the ranks, tipping point leaders would instead follow a reverse route and seek massive concentration. Three disproportionate influencing factors tipping point leaders focus on to motivate employees include:

1. **Kingpins:** these are key influencers in the organisation, natural leaders who are generally well respected and persuasive and have the ability to block or unblock access to key resources. Triggering a sweeping movement within the enterprise will require a lot of positive energy

from kingpins. As with bowling, once the kingpin falls so do most of the other pins in general. Kingpins may not be in leadership positions but rather are people who influence others a great deal

2. **Fishbowl management:** motivating the kingpins in a way that their actions are transparent, sustained, and meaningful is done by putting the spotlight on them for others to see, repeatedly and visibly. This fishbowl management basically aims at motivating the masses by making the kingpins' actions (or inactions) visible to everyone, like fish in a clear bowl of water. This will only be successful with transparency, inclusion, and fair process being made top priorities. Rapid change agents are glorified whilst inactive kingpins are exposed for maximum effect
3. **Atomisation:** this disproportionate influencing factor is used to get the organisation to change itself. It is imperative that tipping point leaders get the staff in the enterprise to believe that the strategic challenge is definitely attainable for the change to ever succeed

Therefore, there must be a focus on key influencers in effecting rapid change. This is achieved by putting kingpins on display so as to best motivate the workforce, and lastly atomising the issue of the new strategy so as to make people believe it is indeed doable.

The political hurdle

Having successfully dealt with the cognitive, resource, and motivational hurdles the organisation is almost ready for execution, but there still remains a political hurdle which every organisation has to some degree. Powerful vested interests that resist the imminent change are at play throughout the change process and the closer it comes to the time for the change to take place the more vocal such people will become. These are negative influencers who fiercely guard their own position and will resist change in any shape or form that may in any way influence them in manners they view as negative. This negativity must be sussed out and quelled to remove the risk of the new strategy becoming a failure at implementation.

Tipping point leaders will focus on three disproportionate influence factors in dealing with the issue:

1. **Leveraging angels:** these are people in the organisation that have the most to gain from the strategic shift. The tipping point leader will ask:
   a. Who are my angels?
   b. Who will naturally align with me?
   c. Who will gain the most by the strategic shift?
2. **Silencing devils:** these people have the most to lose from the strategic shift. The tipping point leader will ask:

a. Who are my devils?
b. Who will fight me?
c. Who will lose the most by the future blue ocean strategy?

3. **Getting a consigliere on the top management team:** a consigliere is a highly respected insider who can help foresee any problems from the workforce and elsewhere but is willing to fight for the new strategic shift and provide support. This is generally more beneficial in well established, larger enterprises. The traditional company will focus on a top management team with a strong skill set to back them up but the tipping point leader gets help from a consigliere to avoid many of the problems often undetectable until it's too late

By answering the above questions and leveraging angels whilst the devils are silenced it is possible to determine who to trust and who to win over so as to clear the political hurdle with ease. Focus must be placed on the supporters and detractors. One can generally put aside the neutral mass of people, as they will align with the new strategy if the detractors are identified and suppressed. A last attempt at clearing the political hurdle can be made through making use of the consigliere who helps avoid landmines in the organisation's path to successful execution.

Appendix L Theoretical views of strategic alliances

L.1 Market power theory

Alliances enable the enhancement of an organisation's competitive position through gaining market power and improving efficiency (Kale *et al.*, 2000; Kogut, 1988b). Market power relates to the ability of an organisation to profitably raise the market price of a good or service over marginal cost, and thus in a market which is perfectly competitive the market participants have no market power. It is otherwise known as the *positioning school* or *strategic management theory*. Associated most strongly with the works of Michael Porter, who used both the structure-conduct-performance school of industrial organisation and the work of Mason (1939) and Bain (1951), Porter developed this rent-creation focused theory for practitioners. The basic premise of his works *Competitive Strategy* (Porter, 1980) and *Competitive Advantage* (Porter, 1985) is that the potential for profit generation is dependent on industry structure. The structure is shaped by five forces: the threat of newcomer entry which is contingent on barriers to entry, the bargaining power of suppliers, the bargaining power of buyers, the threat of substitution which acts as a price ceiling, and the degree of rivalry between competitors which is contingent on the ability of competitors to retaliate. The idea is therefore that organisations utilise a strategy which best positions itself to generate profits and simultaneously shelter itself from profit erosion.

The result of holding this view when collaborating would be for the organisation to seek alliance partners that would help the organisation to achieve a position which is stronger together than either organisation would be when separate. Market power is thus achieved through alliance, which provides risk reduction, access to markets and technologies, etc. Porter's emphasis on industry structure is built on his knowledge of industrial organisation, and therefore does not adequately account for the role of politics and human agency, nor does it really have the ability to influence evolutionary theories of alliances (De Rond, 2003). Furthermore, as market power theory is predicated on pursuing the three generic strategies of cost leadership, differentiation, and focus, little room remains for genuine strategic choice (Child, 1972). Child and Faulkner (1998:19) argue that "*It is … a fairly deterministic perspective, which does not readily accommodate the way in which evolving relationships between firms can alter the rationalities and strategic visions held by their policy makers … [and] therefore has some difficulty in dealing with the processes through which cooperative strategies evolve over time.*" Additionally, Smircich and Stubbart (1985) argue that it is relatively positivistic in that it assumes the environment is completely external to the organisation, thus negating the notion of the enacted world, cognitive processes, *a priori* assumptions, and prejudices that clearly play a role in decision-making processes.

As the market power view is supportive of a competitive approach as opposed to a blue ocean approach, it will not be the view on which strategic alliances in the context of this study will be built. This being said, market power theory does provide business owners operating at the BOP with a good way of understanding how certain partners, especially those in the private sector, think and base their strategic alliance decisions on. This can be extremely useful when proposing a partnership to them. Finding similarities and congruencies with potential partners can be a determining factor in the formation of a lasting alliance.

Market or bargaining power focuses on the extent to which partners can dominate partners in critical negotiations, however the legal binding of these alliance agreements makes it such that the partner who gets the less ideal deal is unlikely to ever recast the deal when times change in favour of the less powerful partner.

L.2Transaction costs view

According to the transaction costs view, otherwise known as transaction costs economics or the cost benefit approach, an organisation's ownership decision is based on minimising the sum of transaction and production costs (Coase, 1937; Williamson, 1975). It is essentially the theory which illustrates the make versus buy decision companies need to make.

Alliance formation in accordance with a transaction costs approach is ideal when the collaboration will result in the reduction of transaction and production costs for both organisations (Williamson & Mueller, 1986; Hennart, 1988).

The transaction costs view of strategic alliances helps one understand when an alliance is the most ideal relationship type in that it requires making a comparison of all of the different costs involved in the business before making a decision to form an alliance. Transaction costs denote costs incurred from activities required for arranging, negotiating, managing, and monitoring exchange while production costs relate to in-house costs associated with learning, organising, and managing production. As internalisation (e.g. the formation of mergers, outright acquisitions, or internal development) controls transaction costs most effectively it is the preferred route when transaction costs are high. On the other hand, market exchanges involve transaction costs but avoid production costs, making arm's length transactions (i.e. market exchange) ideal when transaction costs are low and production costs are high. A strategic alliance combines features of both internalisation and market exchange (Das & Teng, 2000b), and is preferable "*when the transaction costs associated with an exchange are intermediate and not high enough to justify vertical integration*" (Gulati, 1995a:87). Building on this, Ramanathan *et al.* (1997:57) state that alliances are justified when, although internalisation would be more cost efficient, there exist "*constraints of various kinds [that] prohibit full* *internalisation.*" Shortly, strategic alliances are the most transaction-cost-efficient organisational form in the case of medium-asset specificity (Hoffmann & Schlosser, 2001) (asset specificity is a term that relates to the inter-party relationship of a transaction, defined as the extent to which investments made to support a particular transaction have a greater value to that particular transaction than they potentially would have if redeployed to another purpose).

Transaction costs literature emphasises the significance of partner opportunism in strategic alliance relationships (Kale *et al.*, 2000). Some argue that such an alliance is essentially a learning race wherein partners are engaged in opportunistic attempts to outlearn each other (Khanna *et al.*, 1998). Although the alliance may indeed help the organisation absorb and learn critical information or knowhow from its partner, this also increases the likelihood of "*unilaterally or disproportionately losing one's own core capability or skill to the partner*" (Kale *et al.*, 2000). The end result is a tension in both organisations over balancing of activities regarding learning and protecting.

De Rond (2003) and Parkhe (1993a) have criticised transaction cost theory for its failure to clearly set forth how the relational aspects of the collaboration evolve over time, and also how exactly these aspects would structure the nature of the transactions. In addition, it disregards the effects of implicit modes of governance, interpersonal bonding, reputation, and trust as a means of reducing the risk of opportunistic actions from partners (Williamson, 1975; Faulkner & De Rond, 2000).

For social enterprises, cost management is crucial to turning over sufficient profits to simultaneously achieve positive social impact and grow the organisation's reach, making the TCV important when deciding on alliance formation.

Transaction costs theory assumes economic actors in an alliance are not always rational, and often act opportunistically which exacts a certain cost in transacting with them, i.e. monitoring and safeguarding. It bases a lot of its strength on the opportunistic nature of partners, however, efficient markets along with the importance of reputation in this highly connected era of business makes it such that opportunistic behaviour is much more discouraged than before.

L.3Resource based view

The resource based view (RBV) of the organisation emphasises the notion that resources either owned by or under control of the organisation give the organisation the ability to provide enduring competitive advantage (Penrose, 1995; Barney, 1986; Wernerfelt, 1984) if they are "*inimitable and not readily substitutable*" (Peteraf, 1993). If the organisation's strategy is value creating and not easy for other organisations to copy, a competitive advantage can be attained. Key to the capturing of rents according to the RBV is the protection and effective deployment of these resources (Mowery, Oxley &

Silverman, 1996). Rather than emphasising cost minimisation as with the TCV, the rationale behind the RBV places emphasis on maximising value for the organisation via pooling and utilisation of valuable resources. In comparison to MPT, the RBV does not accept the inevitability of forces driving a market towards an equilibrium, nor of the necessity of competing away any monopolistic rents (De Rond, 2003). Instead, the RBV maintains that organisations can earn rents by continually reconfiguring their resources in ways that are challenging to imitate by both existing and future rivals, or by acquiring access to capabilities that are durable and not easily appropriable, replicable, or transferable (Ricardo, 1891; Barney, 1991; Grant, 1991; Peteraf, 1993; Rumelt, 1997, 1991; Wernerfelt, 1984). Resources can be seen as strengths, advantages, or assets of the organisation, and according to Wernerfelt (1984), can be either tangible (e.g. equipment, real estate, capital) or intangible (e.g. expertise, information, brands, reputation, management skills).

The RBV of alliances has been studied under a few names, including the property rights perspective (Ramanathan *et al.*, 1997:57) and the organisational capability perspective (Madhok, 1997). When it comes to forming alliances, the RBV does not impose any specific industry affiliation strictures as resource integration can be accomplished regardless of industry affiliation (Das & Teng, 2000b; Hennart & Reddy, 1997:5). Partners are sought according to their ability to aggregate, share, or exchange valuable resources (Das & Teng, 2000b), and thus by combining complimentary resources of partners, social alliances create new resource constellations for co-generating social value (Austin, 2000; Austin & Reficco, 2008; Kanter, 1998). Valuable resources are defined as "*scarce, imperfectly imitable, and lacking in direct substitutes*" (Das & Teng, 2000b) (see also Barney (1991) and Peteraf (1993)), and imperfectly mobile between organisations (Barney, 1991). The defining point at which the potential for forming alliances must be investigated is therefore when these resources cannot be: built internally with acceptable cost and risk within an acceptable time period (Hoffmann & Schlosser, 2001), efficiently obtained through either market exchange (Das & Teng, 2000b) or via mergers and acquisitions (Eisenhardt & Schoonhoven, 1996). The continual task for managers is one of adjusting and renewing these resources and relationships as time, change, and competition erode their value (Rumelt, 1997).

On the downside, partners may attempt to learn key skills or steal key organisation specific resources under the guise of an alliance (Das & Teng, 1998a; Kogut, 1988a). The problem of hidden agendas is more intense regarding intangible resources than tangible ones, presenting a key consideration management must take into account prior to alliance formation.

For social entrepreneurs in particular, the RBV strikes a chord. In the early stages of a social enterprise, resources are scarce, thus acquiring additional resources and capabilities is vital. According to Haugh, 2009:112), after a longitudinal study of social entrepreneurs "*human resources and social networks [are]* *essential in the early stages of venture creation, as they [confer] venture-specific capabilities in the form of knowledge and network relationships.*" Collaborations with other organisations that offer similar services can provide substantially worthwhile gains in efficiency due to simple reductions in administrative costs, realisation of economies of scale, and optimising of resource allocation via specialisation. In this way, improved services can be provided to beneficiaries, resulting in sustainable mission impacts and increased effectiveness (Wei-Skillern *et al.*, 2007).

L.4 Agency theory

Agency theory (AT) pertains to that branch of financial economics that focuses on conflicts of interest among people who have differing interests in the same assets. Concerned primarily with the ability of principals to both monitor and control agents (De Rond, 2003), AT assumes that humans exhibit qualities of self-interest, are opportunistic, subject to bounded rationality, and risk averse, which leads to agents seeking to exploit their relative positions (e.g. their access to resources) and must therefore be managed or presided over by principals (Fama & Jensen, 1983; Jensen & Meckling, 1976). Principals comprise shareholders and owners whilst agents include both managers and employees.

AT has been applied in multiple domains, including relationships between owners and managers of large corporations (Berle & Means, 199), and relationships between clients and lawyers, employers and employees, and buyers and suppliers (Child & Faulkner, 1998). Regarding the role of AT in strategic alliances, a strategy of cooperation is seen as advantageous in that it accrues the benefits of teamwork, but is costly in that it requires legislating for, monitoring of, the self-serving behavioural nature of agents.

The main limitation of AT is that "*managers are often motivated to fold the alliances into their own firms to control their own compensation or employment risk. A consequence is that many alliances are terminated rather quickly, often being sold to one of the partners*" (Das & Teng, 2000:83). Although it provides rationale for alliance formation, it fosters a spirit of suspicion which is detrimental to lasting relationships.

For social entrepreneurs, it is worthwhile noting that differences in organisational values are a key component in sustainable alliances. Private sector enterprises are often much more competitively driven than their not-for-profit counterparts, and by default tend to assess potential partners on the basis of their seeming trustworthiness as part and parcel of remaining competitive is remaining in control of key competencies. Competencies which may be undermined by partners with ulterior motives or lax controls on key information or resources, leading to its dissemination.

L.5 Game theory

Game theory (GT) can be credited to the work of the mathematicians John von Neumann and John Nash, as well as the economist Oskar Morgenstern. They recognised that social behaviour and the associated interactions could be analysed as a game by highlighting the rational calculations that inform these interactions. The way in which the interests of individuals are interconnected and highly interdependent makes this a good comparison (Zagare, 1984).

Although GT has evolved over time, one principle has remained, namely that strategies of cooperation are likely to materialise when there is a possibility that the parties may meet again in future (Axelrod, 2006). According to Parkhe (1993c:799), with regards to the formation of alliances:

> *In strategic alliances cooperation is maintained as each firm compares the immediate gain from cheating with the possible sacrifice of future gains that may result from violating an agreement … The assumption here seems intuitively reasonable: broken promises in the present will decrease the likelihood of cooperation in the future. By the same token, cooperation in the current move can be matched by cooperation in the next move, and a defection can be met with a retaliatory defection. Thus, iteration improves the prospects for cooperation by encouraging strategies of reciprocity.*

As can be seen, GT does incorporate the notion of self-interest, but unlike with AT, it goes further to incorporate the value of maintaining a relationship over time when deciding how to manage an alliance. The optimum outcome for any two parties is attained through a strategy of cooperation and not one of competition (De Rond, 2003).

Axelrod (2006) outlines the importance of forgiveness, predictability, and simplicity in an organisation’s approach to alliances, with a tit for tat style. Dixit and Nalebuff (1993) and Brandenburger and Nalebuff (2011) outline conditions under which collaboration strategies are generally rewarding, as well as what undermines the relationships.

GT is a limited way of viewing collaborations in that it is in essence a simplification of scenarios in real life, and is therefore not so helpful in that it does not account for player personality, social ties, communication, uncertainty surrounding prior actions from players, the social conventions and institutional norms the players are embedded in, or the multiplicity of actors taking part in collaborations.

According to game theory whereby partners must act alone to determine what play is most advantageous to themselves, cheating may have higher payoffs than cooperating, however as with the transaction costs literature too little credit is given to the importance of cooperation which is more likely the more games are played and the longer the relationship is likely to be.

L.6 Real options theory

Originating in the financial field, real options theory (ROT) would promote organisations entering into alliances to spread risk so as to maintain a strong presence in typically fast-paced technological fields (De Rond, 2003). A real option is essentially a choice made available to an organisation with investment opportunities, whereby real denotes a typically tangible asset as opposed to a financial instrument (e.g. stocks and bonds). Real options are therefore choices the management of an organisation must make to change, curtail, or expand projects based on economic, market and technical conditions which are always changing.

In line with a real options strategy, collaborations help organisations generate a portfolio which has a number of reasonably low-risk options which enable the organisation to make small and incremental wagers that can allow for new learning, thus opening up more options in future (Amram & Kulatilaka, 1998; Copeland & Keenan, 1998; Faulkner & De Rond, 2000; Kogut & Kulatilaka, 2001).

As this is really an investment strategy, it is typically employed by larger organisations investing in a number of start-ups with the hopes that at least a few of them will generate realistic value propositions in a given time period (e.g. biotech start-ups developing a drug). For this reason, it is not of much value to a relatively small social enterprise, and furthermore it is mostly applicable high technology industries. ROT gives very limited explanations as to the process of collaborating, and lends a much more predatory perspective on cooperative behaviour (De Rond, 2003).

L.7Resource dependence theory

Resource dependence theory (RDT) was developed by Pfeffer and Salancik (2003) who suggested that to a large extent organisations are dependent on resources that reside outside themselves, and thus become interdependent with those elements of the environment. The focus of RDT is thus placed on the context organisations operate in and from which they rely on resources. RDT is essentially a cyclic process which constitutes three major pieces. Firstly, every organisation needs resources to survive, and this leads to interdependence. Secondly, this interdependence leads to uncertainty. Thirdly, to reduce uncertainty, organisations tend to form coalitions, pool resources, and adapt their strategy to survive. With time, as balances in the market shift, stability turns to instability and the cycle repeats itself. The environment wherein resource dependence exists is influenced by three main factors: where the concentration of resources is, who has the munificence (i.e. the willingness to give up resources), and the interconnectedness of organisations in the supply chain. More simply put, resource dependence is influenced by the importance of a resource, the abundance of it, and who controls that resource.

To manage the resource dependence cycle effectively, the following factors must be taken into account: compliance, adaptation, avoidance, influence/negotiation, coordination, and the establishing of linkages. According to Nienhüser (2008), RDT exhibits the same independent and dependent variables as the TCV and institutional theory which will be addressed later, however the difference pertains to the moderator variables, i.e. that which determines the relationship strength between the independent or predictor variable and a dependent or criterion variable. Whereas the TCV relies on efficiency and institutional theory on norms and values, RDT relies on power. For example, Cordery and Baskerville (2011) give the example of general practitioners who rely on financial support from the state (i.e. the resource needed to survive). The state will use this to their advantage when forming contracts with general practitioners for specific healthcare services, thus forming interdependencies. For practitioners who comply, this creates stability, however those who do not may lose their funding.

RDT would therefore promote an approach which seeks to control this uncertainty (risk). Cooperating with key parts of the environment (i.e. forming alliances) is a way of reducing dependency (Faulkner, 1995), although it may incur other risks such as freeriding, opportunism, and the unintended transfer of proprietary skills (Faulkner & De Rond, 2000).

Resource dependence theory is oriented about the way in which organisations are dependent on other organisations' resources and must respond strategically to control this dependence and uncertainty so as to maintain autonomy, however in reality certain key resources are minimally mobile or imitable which makes it impossible to transfer the needed resources.

L.8 Relational contract theory

In contrast to the TCV literature, research also highlights the importance of relationships and trust in alliances (Kale *et al.*, 2000; Ring & Van de Ven, 1992; Gulati, 1995a; Zaheer *et al.*, 1998). The relational contract theory (RCT) was developed as a result of the shortcomings Macneil (1973, 1980) identified with classical and neoclassical contract theory; that of it being too narrow-minded regarding its inadequate discrete view of business transactions/exchanges. First alluded to by Macaulay (1963), Macneil honed in on the idea that in reality exchange relationships oft require ongoing interactions in opposition to the discrete view of transactions. Though legal contracts are necessary and have an important role in any alliance, they seldom operate as an effective or adequate mechanism in assisting with daily interactions. The truth of the matter is that the majority of relationships are ever dependent on particular historical and social contexts, underpinned by trust (De Rond, 2003). Heide (1994:74) states that "*Relational exchange... accounts explicitly for the historical and social context in which transactions take place and views enforcement of obligations as following from the mutuality of interest that exists between a set of parties.*" Pivotal to smooth exchanges, according to RCT, is trust. Dyer and

Singh (1998) put forward that important for analysing the competitive advantage of an alliance is the relationship between the organisations, and requires looking to four sources of advantage which include relation-specific assets, knowledge-sharing routines, complementary resources/capabilities, and effective governance. Kale *et al.* (2000) similarly argues that it is necessary to foster relational capital, that "*level of mutual trust, respect, and friendship that arises out of close interaction at the individual level between alliance partners*" for success. Relational capital acts so as to facilitate learning via close interpersonal interaction between alliance partners and also minimises the likelihood of partners engaging in opportunistic behaviour.

Though fostering trusting exchanges and relationships is commonly agreed as being key to lasting alliances, RCT is limited in its applicability due to what some would call its insubstantial empirical research base (Kern & Willcocks, 2000). Furthermore, trust is multi-dimensional in nature, being calculative, predictive, and sometimes affective in nature, making it hard to study it empirically (Child & Faulkner, 1998). The level of trust must also be considered, looking at both trust between partner organisations as well as between individuals. A final factor that raises questions for RCT proponents is that as a theory of alliances it is bad at predicting the likelihood of failure of an alliance, as alliances still fail even when partners trust one another, and at times succeed without any visible signs of trust between partners (Das & Teng, 2000).

With the relational contract theory, relational exchanges rather than discrete ones, take place on the basis of a social and historical basis, depending a lot on trust. However, it seems that alliance instability is too specifically blamed on trust issues within the alliance which seems insufficient to explain why it is that partners with no historical dealings or involvement still succeed.

L.9 Organisational learning theory

Strategic alliances provide partner organisations with a means of learning about a host of capabilities, and according to organisational learning theory (OLT) enables them to "*acquire, disseminate, and retain new knowledge so as to improve future performance*" (De Rond (2003), see also Child and Faulkner (1998)). Often detracting from the ability of partner organisations to benefit from their alliances is the fact that both the cultural and strategic fit of the organisations is oftentimes less than perfect, impeding the learning process (Child & Faulkner, 1998; Inkpen, 1998). Another detrimental factor pertains to what is termed the *Meno* paradox (Polanyi, 1966) whereby a partner is ineffective in learning due to one of two main reasons, including: they know what they need and therefore do not search for new knowledge, or they don't know what they need and therefore cannot find it. The solution to this situation is offered by Shenkar and Li (1999:135) as building specific capabilities to stimulate the search for knowledge, i.e. developing absorptive capability/capacity. By recognising, evaluating, and then utilising this information, the absorptive capacity of the organisation increases. Rooted in prior knowledge, the degree to which an organisation can absorb new information is determined by the size of the existing knowledge base of the organisation, meaning that "*what can be learned is a function of that which is already known*" (De Rond, 2003). Thus, it can be argued that often the existing knowledge base determines how much a partner organisation will absorb knowledge effectively.

The degree of relatedness necessary for existing knowledge to lead to new knowledge is however open to debate (De Rond, 2003). In addition to experience, a sense of community is also necessary for learning. One of the strengths of the OLT as far as theoretical perspectives go is its provision for a more process friendly approach to alliance management.

L.10 Social network theory

Social network theory (SNT) is another lens through which alliance formation and evolution is often viewed at a population level. That is to say, social networks are macro-level phenomenon, and can be seen as "*select, persistent, and structured sets of autonomous players who cooperate on the basis of implicit and open ended contracts, both to adapt to environmental contingencies and to coordinate and safeguard exchanges*" (De Rond, 2003). Their emergence, evolution, and ultimately dissolution are all a direct consequence of individual players' actions. Their relationships are embedded, enabling and constraining their actions (Di Domenico *et al.*, 2009; Barley, Freeman & Hybels, 1992). Exchanges within the network are largely based on social rather than legally binding contracts, due to the embedded relationships which enable sufficient governing of collaborations (Nohria, Gulati, Smelser & Swedberg, 1994). According to Nohria (1998), fundamentally all organisations comprise social networks, actions of specific players can be largely attributed/explained by their position within this network, and the network is in a continuous state of being socially constructed and modified as a result of the actions of both individuals and organisations. In addition to the position within the network, Gulati (1998:301) argues that the network status of an organisation serves as a clear and important indication of the likely value of potential partners in future interactions. One of SNT's most significant advantages is its focus on the broader picture, not being limited to the dyadic relationships most theories of strategic alliances depend on. It is furthermore a process friendly view which gives a more socialised account of strategic alliances.

L.11 Knowledge based view

Learning explanations of strategic alliances view alliances as "*a means to learn or absorb critical skills or capabilities from alliance partners*" (Kale *et al.*, 2000). The knowledge based view (KBV) focuses on knowledge as a competitive asset, a strategically significant resource, emphasising the enterprise's capacity to integrate tacit knowledge (Simonin, 1999; Grant & Baden-Fuller, 1995; Conner & Prahalad, 1996). Alliances provide the ideal context for value creation via the exchanging and combining of dispersed knowledge (Hoffmann & Schlosser, 2001).

At the BOP, due to the inherently high level of environmental uncertainty, social enterprises can utilise strategic alliances to improve and speed up organisational learning so as to reshape their environment and effectively reduce strategic uncertainty (Hoffmann & Schlosser, 2001). Key to successfully managing an alliance according to the KBV, so as to avoid interorganisational conflict, is the balancing of exploitation and exploration activities regarding knowledge. The ability of an organisation to realise their learning objectives is however dependent on the absorptive capacity (receptivity), transparency, and coordination strategies of the partners in the alliance (Cohen & Levinthal 1990; Lane & Lubatkin, 1998; Ring & Van de Ven, 1994).

L.12 Skills based view

It is conceivable that the organisation may be viewed as a portfolio of core competencies and their encompassing disciplines (Prahalad & Hamel, 2006), as is seen in the skills based view (SBV) of strategic alliances. Core competencies contribute fundamentally to the unique functionality of any number of end-products, whilst the encompassing disciplines may include such approaches as total quality control, just-in-time manufacturing systems, lean manufacturing, etc. These disciplines enable the enterprise to arrive at the best price/performance trade-off possible. Viewing the organisation as a portfolio of core competencies and their associated value creating disciplines (organisation-specific skills) suggests that interorganisational competition, in comparison to inter-product competition, revolves around the acquisition of skills. Competitiveness thus becomes a function of the "*firm's pace, efficiency, and extent of knowledge accumulation*" (Hamel, 1991). This is in opposition to the traditional competitive strategy view of Porter (1980), which holds that focus must be placed on product-market positioning, looking at "*only the last few hundred yards of what may be a skill-building marathon*" (Hamel, 1991). This competitive view of alliance motivation provides little insight into knowledge acquisition, skill building, or the processes of these. Competitive advantage in a SBV comes from discrepancies or unequal division of core competencies and value creating disciplines among organisations, allowing competing organisations to exploit these organisation-specific advantages to bring about growth. With strategic alliances, organisations can redistribute skills among partners and gain further competitive advantage over competitors.

L.13 Dynamic capabilities view

Closely linked to the SBV is the dynamic capabilities view (DCV) of strategic alliances (Mowery *et al.*, 1996). The DCV emphasises the need for change in capabilities used to manage resources (Teece, Pisano & Shuen, 1997; Teece & Pisano, 1994), focusing more on the development of organisation-specific resources more so than on their exploitation in the alliance. Central to the DCV is the acquisition of new and improved capabilities via organisational learning. Organisational learning is thus the main goal of strategic alliances from a DCV (Harrigan, 1988; Hagedoorn & Schakenraad, 1990; Eisenhardt & Schoonhoven, 1996).

L.14 Institutional theory

The institutional theory view of strategic alliances has contributed much to the rationale for inter-organisational collaboration, however there are many differences between even its main strands (Di Domenico *et al.*, 2009). Institutional theorists focus on deeper, more resilient aspects of social structure and consider the processes by which structures (norms, routines, rules, and schemes) become established as authoritative guidelines for social behaviour. Stressing the fact that bilateral exchanges expose organisations to conditions which will likely subject both parties to opportunistic behaviour (Chi & Roehl, 1997:280), institutional theorists argue that effective collaboration requires the developing of incentives that act so as to mitigate opportunism (Holmstrom, 1982).

L.15 Social exchange theory

Social exchange theory (SET) looks at interpersonal interactions "*from an exchange perspective in which social costs and benefits are 'traded' in relationships governed by normative rules and agreements*" (Di Domenico *et al.*, 2009). SET is applicable to exchanges both at an interpersonal and an inter-organisational level. In essence, SET is an accumulation of interrelated social exchange theories, of which two are dominant, namely that pioneered by Homans (1961) which is underpinned by psychological-behaviourist ideas, and secondly by that strand led by Blau (1964) which has its roots in economics and is based on the idea that individuals participate in social exchange to acquire intrinsic (without overt economic value, such as support or friendship) or extrinsic (hold economic value, such as information and knowledge) rewards that they are unable to accrue by themselves. Establishing a norm of reciprocity is fundamental to interactions between dyadic partners, requiring appropriate management of the economic, political, and social resources seen to be valuable by partners, of which intangible elements such as knowledge, skills, and expertise are equally important (Muthusamy & White, 2005). Reciprocity would assume that exchange is accompanied/guided by an expectation of return (or behaviour) in kind. Power relationships between key decision makers shape collaborations. Alliances are therefore dependent on mutually beneficial patterns of cooperation which influence and are influenced by "*the access that participants have to resources, their choices between alternative courses of action or reaction, and anticipated outcomes*" (Di Domenico *et al.*, 2009).

According to SET, when a long-term orientation exists, the result of personal relationships may be loyalty, trust, and commitment, each of which engenders cooperation whilst discouraging opportunism (Pesämaa & Franklin Hair, 2007; Blau, 1964, Zaheer *et al.*, 1998). On the other hand, some argue that the major determinants of success include a rational selection of goals, locations, organisation, decision making, and administrative routines (Rumelt, Schendel & Teece, 1991). Key to successful relationships with SET is that individuals are goal-oriented, planning their time, tasks, and relationships with a clear idea of the anticipated gains (Pesämaa & Franklin Hair, 2007; Edquist, 1997).

Appendix M Strategic alliance rationale

Multiple reasons exist for the formation of an alliance (Varadarajan & Cunningham, 1995; Larsson, Bengtsson, Henriksson & Sparks, 1998; Koza & Lewin, 2000; George & Prabhu, 2000; Mouan, 2010; Hitt, Ireland & Hoskisson, 2012; Gulati, Nohria & Zaheer, 2000; Anand & Khanna, 2000; Dussauge, Garrette & Mitchell, 2000), including:

- Market entry and market position related motives:
  - Gaining market power, e.g. reduce industry overcapacity
  - Speeding up entry into new markets
  - Gaining access to new international markets
  - Overcoming/circumventing barriers to entry of new/restricted markets, e.g. trade, legal, regulatory, political barriers
  - Maintaining market leadership
  - Maintaining market stability, e.g. establishing standards (especially in slow cycle markets)
  - Promoting synergy, knowledge transfer, new technology development (innovation), achievement of economies of scale and scope
  - Defending and/or enhancing market position in present markets
- Product related motives:
  - Acquiring technologies products or new skills
  - Speeding up new goods or service entry (especially in fast cycle markets)
  - Adding technological strength
  - Adding value to the products and services that one is providing
  - Filling gaps in present product line
  - Broadening present product line
  - Differentiating or adding value to product
- Product/market related motives:
  - Assisting organisations in gaining credibility or legitimacy
  - Improving access to new markets
  - Entering new product/market domains
  - Entering or maintaining the option to enter evolving industries whose product offerings may emerge as either substitutes for, or complements to, the organisation's product offerings
- Market structure modification related factors:
  - Reducing potential threat of future competition

- Raising or erecting entry barriers
- Meeting competitive challenges of other competitors
- Altering the technological base of competition

- Market entry timing related motives:
  - Accelerating pace of entry into new product-market domains by accelerating pace of R&D, product development, and/or market entry
  - Acting as a fast and flexible means of competence development
- Resource use efficiency related motives:
  - Reducing costs, transaction costs specifically, but also costs which would come about by trying to expand the business to address the needs directly in-house
  - Building financial strength
  - Strengthening the operations of the organisation
  - Acting as a fast and flexible means of achieving scale economies
  - Lowering manufacturing costs
  - Lowering marketing costs
- Resource extension related motives:
  - Gaining access to complementary resources, key resources which are otherwise inaccessible for a number of reasons
  - Deriving new incremental sources of revenue from combining complementary assets
  - Overcoming uncertainty
  - Pooling resources for very large capital projects/outlays
- Risk reduction related motives:
  - Sharing risky research and development projects expenses
  - Lowering risk in the face of large resource outlays required, technological uncertainties, market uncertainties, and/or other uncertainties
- Skills enhancement related motives:
  - Providing opportunities to acquire new capabilities
  - Providing organisations with access to information and technologies
  - Learning new skills/business techniques
  - Enhancing present skills by working with alliance partners

Appendix N Supply chain network relationship types and strategies

N.1 Supply chain network characteristics

A summary of the characteristics of each supply chain network context is given in Table N-1, Table N-2, Table N-3, and Table N-4.

Table N-1 Network characteristics of focal organisation dominance

Level	**Characteristic**
Upstream network	Fragmented industry
	Homogeneous products or components
Downstream network	Fragmented industry
	High switching costs for focal organisation
Focal organisation	High degree of industry concentration
	High market or sale shares for upstream
	Highly differential technology, products, or critical components
	Low search costs for downstream
	Low switching costs for upstream
	Growth stage in product life cycle
	Strong brand name
Network	Centre/periphery: barycentre on focal organisation and peripheral to both upstream and downstream
	Tie: focal organisation spans the structural holes (bridge ties) of upstream and downstream and keeps attaining high profits

Table N-2 Network characteristics of upstream network dominance

Level	**Characteristic**
Upstream network	High degree of industry concentration or consolidated industry
	Valuable intellectual property rights
	Critical components or resources
	Strong brand name or high reputation
Downstream network	Fragmented industry
	Decline stage in product life cycle
	Decreased market demand
	High switching costs for focal organisation
Focal organisation	Intermediate degree of industry concentration
	High switching costs for upstream
	Low search costs for downstream
Network	Centre/periphery: barycentre on upstream and peripheral to downstream
	Tie: upstream has strong ties with focal organisation and influences the network

Table N-3 Network characteristics of focal organisation obedience

Level	**Characteristic**
Upstream network	High degree of concentration or consolidated industry
	Valuable intellectual property rights, key components, or critical resources

Level	Characteristic
	High prestige and reputation
	Strong brand name
Downstream network	High degree of industry concentration or consolidated industry
	Strong channel leaders
	High sale share for focal organisation
	High growth demand
	High prestige and reputation or strong brand name
Focal organisation	High search costs for downstream
	High switching costs for upstream
	Fragmented industry
	Decline stage in product life cycle
	Products with high substitution for the customers
Network	Centre/periphery: barycentre on both upstream and downstream
	Tie: the focal organisation is strongly tied and constrained by upstream and downstream network

Table N-4 Network characteristics of downstream network dominance

Level	Characteristic
Upstream network	Fragmented industry
	Homogeneous products or components
	High search cost for focal organisation
	Products with high substitution for focal organisation
	Decline stage in product life cycle
Downstream network	High-concentration or consolidated industry structure
	High market share for focal organisation
	High growth demand
	Strong brand name or channel leaders
	Low switching costs for focal organisation
Focal organisation	Low switching costs for upstream
	High search costs for downstream
	Intermediate degree of industry concentration
Network	Centre/periphery: barycentre on downstream and peripheral to upstream
	Tie: downstream has strong ties to focal organisation and influences the network

N.2 Focal organisation dominance

Herein the focal organisation aims to cover structural holes and bridge ties between upstream and downstream partners to maintain growth. The following characteristics define this state, namely:

- High degree of industry concentration, as having a monopoly or being part of an oligopoly in the market of concern results in the focal organisation gaining additional profits from its buyers, also enabling it to minimise costs from its suppliers
- High market share, which affords the focal organisation a large degree of power over upstream organisations
- Unique or highly differential products, technology, or key components offered to the downstream network which results in higher dependency of the downstream organisations

- Growth stage demand from the product life cycle viewpoint, wherein the focal organisation enjoys an increase in demand

Typically, upstream and downstream networks are fragmented in nature, consisting of numerous small organisations. As they offer homogeneous products and resources, they do not hold power over the focal organisation. This enables buyers to easily switch suppliers and suppliers to easily find new buyers. Thus, the focal organisation can exert its influence on the suppliers and buyers to maximise its profits and impact. A summary of the context within which focal organisation dominance fits is given in Table N-1. Table N-5 outlines the appropriate strategy for managing the supply chain network and its partnerships when there exists a state of focal organisation dominance.

Table N-5 Supply chain network strategy for focal organisation dominance

Area of concern	**Strategy**
Relation-specific assets	**Upstream:** Build long-term safeguards or design cooperative trade mechanisms Reduce the number of upstream suppliers Manage the relation assets of upstream providers Assist the upstream in investing in specific assets
	Downstream: Invest in general-purpose relation assets to cover the most common requirements Enlarge the volume of transactions Aggregate the common demand of downstream organisations and take advantage of economies of scale with mass production
Knowledge-sharing routines	**Upstream and downstream:** Offer a platform for upstream and downstream partners to collaboratively develop products Offer mutual rich broadband communications and information for the whole supply chain network's planning, decision-making, and efficiency Build an advanced information system to manage related information activities Transfer the necessary knowledge and know-how upstream and downstream
Complementary resources and capabilities	**Upstream and downstream:** Use organisational structure, expertise management, cultural influence, collective network, and control systems progressively to manage the complementarity of the resources and capabilities of the network
Network position	**Upstream and downstream:** Identify potential suppliers and customers Use opportunity for forward or backward vertical integration or alliance Build substantial and trustful relationships Be aware the issue of organisation-wide inertia

N.3 Upstream network dominance

In this situation, the upstream has strong ties with the focal organisation and influences the network. Upstream network dominance exists when the upstream organisation's power is greater than that of the focal organisation, yet the focal organisation is still dominant over the downstream network. Upstream organisations are defined by their:

- High concentration, and as such they possess the power to influence the focal organisation

- Ownership of important critical resources, key components, and property rights which provide advantage to their customers (e.g. the focal organisation)
- Ability to exploit their critical resources to achieve a dominant position

With a downstream network residing in a fragmented industry, multiple small organisations all on an equal playing field make it easy for the upstream organisations to dominate the supply chain network. This is further exacerbated when the downstream market is in a decline stage of the product life cycle, with declining demand. Typically, it is hard for downstream organisations to switch suppliers (i.e. high switching costs for the focal organisation) which results in an intermediate power position for the focal organisation. The high switching cost upstream is accompanied by a low downstream search cost. As the upstream has strong ties with the focal organisation, it has a large influence over downstream organisations in the network. A summary of the context within which upstream network dominance fits is given in Table N-2. Table N-6 outlines the appropriate strategy for managing the supply chain network and its partnerships when there exists a state of upstream network dominance.

Table N-6 Supply chain network strategy for upstream network dominance

Area of concern	**Strategy**
Relation-specific assets	**Upstream:** Passively build long-term safeguard mechanisms to avoid resource shortages
	Downstream: Invest in general-purpose relation assets Enlarge the volume of transactions Aggregate the common demand of downstream organisations and take advantage of economies of scale and mass production to enhance supply efficiency
Knowledge-sharing routines	**Upstream:** Strengthen and deepen bi-directional knowledge-sharing routines Join the industrial standards of the key upstream organisations Offer production information and operational planning information for upstream decision-making as related to production planning
	Downstream: Strengthen bi-directional knowledge-sharing routines Increase the frequency of knowledge-sharing and the transparency of information Offer enough product, operational, and planning information for upstream decision-making associated with long- or mid-term production planning
Complementary resources and capabilities	**Upstream:** Increase the degree of compatibility to harmonise with the upstream Adjust organisational goals to cooperate with the upstream
	Downstream: Proactively possess and manage complementary resources or capabilities toward the downstream Draw on expertise to select strategic partners and manage inter-organisational activities and relationships
Network position	**Upstream:** Bridge upstream and downstream Cope with upstream governance and minimise the transaction costs Strengthen relationships and foster an amicable atmosphere
	Downstream: Identify potential downstream customers

Area of concern	**Strategy**
	Create the opportunity for alliances or integration with downstream organisations Build substantial and trusting relationships with downstream customers

N.4 Focal organisation obedience

In this case, the focal organisation is constrained by both the upstream and downstream network of organisations that are more powerful. Traits that characterise the focal organisation in this case include that it:

- Operates in a fragmented industry
- Is in a decline stage and faces decreasing demand
- Experiences high switching costs for upstream and high search costs for downstream as upstream and downstream players enjoy a relatively high degree of power

Due to downstream organisations' high shares of sales and that they are in a growth or maturity stage of the product life cycle, they have a power advantage over the focal organisation. Typically, in this case the upstream network consists of highly consolidated industries. A summary of the context within which focal organisation dominance fits is given in Table N-3. Table N-7 outlines the appropriate strategy for managing the supply chain network and its partnerships when there exists a state of focal organisation obedience.

Table N-7 Supply chain network strategy for focal organisation obedience

Area of concern	**Strategy**
Relation-specific assets	**Upstream:** Increase the duration of safeguards against opportunism and avoid resource shortages
	Downstream: Invest special-purpose relation assets in important customers Obtain a large volume of exchange or long-term contracts Customise products or services for critical downstream customers
Knowledge-sharing routines	**Upstream:** Join early product development technology alliances or standards Strengthen bi-directional knowledge-sharing routines
	Downstream: Provide product information and operational planning information to downstream customers Assist specific customers to control, manage, and trace their production schedules and status Transfer, recombine, or create specific knowledge for downstream
Complementary resources and capabilities	**Upstream and downstream:** Modify organisational structure, making it open to join boundary spanning activities Be a candidate or a selective partner for upstream or downstream organisations Increase the complementarity of resources and capabilities both upstream and downstream Adjust focal organisation resources and capabilities to compromise with its upstream or downstream Alter the culture to fuse with specific critical customers or suppliers
Network position	**Upstream and downstream:** Strengthen ties with the upstream and downstream by seeking benevolence and goodwill Increase the chance of being exposed to the upstream and downstream Aim for collaboration

Area of concern	Strategy
	Ally with the upstream and downstream

N.5 Downstream network dominance

In this case, the downstream network has strong ties to the focal organisation and influences the entire network. With downstream dominance, the downstream network organisations effectively have power over the focal organisation. Qualities that characterise the downstream organisations include that they:

- Have a high degree of prestige and a strong positive reputation due to their position
- Are located in high-concentration industries and effectively monopolise the supply end
- Possess a high share of the focal organisation's sales

As upstream organisations provide homogeneous resources, their degree of substitutability is high (and in a decline stage), resulting in high search costs for upstream organisations including the focal organisation. Though there is typically a low switching cost associated with upstream partners, downstream partners have a high search cost associated with them. A summary of the context within which focal organisation dominance fits is given in Table N-4. Table N-8 outlines the appropriate strategy for managing the supply chain network and its partnerships when there exists a state of downstream network dominance.

Table N-8 Supply chain network strategy for downstream network dominance

Area of concern	Strategy
Relation-specific assets	**Upstream:** Develop a long-term safeguard mechanism to strengthen relationships with upstream suppliers
	Downstream: Invest in special-purpose relation assets for important customers Strengthen and maintain deep ties with the critical downstream customers
Knowledge-sharing routines	**Upstream:** Direct the knowledge-sharing routines upstream Require suppliers to provide sufficient operational information for the focal organisation to manage or control
	Downstream: Transfer, recombine, or create specific knowledge for the downstream so as to shorten the product development time and time-to-market Offer operational information for customers to control and manage production Reduce the cost and shorten the delivery time for downstream
Complementary resources and capabilities	**Upstream:** Proactively possess and manage complementary resources and capabilities toward the upstream
	Downstream: Engage and increase the degree of compatibility with the downstream Adopt co-branding strategy with well-known customers Be a candidate or a selective partner for the key downstream customers
Network position	**Upstream:** Identify potential upstream suppliers

Area of concern	**Strategy**
	Ally or integrate with upstream organisations Build substantial and trusting relationships with upstream suppliers
	Downstream: Connect the upstream network with the downstream network Strengthen relationships and foster an amicable atmosphere Aim for collaboration and alliance with downstream customers

Appendix O Second-order alliance risks and their management

O.1 Second-order risks

The following list notes the more pressing second-order risks that organisations may have to deal with (a detailed explanation of each can be found in Anderson, Christ, Dekker and Sedatole (2014)), and which should be planned for as well as mitigated as soon as they occur:

- **Channel effectiveness:** the risk that failures in the downstream strategic partner's distribution channel will negatively affect the company
- **Compliance and regulatory:** the risk that the strategic partner's failure (intentional or unintentional) to comply with customer requirements, firm policies, or government laws and regulations, may expose the firm or its employees to sanctions
- **Contribution valuation:** the risk that the firm's non-monetary contribution to the partnership will be undervalued by the partner
- **Coordination:** the risk that alliance partners fundamentally misunderstand one another's needs due to complexity or uncertainty associated with the task or due to the difficulty of coordinating complex actions
- **Financial commitment:** the risk that entering into a strategic partnership may expose the firm to credit risk
- **Financial viability:** the risk that the strategic partner will experience financial distress that limits its ability to meet the firm's consumption needs
- **Innovation:** the risk that an alliance partner will not maintain adequate levels of innovation (in products, services or organizational capabilities) to support the firm's needs
- **Input supply:** the risk that the strategic partner is unable or unwilling to supply key commodities, raw materials or component parts in a timely manner to meet the firm's regular demand patterns
- **Intellectual property:** the risk that an alliance partner will make inappropriate use of proprietary information in a manner that negatively affects the firm
- **Misalignment of incentives:** the risk that an alliance partner has incentives to take actions that negatively affect the firm
- **Output demand:** the risk that actions by downstream partners will negatively affect the regular demand for the product
- **Outside scope:** the risk that the alliance will create products or services that are outside the scope of the original agreement

- **Partnering lock-in:** the risk that the choice of a specific strategic partner locks the firm into a relationship with negative long-term consequences for the firm
- **Price renegotiation:** the risk that an alliance partner will take advantage of its position at a later date and seek unexpected price increases after entering into a contract
- **Product/service failure:** the risk that a faulty or non-performing product or service of an alliance partner exposes the firm to sanctions from its customers
- **Quality performance:** the risk that an alliance partner is unable or unwilling to supply key materials or services according to quality and reliability standards
- **Surge capacity:** the risk that the strategic partner is unable, or unwilling to supply key commodities, raw materials or component parts in a timely manner to meet unusually high, unexpected demand
- **Surge demand:** the risk that the downstream strategic partner will generate unusually high, unexpected demand for the product or service that the company will be unable to supply in a timely manner
- **Verification and evaluation:** the risk that the firm will be unable to verify, monitor or evaluate its strategic partner's performance in an accurate or timely manner

O.2 Second-order risk management controls

The following list notes the oft-employed second-order risk management control forms that organisations may use to deal with risks (a detailed explanation of each can be found in Anderson and Dekker (2005), DeLoach (2000), and COSO (1992, 2004)):

- Accountability for partner selection
- Accountability of alliance personnel for alliance performance (e.g., incentive compensation)
- Announced audit
- Assignment of property rights
- Authorization levels within alliance for investment decisions
- Code of ethics
- Composition of alliance management team
- Contractual cost sharing
- Contractual payment terms
- Contractual performance measures
- Controls over proprietary information
- Exit clause in contract
- Formal review process for partner selection

- Formation of JV or other formal profit sharing arrangement
- Informal reviews of partner's operations
- Interactive feedback between partners
- Interactive feedback within company
- Methods for managing contract failure
- Ongoing review of financial performance measures
- Ongoing review of nonfinancial performance measures
- Other contract terms
- Periodic review of partner's financial performance
- Safeguarding alliance assets
- Safeguarding company assets
- Segregation of duties within the alliance
- Standard contract terms
- Status report
- Strategic identification of partners
- Trust
- Unannounced audit
- Written policies and procedures on alliance operations

Appendix P Questions pertaining to the high growth portfolio evaluation technique

The following questions constitute the high growth portfolio evaluation technique, each divided into the nine building blocks with an additional block pertaining to the general approach necessary for each high growth factor.

P.1 Contextual evaluation technique questions

The questions pertaining to the preliminary chapters are addressed in Table P-1.

Table P-1 Contextual evaluation technique questions

Sections	**Questions**	**General approach**	**Customer segments**	**Value propositions**	**Channels**	**Customer relationships**	**Revenue streams**	**Key resources**	**Key activities**	**Key partnerships**	**Cost structure**
1.2.2	Is there an understanding that although the following BOP 1.0 approaches are necessary, they are insufficient along the following dimensions: • Rationale: utilising the power of enterprise to serve the poor, create livelihoods, and alleviate poverty? • Approach: business model innovation, emphasising the adaptation of existing products, the reduction of price points, and an extension of distribution to customers that were previously un- or under-served? • Distribution: utilising existing channels? • Relationships with BOP: arm's length transactions? • Partnerships: utilising NGO partnerships to compensate for lack of market experience, however not stopping at arm's length relationships? • Market approach: tapping into existing markets?	x	x	x	x	x	x		x	x	
	It there an understanding that although the following BOP 2.0 approaches are necessary, they are insufficient along the following dimensions: • Rationale: utilising the power of enterprise and working with the poor to serve the poor, create livelihoods, and alleviate poverty? • Approach: promoting enterprise that is inclusive, culturally embedded, sustainable, as well as profitable, leapfrogging to sustainable technologies, and also creating unique metrics and timelines suited to the distinctive features of the under-served market? • Distribution: actively taking on the challenge of gaining effective distribution in	x	x	x	x	x	x	x	x	x	x

Sections	Questions	General approach	Customer segments	Value propositions	Channels	Customer relationships	Revenue streams	Key resources	Key activities	Key partnerships	Cost structure
	typically decrepit or non-existent transport routes, as well as the high costs associated with dedicated downstream channels set up for sole products or narrow value propositions? • Relationships with BOP: co-creation of value propositions with under-served communities through partnering with the poor (instead of merely marketing low-cost products from the top down), creating protected organisational white space to allow BOP initiatives the time and space for creative co-creation and embedding, in essence innovating from the bottom-up? • Partnerships: NGOs facilitate relationships with the poor, promoting direct and personal relationships with the poor? • Market approach: creating new markets, with success or failure argued as being driven by the organisation's strategy, price point, business model, and/or value proposition?										
	It there an understanding of the following core tenets of BOP 3.0 thinking, along the following dimensions: • Rationale: pursuing and integrating a sustainable development (and triple bottom line accounting) perspective into the BOP space to arrive at socially, environmentally and economically sustainable business? • Approach: moving the focus towards inclusive business and thus enhance transformation of the whole socio-economic system of the BOP, considering BOP endeavours in the broader context of the organisation's core purpose, mind-set, and level of ambition, moving towards open innovation to gain the ability to draw on the wisdom of the crowd to generate previously unheard-of solutions? • Distribution: looking towards more collaborative and creative approaches to distribution, including wider bandwidth value propositions and sharing channels with other complementary partners and players? • Relationships with the BOP: the BOP are included in projects as entrepreneurs, producers, and consumers, and through partnerships are able to co-create inclusive innovations? • Partnerships: collaboration among various role players in the development of scalable solutions as opposed to specific pilot projects, forming sophisticated and complex partnership networks with NGOs,	x	x	x	x	x	x	x	x	x	x

Sections	Questions	General approach	Customer segments	Value propositions	Channels	Customer relationships	Revenue streams	Key resources	Key activities	Key partnerships	Cost structure
	governments, and academic partners, across a broad array of sectors? • Market approach: embedding the organisation in a larger innovation ecosystem, which should include: non-traditional demand-side innovators and informal sector workers, lead users, potential technology providers, innovation intermediaries who operate between original suppliers and final consumers, innovators who help with product diffusion, on-the-ground partners, capacity builders, funders, and supply chain players?										
1.2.4.1	Are both objective poverty measures (an expert derived definition, which allows an objective identifier of poverty that can be used to monitor progress over time) and subjective poverty measures (focusing on the poor's preferences, looking to how much the poor value some or other good or service, in essence increasing individual utility to alleviate poverty) utilised in defining poverty?		x			x			x		
	Have the following dominant approaches to measuring subjective poverty been utilised: • Perceived wealth: BOP must indicate whether or not they deem themselves as poor? • Minimum income requirement: BOP must define the minimum income they would require to make ends meet, often referred to as the Leyden approach. This is advantageous over the pre-defined money-metric objective approach in that respondents can define a threshold which is relevant in their particular context? • Economic ladder method: BOP must consider a number of steps which correspond to their (or their household's) economic status in particular reference areas (e.g. community, city, province)? • Multi-dimensional indicators: by combining a number of the domains just outlined, this approach asks the BOP persons whether or not specific consumption needs are being met adequately?		x			x			x		
	Is the importance of providing for physiological needs (income, clothing, food, and shelter, i.e. basic needs) and sociological needs (dealing with the underlying structural inequities and inherent disadvantages in society to enable the poor to take full advantage of the resources they have and buy) been understood in order to alleviate poverty effectively?		x	x							
3.2 & 3.4.3	Does the enterprise follow a low price, low margin, high volume approach, when operating at the BOP to simultaneously alleviate poverty and turn over a profit whilst achieving scale?	x		x			x	x	x		x

Sections	Questions	General approach	Customer segments	Value propositions	Channels	Customer relationships	Revenue streams	Key resources	Key activities	Key partnerships	Cost structure
3.2	Is it understood that BOP markets require simpler and more affordable products, whereby simpler denotes an elimination of excess and has nothing to do with lower quality?						x				x
3.3.2	In market segmenting, have the following consumer characteristics which might be used to segment a market been addressed: demographic, geographic, psychographic, benefit, and buying behaviour (or usage) segmentation?		x								
	Has the Living Standard Measure (LSM) (South African multivariate segmentation tool) been used in segmenting the BOP to provide an understanding of the BOP according to their living standard using wealth and access indicators?		x								
3.3.3	In developing applicable solutions to poverty, is it accepted that it is imperative that value offerings take cognisance of the impact that determinants of poverty (economic, social, political, environmental) have on the characteristics of the offering, so as to not inadvertently exacerbate poverty or be ineffective?			x							
3.3.4	In keeping with international best practices for maximal poverty alleviation, is it accepted that it is imperative to utilise the creation of economic opportunities for the poor, good governance, and targeted programmes to reduce poverty on a national scale?			x		x			x		
3.4	In developing an appropriate value proposition for the BOP, is the proposition consistent with the consumption patterns of the BOP?			x							
3.4.2	Has the discretionary spending power of the BOP been taken into account when trying to price offerings, as the regularity and timing of cash flows are critical to ensure both monthly and daily income earners have the ability to pay up front or on credit if possible?			x			x				x
3.4.3	To achieve high market penetration in the BOP, has the enterprise prioritised on urban BOP populations over rural ones initially, as the high density of urban BOP communities makes it much more accessible and therefore is a penetrable market allowing for scale?	x	x								
	Is it understood that the key to sustainable BOP dealings lies in enterprises improving their margins by reducing variable costs and raising price points for single transactions, by: • Localising base products sold as a bundle: by packaging several product functions in bundles the price point per transaction can be increased? • Creating an enabling service: concurrent services can increase product value to customers, increasing sales likelihood? • Marketing through customer peer groups: greater associations among customer groups can help aggregate sales?			x			x				x
3.5	Are the following critical dimensions of the BOP been understood to quell misconceptions:		x			x					

Sections	**Questions**	**General approach**	**Customer segments**	**Value propositions**	**Channels**	**Customer relationships**	**Revenue streams**	**Key resources**	**Key activities**	**Key partnerships**	**Cost structure**
	• There is money at the BOP? • BOP markets can be accessed? • Brand-consciousness exists at the BOP? • The BOP market is connected? • BOP consumers readily accept advanced technology?										
3.6	Have the impediments to enterprise action at the BOP been dealt with early in the business life cycle, by addressing the following factors: • Economic: higher macro-economic volatility, disproportionate and low income, high population density and bad or non-existent infrastructure (energy, telecommunications, and transportation)? • Financial: difficulty obtaining finances from financial institutions? • Geographic: proximity (isolated, dispersed and also distant locations)? • Political: likelihood of policy changes that are not conducive to success in the BOP? • Cultural: barriers (lifestyle and language), religious differences, lack of education and skills?	x									
4.5.1	Is the orientation of the enterprise shifting from survivalist to proprietorial, and most ideally to entrepreneurial so as to increase the likelihood of attaining growth: • Survivalist: low income, trading only, relatively negligible cumulative growth? • Proprietorial: maintenance orientation, niche entrepreneurship, transient nature, surplus generated mostly used for personal consumption purposes? • Entrepreneurial: systemic entrepreneurship, economic entrepreneurship, long term goals, capital accumulation and reinvestment, personal austerity to build business?	x									
4.5.2	Is it understood that entrepreneurship requires that the entrepreneur always searches for change, responds to it, and exploits it as an opportunity, effectively shifting economic resources out of areas of lower and into areas of higher productivity and greater yield?	x									
4.6.2 *4.6.2.1* *4.6.2.2* *4.6.2.3* *4.6.2.4*	Has the social enterprise distinguished itself from traditional ones by clearly defining its: • Mission: establishing the primacy of social benefit over private gain? • Opportunity: gaining motivation from the opportunity identified, the relentless pursuit of that vision, and attaining a sense of fulfilment in realising these ideas in conjunction with financial gain? • Value proposition: generates value via benefits to society in part or as a whole	x		x			x	x			x

Sections	Questions	General approach	Customer segments	Value propositions	Channels	Customer relationships	Revenue streams	Key resources	Key activities	Key partnerships	Cost structure
	which are large-scale and transformational, not assuming the market will comfortably afford the offering but rather accounting for the generally underserved, highly disadvantaged, and neglected nature of the population in question rather than organising itself to serve markets that can comfortably afford the value offering? • Measuring wealth creation: the value created is directly proportional to the degree of improvement in areas of social concern, rather than wealth creation? • Resource deployment approach: difficulty of accessing funds and possible utilisation of alternatives to pecuniary compensation of BOP stakeholders involved in the enterprise, compared to commercial enterprises who can access capital markets relatively easily?										
4.6.3	Is it understood that social entrepreneurship must entail a direct means of creating social value, and furthermore aim to create and sustain a new equilibrium?	x		x							
4.6.3 *4.6.3.1* *4.6.3.2* *4.6.3.3* *4.6.3.4*	Is it understood that a for-profit approach is more ideal than a not-for-profit one, as the former enamours: • Efficiency and innovation: due to their drive to maximise every penny invested whilst minimising expenses in their efforts to create and deliver value to their customers? • Leveraging of scarce public and philanthropic resources: for-profit approaches allow philanthropic and government funding to be directed towards leveraging scarce social resources in terms of niches, programs, and market segments that need subsidies? • Rapid response to demand: for-profits are much more responsive to dynamic and rapid fluctuations in market demand than not-for-profits? • Improved access to skilled personnel: being able to give financial incentives is a great way of attracting more highly skilled people to the social venture?	x									
5.2.1	Do enterprise owners and managers understand that growth is predominantly determined by internally controlled business practices, and not external factors?	x									
5.4.2.1	Has the enterprise reached the minimum efficient scale (the lowest point where the enterprise can make enough produce or provide enough service such that its long-term average costs are sufficiently minimised)?		x	x	x	x	x	x	x	x	x
5.4.3.3	Has simultaneity (sustaining a simultaneous focus on current events and the desired future outcomes, bending strategies to deal with current situations while keeping the goals and timeframes relatively fixed) and selectivity (instead of accepting timeframes imposed	x	x		x	x			x	x	

Sections	Questions	General approach	Customer segments	Value propositions	Channels	Customer relationships	Revenue streams	Key resources	Key activities	Key partnerships	Cost structure
	by key customers, employees, or suppliers, actively seek the aforesaid persons such that they too share a congruent pace and movability to that of the enterprise) been prioritised										
5.5.2.1	At the BOP, is it understood that solutions must: • Be creative and low cost in addressing societal problems? • Utilise generation of profit is necessary as it makes undertakings sustainable, provides capital to invest in growth and infrastructure, and attracts investors? • Be built on partnerships with local communities?			x							
5.5.3	Is there an understanding that pursuing profit is not inconsistent with delivering social value for the maximising of growth?	x					x				x

P.2 Business model evaluation technique questions

The questions pertaining to the business model are addressed in Table P-2.

Table P-2 Business model evaluation technique questions

Sections	**Questions**	**General approach**	**Customer segments**	**Value propositions**	**Channels**	**Customer relationships**	**Revenue streams**	**Key resources**	**Key activities**	**Key partnerships**	**Cost structure**
6.2	Is the business model employed by the enterprise uniquely developed for the BOP context, giving a clear plan of action?	x									
6.2.1	Does the business model encompass/perform all the functions of the business model, including articulating the value proposition, identifying a market segment, defining the value chain structure, estimating the costs structure and profit potential of the offering, orientating the organisation in the value network, and formulating a strategy for strategic enterprise action?	x									
6.2.2	Are the goals of the business model pertaining to the customer, the value proposition, the way money is made, and how value is brought to the customer clearly shown?	x									
6.3	Does the business model fully describe the core logic for the creation and capturing of value?	x									
	Has business model innovation been utilised to differentiate the organisation from its competitors via a structured analysis, to arrive at an innovative value offering that is embodied in an economically viable enterprise?	x		x							
	Does the business model facilitate the analysis, testing, and validation of the cause-and-effect relationships that flow from [previously made] strategic choices?	x									
6.4	Does the business model provide complete understanding of the key areas (infrastructure, offer, customer, and financial viability) and building blocks (key partners, key activities, key resources, value proposition, customer relationships, channels, customer segments, cost structure, and revenue streams) of the business model canvas?	x									
6.4.1	Has the organisation actively decided which segments to serve and which to disregard, ensuring that those to be served are sizeable?		x								
	Have the following questions regarding the customers (the different groups of people or organisations an enterprise aims to reach and serve) been addressed when defining criteria for customers being from different segments: • Are they willing to pay for different aspects of the offer? • Have they got needs which require and justify a distinct offer? • Have they got substantially different profitabilities? • Do they need to be reached through different distribution channels?		x								

Sections	**Questions**	**General approach**	**Customer segments**	**Value propositions**	**Channels**	**Customer relationships**	**Revenue streams**	**Key resources**	**Key activities**	**Key partnerships**	**Cost structure**
	• Do they require different types of relationships?										
6.4.2	When developing value propositions (the combination, aggregation, or bundle of products and services that specific customer segments gain value from), have the following questions been answered: • What value does the company deliver to the customer? • Which customer problems are the company helping to solve? • Which customer needs are being satisfied? • What bundle of products and services are being offered to each customer segment?			x							
	Have the following routes to increasing the value of an offering been considered fully: accessibility, brand/status, convenience/usability, cost reduction, customisation, design, ability to get the job done, newness, performance, price, and risk reduction?			x							
6.4.3	Have the following questions regarding determination of the channels (means of allowing for purchase, delivering the offering, evaluating propositions, providing support, and raising awareness) been addressed: • Via which channels do the customer segments want to be reached? • How are the existing customer segments being reached? • How are the company's channels integrated? • Which channels work best? • Which channels are most cost-efficient? • How are the company's channels being integrated with customer routines?				x						
	Have the following functions of channels been addressed in order to reach and communicate with customer segments in delivering a value proposition: the ability to purchase specific products and services, a means of evaluating the proposition, provision of post-purchase support, and a raised awareness of products and services?				x						
	Has a balance between different channel types been pursued so that they can be integrated in a manner that creates a great customer experience and thus maximises revenues?				x						
6.4.4	When defining customer relationships (aligned with the motives for it, e.g. customer acquisition, customer retention, or boosting sales), have the following questions been answered: • What type of relationship does each customer segment expect the company to establish and maintain with them? • Which relationships are already established? • How costly are the relationships? • How are the relationships integrated with the rest of the business model?					x					
	Have all of the following relationship forms been considered in forming customer relationships: automated					x					

Sections	**Questions**	**General approach**	**Customer segments**	**Value propositions**	**Channels**	**Customer relationships**	**Revenue streams**	**Key resources**	**Key activities**	**Key partnerships**	**Cost structure**
	services, communities, co-creation, dedicated personal assistance, personal assistance, and self-service?										
6.4.5	Have the following questions been answered in order to determine which revenue streams (income generated from customers, i.e. revenues less costs equal earnings) are most ideal for the context-specific market settings: • For what value are customers willing to pay? • For what value do customers currently pay? • How do customers currently pay? • How do or would customers prefer to pay? • How much does each revenue stream contribute to the company's overall revenues?						x				
	Is the possible impact of each of the following revenue streams clearly understood: advertising, asset sale, brokerage fees, lending/renting/leasing, licensing, subscription fees, or usage fees?						x				
6.4.6	Have the following questions been answered in understanding the key resources (the most important assets that are required to make a business model work) needed by the enterprise: • What key resources do the company's value propositions necessitate? • What key resources do the company's distribution channels require? • What key resources do the company's customer relationships need? • What key resources do the company's revenue streams demand?							x			
	Have the different types of key resources been determined, including: financial, human, intellectual and physical resources?							x			
6.4.7	Have the following questions been answered in terms of required key activities: • What key activities do the enterprise's value propositions necessitate? • What key activities do the enterprise's distribution channels require? • What key activities do the enterprise's customer relationships need? • What key activities do the enterprise's revenue streams demand?								x		
	Have each of the following categories of activities been considered: platform/network, problem solving, and production?								x		
6.4.8	Have key partnerships been considered, including: • Buyer-supplier relationships to assure reliable supplies are available when needed? • Coopetition which is the formation of strategic partnerships between competitors? • Joint ventures to aid in developing new businesses? • Strategic alliances that exist between non-competitors?									x	

Sections	**Questions**	**General approach**	**Customer segments**	**Value propositions**	**Channels**	**Customer relationships**	**Revenue streams**	**Key resources**	**Key activities**	**Key partnerships**	**Cost structure**
	Have the following considerations been taken into account in order to make sure the key partnerships necessary for a functional business model are in place: • Who are the company's key partners? • Who are the company's key suppliers? • Which key resources are being acquired from partners? • Which key activities are performed by the company's partners?									x	
	Has an understanding of the rationale for the partnership been attained to more effectively manage the partnership: acquisition of particular resources and activities, optimisation and economies of scale, or reduction of risk and uncertainty?									x	
6.4.9	Have the following questions been answered in developing the cost structure of the business model: • What are the most important costs inherent in the company's business model? • Which key resources are most expensive to the company? • Which key activities are most expensive to the company?										x
	Is the enterprise trying to minimise costs through an understanding of the economies of scale, economies of scope, fixed costs, and variable costs?										x
6.5 & 6.6	Has sustainability been addressed in the financial viability area of the business model canvas?										x
6.6.1	Is the multi-dimensional nature of the BOP market clearly understood, and that it has to be segmented even more finely than in traditional upper tier markets?		x								
	Has the enterprise firstly identified and grouped customers according to behavioural and need characteristics above and beyond typical demographics?		x								
	Have cross-country segments been uncovered, identifying and targeting those segments which are both scalable and transportable across different countries, cultures, and languages?		x								
	Have primary favourable BOP product and service characteristics been included in the value proposition, such as high quality, simplicity, robustness, and low cost?			x							
6.6.2	Is it understood that traditional market value propositions cannot simply be reconsidered and repackaged for the BOP market, and that unique value propositions catering to the needs of the BOP must be developed, requiring an in-depth analysis of the market to understand the customers' perception of need?			x							
	Have the BOP been seen, in addition to as customers, as employees, distributors, and suppliers which can be achieved through building local embeddedness and capacity?				x	x				x	
	Has local capacity building in the community been adopted to increase the BOP's ability to invest further down the line in a greater range of products and services?								x		

Sections	**Questions**	**General approach**	**Customer segments**	**Value propositions**	**Channels**	**Customer relationships**	**Revenue streams**	**Key resources**	**Key activities**	**Key partnerships**	**Cost structure**
	Has increasing local embeddedness been pursued to help forge relationships which can be extremely advantageous when developing products and services which will create real value for the BOP market segments?	x				x					
	Have value-adding partnerships with longstanding BOP organisations such as NGOs been utilised to provide the enterprise with access to market expertise and knowledge, develop the enterprise's legitimacy, reduce risk and costs and maximise sustainable value creation, and provide the enterprise with access to infrastructure, and distribution channel entrants?									x	
6.6.3	Are the various means of accessing the BOP market, through both formal and informal communication, distribution, and sales channels well understood, and have the infrastructural difficulties been fully considered so as to better reach the BOP who largely reside in regions with little to no infrastructure in dispersed clusters?				x						
	Prior to committing to developing a value proposition, has the enterprise targeting the BOP ensured that there are channels in place for reaching and servicing the customers, by either creating new channels or innovatively dealing with the given adverse market conditions to mitigate the shortcomings of oftentimes having no set channels?				x						
	Have advertising techniques both above the line (mass media, e.g. TV, print, radio) and below the line (e.g. mobile advertisements, roadshows, touch and feel advertisements) been considered?				x						
	Has an atomised distribution approach at the BOP wherein channels are arranged in a manner that brings products and customers as close together as possible through making use of multiple small or existing distributors been achieved via the following four modes that utilise available networks and infrastructure: • Removing middlemen so as to be more cost effective? • Applying a micro franchise sales and distribution model? • Employing independent contractors to sell products from their own homes or pushcarts? • Utilising numerous reachable existing outlets other than retailers, e.g. post offices?				x						
	Have the advantages of franchising as a channel promoting mechanism been understood (i.e. that the franchisee is empowered, and thus more buyers may themselves seek to become part of the distribution channel)?				x						
6.6.4	Has the unique customer profile of the BOP consumer been understood in terms of irregular income patterns, language and literacy diversities, frugal attitudes of consumers, low population density across the country, lack of efficient government involvement or legislative support, scarcity of BOP information on market characteristics, and limited mobility?					x					

Sections	**Questions**	**General approach**	**Customer segments**	**Value propositions**	**Channels**	**Customer relationships**	**Revenue streams**	**Key resources**	**Key activities**	**Key partnerships**	**Cost structure**
	Has a relationship based on trust and transparency been developed with the target market, whereby there is clear engagement with the communities in a hands-on, face-to-face manner?					x					
6.6.5	Is the low cash flow nature of the BOP market understood, and been catered for through minimising costs and maximising value, aligning enterprise profits with poverty alleviation and simultaneously empowering those at the BOP so as to gain lasting success in the marketplace?						x				
	Is it clearly understood that the evaluation of investments in the BOP should not only be measured by short-term figures (e.g. revenue or profit) but rather through long-term objectives (e.g. the development of transaction capacity) following a combined approach seeking social welfare in conjunction with traditional revenue generating approaches?	x					x				
6.6.6	Are the utilised resources both renewable and minimal so as to achieve sustainable development at the BOP, having been chosen based on a clear understanding of their availability, sustainability, and appropriateness?							x			
	Have technologies that curb the expenses of high level distribution infrastructure by using renewable resources (e.g. solar photovoltaics, wind turbines, micro-turbines, and fuel cells) been identified as key resources necessary for operating at the BOP?							x			
6.6.7	Are the operational and managerial processes both repeatable and scalable, so as to allow for higher growth to be achieved?								x		
6.6.8	Has partnering with the BOP and across sectors in order to achieve higher levels of success in reaching the BOP market been considered or implemented yet, shifting from a mind-set of BOP 1.0 to one of BOP 2.0 and finally BOP 3.0, so as to bolster the enterprise's core competencies?									x	
	Has the traditional BOP business model been innovatively redesigned so as to incorporate an interactive component with the customer as partner notion of BOP 2.0?									x	
	Is it understood that paying buyers to sell backwards may be the best route to growth (and enable them to reach even lower income segments), which lowers costs by combining enterprise resources with assets and capabilities of mutually committed local actors in the ecosystem?									x	
	Has the importance of no single BOP partner taking the role of authority or control been understood, so as to minimise potential unrest or rivalry amongst BOP partners?									x	
	Is it understood that moving from an interactive to an inclusive business model requires long-term working relationships, with some level of training, education, empowerment, and skill transfer for the partnerships to flourish?					x				x	
	Has the creation of an R&D white space to support experimentation outside the scope of the current business			x							

Sections	**Questions**	**General approach**	**Customer segments**	**Value propositions**	**Channels**	**Customer relationships**	**Revenue streams**	**Key resources**	**Key activities**	**Key partnerships**	**Cost structure**
	model and its development processes been used to develop new offerings?										
	Have partner organisations in the BOP been chosen such that they: • Are open to learning new capabilities and display an ability to use enterprise as a way to advance its mission? • Have staff that are experienced in using participatory development practices? • Are socially embedded in the community?									x	
6.6.9	Have low costs and prices been pursued above and beyond profits per transaction, looking to sales of volume to realise profits and capital efficiency to realise profits with low margins?										x
	Has the enterprise ensured that products and services for the BOP are affordable to people with a low disposable income, matching the cash flows of customers who generally receive intermittent daily incomes?						x				x
	Has the need for a low-cost approach wherein instead of maximising the profits for the enterprise, the value for the customer is maximised, with only as much profit being taken from sales as is necessary to grow the enterprise been understood?						x				x
	Have innovative pricing models taken the place of customary price-performance relationships, and have these innovations been designed for ease of adoption in similar BOP market segments?						x				x
	Is there cognisance that in pursuing high production volumes, scalability is central to attaining success in pro-poor innovations (scalability is the ability of a system, network, or process to handle growing amounts of work in a capable manner or its ability to be enlarged to accommodate that growth)?	x					x				
6.6.10	Has sustainable development been pursued, through minimising both social and environmental costs in conjunction with economic costs, so as to create lasting value for the poor?										x

P.3 Sustainable development evaluation technique questions

The questions pertaining to sustainable development are addressed in Table P-3.

Table P-3 Sustainable development evaluation technique questions

Sections	Questions	General approach	Customer segments	Value propositions	Channels	Customer relationships	Revenue streams	Key resources	Key activities	Key partnerships	Cost structure
7.2	Is the concept of sustainable development clearly understood, and its importance accepted for an economically profitable, environmentally friendly, and socially equitable South Africa that meets the basic needs of all and extends to all the opportunity to fulfil their aspirations for a better life in such a way that actions today do not limit the range of economic, social, and environmental options open to future generations?	x									
	Has addressing the key South African socio-economic and environmental needs been prioritised, including: income inequality, youth unemployment, inadequate healthcare access, the poor social safety net, access to sanitation, minimal wastewater treatment measures, rapidly depleting fish stocks, high carbon dioxide emission levels?			x							
	Are measures of sustainability being used for assessing organisation performance in business practices (i.e. meeting the triple bottom line) to ensure lasting improvement?							x	x		x
	Is the notion of planetary ethics embedded in the organisation, ensuring that the organisation is unimpeded by national (political) or cultural (moral) beliefs?	x									
	Has a continuous improvement strategy been adopted, promoting: • An enhancement of the value (fair treatment) of life for all stakeholders: employees, customers, shareholders, society? • A zero tolerance of environmental degradation regarding: product design, processes, practices, and premises? • Growth in an economic sense: turning over profits?	x									
7.3	Is the need for social equity (rather than equality) in society for sustainable and lasting poverty alleviation strategies understood, so as to provide people with what they need to enjoy full, healthy lives?	x									
	Does the development act so as to ensure that each person has an equal right to the most extensive scheme of equal basic liberties compatible with a similar scheme of liberties for others?	x		x					x		
	Has social empowerment been ensured so that BOP citizens know that their participation has the potential to make changes and impact society in such a way that there are indeed visible outcomes (e.g. a livelihood, education and resources, full participatory rights in the political and cultural life of a community)?		x		x	x			x		

Sections	**Questions**	**General approach**	**Customer segments**	**Value propositions**	**Channels**	**Customer relationships**	**Revenue streams**	**Key resources**	**Key activities**	**Key partnerships**	**Cost structure**
	Does the investment in the BOP result in an increase in common socio-cultural factors/indicators associated with social equity, such as: extent of dualism, extent of urbanisation, importance of the indigenous middle class, extent of social mobility, extent of literacy, extent of mass communication, degree of cultural and ethnic homogeneity, degree of social tension, degree of modernisation of outlook, predominant type of religion, and level of socioeconomic development?			x		x					
7.4	Is it clearly understood that environmentally friendly development is vital in Africa, for the sake of the poorest?	x						x			
	Has environmentally friendly development been pursued for reducing the disease burden of the poor?	x		x					x		
	Have environmental health (physical, chemical, and biological) factors that can potentially affect health to prevent disease and create health-supportive environments been assessed and controlled?	x		x				x			
	Can the organisation provide proof (clearly demonstrate) that there will not be any damaging environmental consequences brought about by the change?	x							x		
	Does the development adhere to the twelve principles of green engineering for the environmentally sustainable design of products and services?			x				x			
7.5	Is sustainable economic development a key attribute of the enterprise's operations, making optimal use of resources?						x	x			x
	Does the development aim at increasing resource productivity, and the value extracted from each unit of resource, i.e. emphasise technologies that increase resource productivity (the amount of value extracted per unit of resource) rather than those for increasing resource throughput itself?			x				x			
	Is the qualitative aspect of and thus the need for development (to expand or realise the potentialities of something and bring it gradually to a better state of being) over growth (the natural increase in size by addition of material through accretion or assimilation) understood and accepted as being key to economic improvement?	x					x				x
	Is economic development sought to stay ahead of competitors, and growth sought to increase the value of investments (i.e. turn over profits) to maintain stakeholder satisfaction?	x					x	x	x		x

P.4 Business strategy evaluation technique questions

The questions pertaining to BOS are addressed in Table P-4.

Table P-4 Business strategy evaluation technique questions

Sections	Questions	General approach	Customer segments	Value propositions	Channels	Customer relationships	Revenue streams	Key resources	Key activities	Key partnerships	Cost structure
8.2	Has the idealness of eliminating competition by pursuing BOS over a competitive strategy based on Porter's five forces been understood?	x									
	Has the focus been placed on creating new market space as opposed to competing for customers (even in the BOP), instead of dominating existing ones?	x	x								
	Has value innovation which increases buyer value and minimises costs been utilised to create superior value for the enterprise and the buyer?	x		x			x				x
	Has the enterprise looked at the market environment, steering clear of operating in red oceans (competitive markets) and rather pursuing blue ones (uncontested market space), by differentiating itself from competitors?	x									
	Is it understood that if a market is saturated, it is unlikely that a blue ocean will be found, making it necessary to look elsewhere for marketable opportunities?	x									
	Is it understood that as a market becomes saturated, a competitive approach becomes more apt, and to expand the organisation new markets must be sought?	x									
8.3	If there are too many competitors in a given market, the aim should be to eliminate competition through creating uncontested market space		x	x							
8.3 & 3.5	Have the following reasons for the BOP constituting an ideal blue ocean been understood: • It is largely underserved by SMMEs? • It is generally more willing to try new ways of doing things than other tiers of the economic pyramid? • It is largely uncontested as a market due to the false myths surrounding the market, i.e. that there is: no money, inaccessible markets, lack of brand consciousness, no connectivity, and an inability to accept advanced technology, etc.?	x									
8.3.1	Is it understood that if the enterprise is still having to choose between average value with lower costs or higher value with higher costs in developing a value offering for customers, it is likely still trapped in a red ocean and is not properly pursuing value innovation (maintaining profitable growth in an organisation by offering customers value at a low cost), and therefore needs to reassess its stance?			x			x				x
8.3.2	Has the necessity to sustain profit generation by the redesigning of strategy to target blue oceans by using the strategy canvas, breaking out of red oceans to make competition irrelevant by opening up and capturing						x				x

Sections	**Questions**	**General approach**	**Customer segments**	**Value propositions**	**Channels**	**Customer relationships**	**Revenue streams**	**Key resources**	**Key activities**	**Key partnerships**	**Cost structure**
	uncontested market space of blue oceans been understood?										
8.3.2.1	Has a visual representation of the strategy been utilised to yield the best results in charting an effective plan for the future?	x									
	Has the strategy been designed to be coherent, commercially viable, and easy to understand so as to be of value to everyone in the organisation, exhibiting focus (on a particular set of competitive factors), divergence (from the strategy of competitors), and a compelling tag line (a clear message that advertises an offering truthfully so customers don't lose trust and interest) for it to be effective?	x									
8.3.2.2	Has the importance of utilising the strategy canvas to develop a new value curve (depiction of strategic competitive factors that are invested in) of the enterprise's offering that is sufficiently different to that of the industry's and competitors' (existing and potential ones) offerings across the whole range of competitive factors been understood, addressing the degree to which they are invested in (currently and in future)?	x									
8.3.2.2 & *8.3.3*	When developing a new value curve, have the competitive (key success) factors (strategic focus, customers, assets and capabilities, product and service offerings) that can be eliminated, reduced, raised, or created to unprecedented levels within the industries been addressed?		x	x	x	x	x	x	x	x	x
8.3.3	Have old factors been eliminated and/or reduced to drop the enterprise's cost structure against competitors?	x									
	Have new factors been created and old factors been raised to lift buyer value and create new demand?	x									
8.4	Has strategy formulation been supported and integrated with execution for success?	x									
8.4.1 *8.4.1.1* *8.4.1.2* *8.4.1.3* *8.4.1.4* *8.4.1.5* *8.4.1.6*	Have market boundaries been reconstructed in the blue ocean offering to break away from competitors (to attenuate search risk), by: • Looking across alternative industries (that provide substitutes or alternatives)? • Looking across strategic groups within the same industry (private, civil, and public-sector actors)? • Looking across the chain of buyers (purchasers, users, influencers)? • Looking across complementary product and service offerings? • Looking across functional (utility) or emotional appeal (feelings) of buyers? • Looking across time (trends and evolution of customers' perceptions of value)?		x	x					x		
8.4.2	In developing a strategy, has there been a focus on the big picture (industry dynamics), looking to the future, and to not get lost in the numbers, which can be achieved by ensuring that the members of the enterprise:	x	x			x			x	x	

Sections	**Questions**	**General approach**	**Customer segments**	**Value propositions**	**Channels**	**Customer relationships**	**Revenue streams**	**Key resources**	**Key activities**	**Key partnerships**	**Cost structure**
	• Are visually awakened to the current strategy and know what needs to change? • Have gone into the field to explore the six paths to creating blue oceans, assessing pros and cons of existing offerings, deciding which factors to address how? • Have queried the general public (customers, competitors' customers, and noncustomers), and experts as to the potential of the to-be strategy? • Understand the difference between the old and new strategy well, choosing projects and operational moves that are practical, actualisable, and allow gaps to be closed?										
	Has there been a shift from seeing the BOP consumers as individuals acting in a social vacuum to one of them being people bound by ties to wider groups, rather using the household or the family as the unit of analysis?		x			x				x	
8.4.3	Has a focus been put on reaching beyond existing demand, as attaining new customers in a blue ocean trumps getting the majority of the existing ones in a red ocean, by: • Focusing on noncustomers before customers? • Commonalities before differences? • Desegmentation before finer segmentation?		x								
8.4.3.1	Is the equal importance of knowing who the noncustomers are (soon-to-be, refusing, and unexplored noncustomers) and knowing who your customers are, so as to increase the blue ocean market size, been understood?		x								
8.4.4 & 8.4.4.1	In developing a BOS idea, is the importance of getting the strategic sequence right been understood, looking at buyer utility first and foremost (to ensure a sizeable market exists), price second (to ensure saleability), cost third (to ensure profitability), and then the adoption (to ensure idea actualisation)?			x			x		x		x
8.4.4.2	Has the business idea been designed for exceptional buyer utility (use the buyer utility map), providing the BOP with an offering which exhibits cognisance of the six utility levers (customer productivity, simplicity, convenience, risk, fun and image, and environmental friendliness) and six stages of the buyer experience cycle (purchase, delivery, use, supplements, maintenance, and disposal)?			x	x		x		x		x
8.4.4.3	Is it understood that generally speaking, market penetration must be achieved at scale in a rapid fashion early on or an offering is unlikely to achieve much success in time at the BOP?	x									
	Has the importance of selling excludable goods (those protected by patents or limited access) to keep an ocean blue as long as possible understood?			x							
	Is it understood that to retain buyers, the value offering's reputation has got to be earned from the first day, as			x					x		

Appendix P

Sections	**Questions**	**General approach**	**Customer segments**	**Value propositions**	**Channels**	**Customer relationships**	**Revenue streams**	**Key resources**	**Key activities**	**Key partnerships**	**Cost structure**
	brand building is hugely impacted by word-of-mouth recommendations, which spread rapidly due to the highly networked society of this day and age?										
	For an offering to be at all viable, is it understood that the price must be easily accessible to the mass of buyers achieved through identifying the price corridor of the mass?						x				x
	Has the necessity of pursuing pricing against substitutes and alternatives across both industries and non-industries as opposed to just pricing against competitors been understood, and has the ideal pricing been determined from comparing it to existing offers with: • Different forms but same function? • Different forms and functions but that have the same over-arching objective?						x				x
	Has pricing been reduced as much as possible so that the value offering is affordable, but optimised to arrive at a profit that doesn't make it too easy for competitors to imitate the offering as follows: • Upper-level pricing for offerings with a high level of legal and resource protection (hard to imitate)? • Mid-level pricing for offerings with some degree of legal and resource protection? • Lower-level pricing for offerings with a low degree of legal and resource protection (easy to imitate)?						x				x
8.4.4.4	Is it understood that equally as important as pricing, is hitting the cost target to profit at the strategic price decided upon, and using the levers for hitting the target cost is imperative (levers include streamlining operations and introducing cost innovations from manufacturing to distribution, partnering, and changing the pricing model of the industry)?						x				x
8.4.4.5	Has understanding and overcoming the adoption hurdles for all stakeholders (employees, business partners, and the BOP personnel) been accepted as being key to successful BOS implementation, and sought via engaging in open discussion with stakeholders regarding the need for change, providing stakeholders with an explanation of the key merits, expectations of its ramifications, and a description of how they will be dealt with?								x		
8.4.5	Have the key organisational hurdles to strategy execution been overcome in key areas by focusing on and exploiting factors of disproportionate influence: • Political: dealing with opposition from powerful vested interests, by determining what factors exercise a disproportionately positive influence on breaking the status quo? • Motivational: dealing with unmotivated staff and partners by determining which factors motivate key players to aggressively move forward with change?	x						x	x		

Sections	Questions	General approach	Customer segments	Value propositions	Channels	Customer relationships	Revenue streams	Key resources	Key activities	Key partnerships	Cost structure
	• Resources: dealing with limited resources by determining which factors get the maximum bang for buck of resources? • Cognitive: dealing with mindsets and paradigms being stuck to the status quo by determining what factors knock down political roadblocks that often trip up even the best strategies?										
8.4.6 & 8.4.6.1	Has execution been built into the strategy by: • Adhering to fair process so as to gain complete buy-in of all employees through engagement with individuals in strategic decisions involving them, explaining why the final strategic decisions were made, and clearly outlining what is expected of employees, i.e. expectation clarity? • Cultivating a culture of trust and commitment? • Promoting voluntary cooperation?	x							x		

P.5 Innovation evaluation technique questions

The questions pertaining to innovation are addressed in Table P-5.

Table P-5 Innovation evaluation technique questions

Sections	Questions	General approach	Customer segments	Value propositions	Channels	Customer relationships	Revenue streams	Key resources	Key activities	Key partnerships	Cost structure
9.2	Are innovative efforts seen as imperative for bringing about superior ideas and ensuring that the value proposition remains the best it can be for the target market?	x		x							
	Is innovation seen as important in that it increases the ability of an organisation to mobilise knowledge and technological skills (and experience) to create novelty in both value offerings and the manner in which these offerings are brought to market?			x	x						
	Is the importance of innovation in terms of its providing enterprises with the capability to respond quickly and efficiently to legislative and regulative openings or restrictions faster than competitors understood?								x		
9.2.1	Are the advantages smaller enterprises (SMMEs) typically exhibit over their larger counterparts capitalised on, such as: • High quality of communication (everyone knows what is happening)? • Greater decision-making speed? • Informal culture? • Shared and clear vision? • Agility and flexibility? • Entrepreneurial spirit and risk-taking propensity? • Energy, enthusiasm, and passion for innovation? • Generally good at networking, both internally and externally?	x									
	Are the disadvantages smaller enterprises (SMMEs) typically exhibit over their larger counterparts accommodated for, such as: • Lack of formal control systems for management (costs, project times)? • Limited or lack of access to key resources (financial, intellectual, physical)? • Lack of experience and important skills? • General lack of long-term strategy and direction? • Lack of structure and succession planning? • Poor risk management capabilities? • Deficiency of supporting systems?	x									
9.2.2	Is it accepted that the way in which innovation is managed is tantamount to its effectiveness, requiring the enterprise to move from passive (unaware of need), to reactive (aware of need but not in which direction), to strategic (aware of need and direction needed), and ideally ending								x		

Sections	Questions	General approach	Customer segments	Value propositions	Channels	Customer relationships	Revenue streams	Key resources	Key activities	Key partnerships	Cost structure
	at being creative (proactively seek change in right direction) with respect to its response to gathering of knowledge and building and improving of effective innovation routines?										
9.3	Does the organisation view innovation as the process by which new and different ideas are brought to reality so as to maximise the value captured from them (ideally for all stakeholders)?			x							
9.4	Is it understood that innovations range from incremental to radical ones, requiring altogether different management approaches?			x							
9.4.1	Is it clear that there exist four distinct categories of innovation, including product (changes in the products or services which an enterprise offers), process (changes in how products or services are created and delivered), position (changes in the context in which products or services are introduced), and paradigm (changes in the underlying mental models that frame what the enterprise does) innovations, which together can be mapped onto an innovation space allowing for rival offerings to be evaluated against one another and enable the enterprise to evaluate its innovative ideas against those in industry?	x		x					x		
9.4.2 *9.4.2.1* *9.4.2.2* *9.4.2.3* *9.4.2.4* *9.4.2.5* *9.4.2.6*	Have the following managerial lenses through which innovative efforts can be viewed for successful implementation been utilised, including: • Determining if the degree of novelty in the innovation required is radical or incremental in nature (or where in between) as the resource commitment to and uncertainty of each is substantially different, and therefore the associated risks? • Deciding on whether or not to use platform innovation (e.g. branding, lean management) to allow for later derivatives to extend upon the basic features initially offered? • Assessing the market scenario to see if discontinuous innovation may require a fundamental shift in the organisation's direction or value offerings to remain in business (i.e. to avoid the sailing ship effect), due to triggers of discontinuity being realised: new market formation, new technology emergence, different political rule development, running out of opportunities, market behaviour or sentiment changes, regulatory changes, fault line fractures, unthinkable events, and business model innovations? • Determining the level of innovation required in the new innovative offering is necessary, from sole component to architectural level innovation? • Understanding the timing of the innovation with respect to the market conditions, it may be			x							

Sections	Questions	General approach	Customer segments	Value propositions	Channels	Customer relationships	Revenue streams	Key resources	Key activities	Key partnerships	Cost structure
	necessary to focus more or less on product (newer industries) or process (mature industries) innovation? • Understanding the impact of the contextual setting of the organisation on innovative efforts: enterprise size, sector, etc.?										
9.5	Have the innovation process steps been followed and understood so that it is logical and repeatable, as opposed to haphazard and once off: search (uncontested market space, population-specific needs, alignment to vision), select (possible market and technological opportunities, distinctive competencies, business fit), implement (acquire knowledge, execute project, launch and sustain the innovation), then capture (environmental, economic, and social value)?	x							x		
	Have the following search phase requirements been addressed: • The detection of signals in the environment indicating a potential for change, e.g. new technologies develop, market requirements change, regulations change, etc.? • Fostering the development of mechanisms for identifying, processing, and selecting key information regarding changes in the environment?								x		
	Have the following selection phase requirements been addressed: • Setting the course of the rest of the process, limiting the focus for development, and resolving which fundamental inputs are needed for the final offering? • Understanding of the market's needs? • Know the limits, or scope for action? • Answering what needs the organisation is best equipped to try answer with regards to their key competencies?			x							
	Have the following implementation phase requirements been addressed: • Bringing ideas to reality, through acquiring knowledge from within and without the enterprise? • Effective project management in order to execute the innovative project, whereby the idea is turned into a sustainable offering for the target market? • Managing resources effectively and responsibly?					x		x	x	x	
	Have the following capturing value phase requirements been addressed: • Understanding the process by which value is captured from the innovation?		x		x	x			x	x	

Sections	**Questions**	**General approach**	**Customer segments**	**Value propositions**	**Channels**	**Customer relationships**	**Revenue streams**	**Key resources**	**Key activities**	**Key partnerships**	**Cost structure**
	• Ensuring the innovation is adopted and diffused as quickly as possible in the intended market? • Understanding all the forms in which value comes, for both the enterprise (gaining economic value as well as knowledge of the target market) and the target market (utility of the innovation)?										
9.6.1	Have all the various sources of innovation been considered: • Knowledge push? • Need pull? • Users as innovators? • Extreme users? • Watching others? • Recombinant innovation? • Design-led innovation? • Regulation? • Futures and forecasting? • Accidents?					x			x	x	
9.6.2	Has the organisation balanced its exploration and exploitation search activities optimally by: • Exploiting incremental innovations by using knowledge leveraging activities to build on what exists? • Exploring the potential of new, higher risk cross-functional innovations which requires long jumps and reorientations for the enterprise to adopt altogether new knowledge outside its normal routines or domains? • Using a portfolio approach to combine the two approaches, with partial focus on peripheral and emergent areas around the currently existing market segments and technologies?			x					x		
9.6.3	Have the following search tools and mechanisms been adequately considered in searching for alternative innovation sources: • Partnering with other organisations? • Deep diving? • Exploring multiple futures? • Extending external connections? • Managing internal knowledge connections? • Sending out scouts? • Using the web? • Working with active users?			x	x	x			x	x	
9.6.4	Have the various zones and challenges which require the use of specific tools to overcome them in the innovation search space been addressed, including: • Exploit: new innovations should be pursued around the existing business model. Technological and market boundaries need to be incrementally extended, refined, and	x		x					x		

Sections	**Questions**	**General approach**	**Customer segments**	**Value propositions**	**Channels**	**Customer relationships**	**Revenue streams**	**Key resources**	**Key activities**	**Key partnerships**	**Cost structure**
	improved. Key players play a large role in the search process? • Bounded exploration: business model doesn't change; however, new and different innovative components will need to be searched for. Technological and market frontiers must be pushed by the searched for innovative idea, using advanced techniques. Key strategic knowledge sources are necessary? • Co-evolve: change of paradigm must occur, with new or different elements of the environment being looked to, mixing and matching different architectures. To reframe the enterprise, alternative options must be explored via the introduction of new elements. Experimentation, open ended research, and market and technological periphery breadth are important to focus on? • Reframing: completely new but incremental innovations, occurring within the enterprise with the capacity to change the architectural paradigm of the entire sector. It is important to co-evolve with stakeholders as the innovation emerges?										
9.7.1	Have the following mechanisms been used to provide enterprises sources of strategic advantage: • Offering complexity (difficult to imitate or master)? • Extended range of competitive factors (shifting the competitive basis)? • Legal protection of intellectual property (limit use by others)? • Platform design (allow later products to build upon primary offering)? • Process novelty (offering services in ways that others cannot)? • Product or service offering novelty (something new and unique)? • Reconfiguring the process (rethinking interrelationships of system parts to increase effectiveness)? • Rewriting the rules (offering a completely new product, service, or process)? • Timing (first-mover advantages)? • Transferring across different application contexts (recombining pre-established products and services for different markets)?			x					x		
	For strategic innovation, has the importance of defining a new who (target customers, e.g. the BOP), new what (value propositions), and new how (cost-efficient means of offering propositions to customers) been accepted and addressed, thus moving beyond industry norms or sustaining innovation to attain architectural or business		x	x	x		x				x

Appendix P

Sections	Questions	General approach	Customer segments	Value propositions	Channels	Customer relationships	Revenue streams	Key resources	Key activities	Key partnerships	Cost structure
	model innovation, disrupting competitors and generating value for the organisation (and shareholders) and customers?										
	In arriving at new value propositions (whats) for the BOP, have they been made more affordable and acceptable by: • Changing the price-performance ratio in a considerable way? • Modifying upper tier products and services to be culturally acceptable? • Reducing or completely eliminating unnecessary features from the product or service to reduce prices? • Changing the scale, size, or capacity of the product so it can be shared or conversely personalised?			x			x				x
	Have new means of getting these propositions to the BOP been utilised, ensuring availability and awareness by: • Developing new and appropriate distribution channels in order to create demand for a product or service? • Using local transportation methods, direct sales organisations, digitisation of products (e.g. tickets, banking) to reach the BOP? • Educating the BOP to promote demand creation for a new product? • Pursuing alternative media channels for advertising in the BOP where television, radio, and press (newspaper or magazine) access is limited or non-existent?				x						
9.7.2	Does the business strategy adhere to the logic of value innovation, and as such focus on creating new markets to expand existing markets rather than beating the competition?		x	x							
	Has empathic design been pursued, adhering to the requirement that innovators need to enter into the living world of end users to gain an understanding of user needs through empathy with the user world rather than from user articulation of needs?			x		x					
9.7.3	Have disruptive innovations been sought as they are often best suited to the BOP market, bringing them products and services which were once only available to high-end customers, shifting organisational focus towards the BOP?			x							
	Is it understood that disruptive innovation requires a technology (or service), a business model, and a disruptive value network in bringing about radical change?	x		x	x						
9.7.4	Has a bottom-up innovation policy been promoted by: • Redefining rules, investing in cross-cutting platforms, shared resources, and competition among many technologies to accomplish the same goal?					x				x	

Appendix P

Sections	**Questions**	**General approach**	**Customer segments**	**Value propositions**	**Channels**	**Customer relationships**	**Revenue streams**	**Key resources**	**Key activities**	**Key partnerships**	**Cost structure**
	• Collaboration among interdependent stakeholders via a network life cycle approach to innovation? • Regional focus, leveraging and building on existing technological, industrial, and human capital assets of regional economies and business ecosystems? • Targeted, strategic investments from agencies?										
	In accordance with bottom-up innovation, has active engagement of people at a local level in the BOP been utilised, developing solutions from the bottom up?					x			x	x	
	Do there exist strong feelings of ownership and empowerment in the development process (at the BOP)?					x				x	
	Have the following types of support necessary for successful bottom-up innovation with local innovators been addressed: • Establishing awards for innovation? • Establishing clear organisational goals so as to encourage staff to succeed innovatively? • Meetings or consultations with staff? • Providing informal recognition for innovators? • Providing innovators with a fair chance to demonstrate the workings of their innovative idea? • Providing resources for innovators, especially: · Time for innovators to work on their own projects? · With necessary reduction in other responsibilities? · An adequate budget to pay for their projects' running costs? • Relaxing constraints on innovators?								x		
	Have crowdsourcing and co-creation at the BOP as two tools that may well be used to solve problems by aggregating talent and leveraging ingenuity whilst reducing the cost and time formerly needed to solve such problems been considered?								x	x	
9.7.5	Has the building of rich and extensive linkages with potential sources of innovation through open innovation (a more permeable view of knowledge where organisations recognise the importance of external sources and also make their own knowledge more widely available) been actively addressed?				x				x	x	
	Have the principles of open innovation been adhered to: • Use external ideas to help create value, and internal R&D to claim a portion of that value? • Make the best use of internal and external ideas to win? • Promote building a better business model over getting to market first as being able to capture value is equally as important as being able to create it?			x					x	x	

Sections	**Questions**	**General approach**	**Customer segments**	**Value propositions**	**Channels**	**Customer relationships**	**Revenue streams**	**Key resources**	**Key activities**	**Key partnerships**	**Cost structure**
	• Tap into the potential of smart people who do not work for the organisation? • Aim to both profit from others' use of the enterprise's intellectual property (IP), and buy other organisations' IP whenever it advances the enterprise's business model? • Expand R&D's role to include not only knowledge generation, but knowledge brokering as well?										
	Is it understood that effectively managing innovation must entail moving from the creation of knowledge to the trading and managing of knowledge flow?							x	x		
	Is the necessity of an open strategy that balances the value creation forces (found in creative people, innovative communities, and collaborations) with the capturing of value that is vital to sustain continued participation and also support of those activities been understood?			x					x	x	
	Do open innovation activities clearly aim to cultivate multiple customers in multiple markets which spread the costs and risks of adoption whilst simultaneously identifying new service applications that an SMME may have missed without collaboration with a larger enterprise?		x	x							x
9.7.6	Has a clean slate approach at the BOP to value proposition design, aiming at closing the developing market's specific need gaps been considered?			x							
	Have the following project level actions been taken for promoting reverse innovation: • Establishing radical goals: aggressive goals and the daunting constraints can spark success in novel ways? • Practicing clean-slate organisational design: a new organisational structure is necessary for clean-slate design? • Leveraging global resources: if part of a multinational, innovation teams must not isolate themselves but rather make extensive use of the enterprise's assets? • Choosing team leaders without conflicting interests: the team leader's highest, if not only, priority should be the project to avoid traditional revenue based thinking for short-term goals?	x									
	Have the following managerial level actions for promoting reverse innovation been taken, including: • Rebranding the enterprise's future: denial and resistance of employees flourish in situations without clear direction and relation of goals from leaders? • Shifting people and power to emerging markets: a change of people and hierarchy is necessary to change the dominant logic?	x							x		

Sections	Questions	General approach	Customer segments	Value propositions	Channels	Customer relationships	Revenue streams	Key resources	Key activities	Key partnerships	Cost structure
	• Increasing R&D spending in emerging markets and focusing it on local needs: the focus of innovators and engineers is best able to accommodate locals' needs when they are surrounded by the local atmosphere? • Bulking up on emerging-market knowledge and expertise: this is necessary for leaders to have the info they need to believe in the potential of emerging markets and continue to pursue them by shattering the glocalisation mind set and fostering the reverse innovation view? • Ensuring that large businesses continue to thrive whilst calming fears of product cannibalisation: for effective management of glocalisation and reverse engineering within one enterprise management will have to see it as a central organisational issue?										
	Has the enterprise sought partners from the BOP to counter the fact that local employees are often as far removed from this socioeconomic segment as the organisation's colleagues located in developed markets?									x	
9.7.7	Is an inclusive approach followed for lasting positive impact at the BOP, ensuring that innovations are useful to the BOP customer, by: • Creating innovations within an inclusive frame of discourse and knowledge? • Actively bringing BOP actors (or groups) excluded from the mainstream of development into the innovation process? • Developing an innovation platform that establishes linkages between stakeholders driven to address a key issue? • Creating or enhancing opportunities that improve the wellbeing of the BOP? • Catering for user-producer interactions focusing on producer-consumer related learning and innovation? • Innovating frugally, to minimise resource usage, costs, and complexity? • Emphasising learning over problem solving, which requires a key informant to act as a primary information source (for capturing qualitative data)? • Managing complex informal, loose, but socialised relations to engender diffusion, learning and capability transfer, and retention? • Considering the context of the innovation system? • Analysing processes within the system?	x	x	x	x	x	x	x	x	x	x
9.7.8	In order to overcome the constraints to innovation when operating in the BOP market, have the twelve principles of BOP innovation been adhered to:			x	x	x	x		x		x

Sections	**Questions**	**General approach**	**Customer segments**	**Value propositions**	**Channels**	**Customer relationships**	**Revenue streams**	**Key resources**	**Key activities**	**Key partnerships**	**Cost structure**
	• Focus on quantum jumps in price performance of products and services? • Develop hybrid solutions? • Developed solutions must be scalable and transportable across countries, cultures, and languages? • Reduce resource wastage in developed markets? • Product development must be radically redesigned beginning with an understanding of both form and functionality? • Process innovations and product innovations are equally important in BOP markets? • Deskilling of work is critical? • Educating customers on product usage is key? • Products must work in hostile environments? • For BOP consumers research on interfaces is critical? • Innovations must reach the consumer? • Focus on the broad architecture of the system?										
9.8.1	Are the following components of a successful innovative organisation apparent in the enterprise: • Appropriate structure? • Creative climate? • Effective team work? • External focus? • High-involvement innovation? • Key individuals? • Shared vision, leadership, and a will to innovate?								x		
	Has the right organisational structure been determined for effective strategy implementation: • Simple structure: a centralised organic structure, centrally controlled giving it the ability to respond rapidly to environmental changes, giving the entrepreneur the ability to maintain all authority to design and control the enterprise in addition to a clarity of purpose due to interacting with key stakeholders daily, with the weakness of the entrepreneur's individual misjudgements and prejudices as well as resource limits coming into play more? • Mission-oriented structure: held together by a shared common, and often altruistic purpose and values, which results in high commitment and ability of individuals to take initiative without being coerced, however the enterprise owner has a lower degree of control due to employees wanting to act in manners which they deem likely to best benefit the social group they are involved with (i.e. wanting to be the hero) and as such requires energy from a key	x							x		

Sections	**Questions**	**General approach**	**Customer segments**	**Value propositions**	**Channels**	**Customer relationships**	**Revenue streams**	**Key resources**	**Key activities**	**Key partnerships**	**Cost structure**
	visionary leader and a clearly articulated shared purpose?										
9.8.2	Are managers of the organisation prudent in the choice of direction and allocation of resources for innovative activities, which requires: • Incrementalism? • Sensitivity analysis? • Simple rules? • Stopping criteria? • Evaluation of different types of innovation? • Reduction of key uncertainties?							x	x		
9.8.3 *9.8.3.1* *9.8.3.2* *9.8.3.3* *9.8.3.4* *9.8.3.5*	Has increasing the rate of diffusion and adoption of innovations to maximise the value created and collected been achieved by: • Increasing compatibility? • Lowering levels of perceived complexity? • Increasing the degree of observability? • Maximising the relative advantage? • Enhancing the trialability (by ensuring innovations are used by BOP, teaching the BOP via doing, using, and interacting (DUI) approaches)?			x	x				x		

P.6 Marketing evaluation technique questions

The questions pertaining to marketing are addressed in Table P-6.

Table P-6 Marketing evaluation technique questions

Sections	Questions	General approach	Customer segments	Value propositions	Channels	Customer relationships	Revenue streams	Key resources	Key activities	Key partnerships	Cost structure
10.2	Is marketing viewed as the activities and actions which identify and meet human and social needs by creating superior value for the customer, and then communicating it and delivering it to the target market, whilst simultaneously capturing revenues and key information from the BOP?			x	x				x		
	Is the aim of marketing to make the value offering so in line with what the customer wants and needs that it basically sells itself?			x		x					
10.2.1	Are both the task environment (actors in the production, distribution, and promotion of the value offering, e.g. the enterprise, suppliers, distributors, dealers, and target customers) and broad environment (the demographic, economic, natural, political-legal, social-cultural, and technological environments) understood clearly when assessing the market environment?	x									
10.2.2 *10.2.2.1* *10.2.2.2* *10.2.2.3* *10.2.2.4*	Is a holistic view of marketing employed by recognising and reconciling the scope and complexity of marketing activities, whereby the following is taken into account: • Integrated marketing by devising the enterprise's marketing activities and programs such that value is created, communicated, and delivered to the consumers in a way which makes the whole greater than the sum of its parts (via communications, products and services, and channels)? • Relationship marketing to develop long lasting relationships with all involved parties in the value creation and delivery process through understanding each constituent's capabilities, desires, goals, needs, and resources (customers, channels, and partners)? • Multiple measures of performance must be used in marketing, above and beyond financial performance measures (sales revenue, brand and customer equity, ethics, environment, legal, community)? • Marketing must begin within the organisation, in what is called internal marketing which requires hiring, training, and motivating capable employees that have a desire to serve customers well (marketing department, senior management, other departments)?				x	x					
10.3	Is the systematic design, collection, analysis, and reporting of data and findings relevant to the specific		x								

Sections	**Questions**	**General approach**	**Customer segments**	**Value propositions**	**Channels**	**Customer relationships**	**Revenue streams**	**Key resources**	**Key activities**	**Key partnerships**	**Cost structure**
	marketing situation managed in such a way that new customers are gained and old customers are kept?										
10.3.1	Is there an understanding that creating customer value is the only way in which any business can thrive, and therefore is the customer the focus of the business (i.e. does the enterprise exhibit customer-centricity)?					x			x		
	Does the customer reign supreme, with the needs of those who directly meet, serve, and satisfy them (i.e. frontline people) coming directly after, with management proactively acting to enable and support frontline people in their efforts?					x					
10.3.2	Is it understood that serving the BOP market is more about satisfying needs than wants (so as to avoid exploitation), and therefore understanding the different types of needs (stated, real, unstated, delight, and secret needs) and addressing more than just the stated ones is imperative, initially focusing on primary needs and shifting to secondary ones when the BOP is more empowered?			x		x			x		
10.3.3	Have the most pressing customer needs been addressed first, starting from the base of Maslow's hierarchy of needs, progressing from: • Physiological needs: food, water, shelter, to • Safety needs: security, protection, to • Social needs: sense of belonging, love, to • Esteem needs: self-esteem, recognition, status, to • Self-actualisation needs: self-development, self-realisation?			x							
10.4	Has the organisation targeted specific market segments to ensure the value offering(s) are sellable?		x		x						
10.4.1	Have the following features been exhibited in each market segment for effective segmentation: • Measurability: of segment size, purchasing power, and characteristics? • Substantiality: must be large and profitable enough? • Accessibility: able to be effectively reached and served? • Differentiability: conceptually distinguishable, exhibiting different responses when various marketing mix elements and activities are applied to them? • Action-ability: effective programs should be able to be formulated for attracting and serving the segments?		x								
10.4.2	Is it understood that only if the segment is big, shows potential for growth, is going to be profitable, exhibits scale economies, and is low risk, and sufficient as a market segment only if it still makes sense in light of the enterprise's objectives, competencies, and resources also?		x								
10.4.2 *10.4.2.1*	Has the level of segmentation been selected and evaluated from the following approach options:		x								

Appendix P

Sections	Questions	General approach	Customer segments	Value propositions	Channels	Customer relationships	Revenue streams	Key resources	Key activities	Key partnerships	Cost structure
10.4.2.2 *10.4.2.3* *10.4.2.4*	• Full market coverage: serving all customer groups with all the products they could possibly need? • Multiple segment specialisation: serving a subset of the multiple segments available, with each segment in the subset being attractive and appropriate, however not necessarily similar or related to one another? • Single segment concentration: serving only one segment in particular? • Individual marketing: serving customers through one-to-one marketing in a highly customisable setting?										
10.4.3	In order to be increasingly profitable, the goods or services developed for the BOP communities must enable them to grow more affluent, so that their increased income as a result of the use of the product or service will trigger more demand in the communities			x							
10.4.3 *10.4.3.1* *10.4.3.2*	Has the BOP market specifically been broken down into the following segments so as to maximise the impact of the value offering: • Living standard segmentation (low income, i.e. upper LSM group 4, subsistence, i.e. LSM groups 2 and 3, or extreme poverty, i.e. LSM group 1)? • Value creation role segmentation (consumers, co-producers, or clients)?		x								
10.5	Has appropriate branding been utilised which incorporates a name, term, sign, symbol, or design, or a combination of them, so as to clearly identify the goods or services of one seller or group of sellers and differentiate them from those of competitors?				x				x		
	Has brand equity (the value added to a product or service due to its branding) been maximised by ensuring that over time the customer's perception of value is increased by influencing what they have felt, heard, learned, read, seen, and thought about the brand, thus exacting a favourable response?				x				x		
	Have the six criteria for choosing brand elements been adhered to in developing a strong brand: • Memorable: ease of customer recollection and recognition at purchase and consumption? • Meaningful: credibility and suggestiveness in terms of a specific type of product category or customer persona? • Likable: aesthetic appeal? • Transferrable: ability to represent (introduce) new products in the same or different categories? • Adaptable: ability to improve and update the brand? • Protectable: legal and competitive protectability?				x				x		

Sections	**Questions**	**General approach**	**Customer segments**	**Value propositions**	**Channels**	**Customer relationships**	**Revenue streams**	**Key resources**	**Key activities**	**Key partnerships**	**Cost structure**
	If used, is it understood that slogans must not limit the brand and decrease the chance of it being applicable over a broad range of offerings?				x				x		
10.6	Have the three broad ranging channel types been used to reach the target market, including: • Communication channels: to deliver and receive messages from target buyers in both monologue and dialogue channels, e.g. newspapers, radio, billboards, posters, fliers, toll-free numbers, the internet, etc.? • Distribution channels: to display, deliver, and sell the value proposition to the buyers or users, e.g. distributors, wholesalers, etc.? • Service channels: to carry out transactions with potential buyers, e.g. transportation enterprises, banks, warehouses, etc.?				x						
	Have intermediaries been considered in developing effective marketing channels: • Merchants: those who buy, take title to, and then resell merchandise (i.e. BOP 2.0)? • Agents: those who search for and negotiate with customers on behalf of the enterprise but do not take title to the offerings (e.g. sales agents)? • Facilitators: those who assist the enterprise in distributing products but neither negotiate purchases or sales, nor do they take title to goods (e.g. advertising agencies, transportation enterprises)?				x						
	Have efforts been made to balance the following strategy types to maximise effectiveness: • Push (inducing the intermediaries to promote, carry, and sell the product to the end user through some or other means): apt when the offering exhibits low brand loyalty, has a clearly understandable benefit, and the product is an impulse item? • Pull (getting the intermediaries to persuade customers to demand the product from the intermediaries, thus inducing these intermediaries to order it from the enterprise): apt when there is high brand loyalty, high consumer involvement in the offering, it is easy to distinguish from other brands, and when the choice of brand is made before the customer goes looking for a product or service?				x				x		
10.7 *10.7.1* *10.7.2* *10.7.3* *10.7.4*	Have the four predominant types of exchange which occur at the BOP each been assessed as a possible means of interacting with the consumers: • Structured: specialised and structured formal intermediaries or channels of distribution which provide standardised processes to facilitate the flow of transactions, e.g. neighbourhood retail stores, wholesalers?				x		x				x

Sections	**Questions**	**General approach**	**Customer segments**	**Value propositions**	**Channels**	**Customer relationships**	**Revenue streams**	**Key resources**	**Key activities**	**Key partnerships**	**Cost structure**
	• Networked: making use of managed relationships between individuals and entities so as to accrue benefits based on their cultural, economic, or social links, e.g. small-scale networks? • Pure: when products or assortments are openly exchanged at defined trade centres operating within BOP communities, wherein bargaining is common and bartering is sometimes utilised instead of paying in cash when concluding deals, e.g. vendor's market stalls? • Centralised: utilises political or economic power in a BOP community to direct transaction flows towards the entity that exercises this power in a manner that benefits that entity, e.g. government initiatives?										
10.8.1 *10.8.1.1* *10.8.1.2* *10.8.1.3* *10.8.1.4*	Has the 4Ps framework been used to give the organisation a strong point of departure for ensuring that a holistic marketing mix is brought to the customer, by taking into account the: • Product (service): that output of the enterprise which satisfies the customer? • Price: the amount of money a customer will pay for the product or service offering? • Place (distribution): the provision of products and services in a place which is ideal in terms of convenience to customers? • Promotion: the methods of communication open to the marketer for providing information to the various constituents regarding the product or service offering?				x				x		
10.8.2 *10.8.2.1* *10.8.2.2* *10.8.2.3* *10.8.2.4*	Has the 4As framework been used to ensure the validity of the marketing mix strategy for the BOP market, by taking into account the following aspects regarding the value offering: • Availability: the extent to which customers are able to readily acquire and use a product or service? • Affordability: the degree to which an enterprise's goods or services are affordable to BOP consumers? • Acceptability: the extent to which consumers and others in the value chain are willing to consume, distribute or sell a product or service? • Awareness: the degree to which customers are aware of a product or service?				x				x		

P.7 Strategic alliance evaluation technique questions

The questions pertaining to marketing are addressed in Table P-7.

Table P-7 Strategic alliance evaluation technique questions

Sections	Questions	General approach	Customer segments	Value propositions	Channels	Customer relationships	Revenue streams	Key resources	Key activities	Key partnerships	Cost structure
11.2	Have the micro (process related) and macro (social, political, and economic) drivers of collaborations been understood before forming an alliance to avoid post formation disillusionment?									x	
	Has full commitment on all sides been ensured to create value through an enduring partnership?									x	
11.2 & 11.3.1	Do the alliances enable the social enterprise to access needed resources and gain capabilities that are otherwise unattainable to drive down costs of the BOP context?							x		x	
11.3	Does the strategic alliance achieve a synergy wherein each collaborating organisation accrues benefits from the alliance which would not be possible acting alone?									x	
	Does the alliance enable the solving of social problems which would otherwise be too complex for single organisations to cope with alone?			x						x	
11.3.1	Before choosing to utilise an alliance, has it been differentiated from other forms of interaction with other organisations, before alliance formation?	x								x	
11.3.2	Have the theoretical underpinnings of strategic alliance literature been understood so as to provide a holistic view of the concept, and arrive at a better understanding of which theory potential partners predominantly operate according to and the rationale for forming alliances?	x								x	
	Does the enterprise's view of alliances incorporate: • Structure as well as process? • Creation and organisation of inter-organisational networks? • Accounting of both structure and action, and their interrelationships? • Simultaneous addressing of power, cognition, and legitimacy issues with respect to the process through which economic effectiveness is constituted? • Adequate explanations of alliance instability and failure?	x								x	
11.3.3	Have alliances only been employed on a temporary basis or when involving noncore activities, so as to not compromise competitive advantage?	x								x	
	Does the alliance augment and support the adaptation strategies of the participants?									x	
11.3.3.1 & 11.3.3.2	Has an understanding of the benefits and costs of strategic alliances prior to formation been gained to ensure the right decision is being made?									x	
11.3.4	In terms of the process by which alliances happen, have the following approaches been considered and learned from: life cycle (deterministic, limited), teleological	x								x	

Sections	Questions	General approach	Customer segments	Value propositions	Channels	Customer relationships	Revenue streams	Key resources	Key activities	Key partnerships	Cost structure
	(iterative, flexible), evolutionary (adaptive), and dialectical (internal tensions approaches are more process friendly and can provide the owner with a better understanding of the way an alliance can be managed most effectively)?										
11.3.5	Does the alliance promote the progression of the degree of integration to attain higher returns with time, moving from a state of cooperation (with shared information and mutual support) to coordination (with common tasks and compatible goals), to collaboration (with integrated strategies and collective purpose), and finally to coadunation (with unified structure and combined cultures)?									x	
11.4	Has adequate planning been employed when deciding whether to form the alliance, making use of the following tools for the planning phase: value chain analysis form, needs analysis checklist, and partnering need versus do it alone analysis?									x	
	Has the alliance been analysed in light of the company's strategic alternatives (e.g. joint ventures, acquisitions) and secondly in light of its overall strategic objectives, prior to formation?									x	
	Does the alliance enhance the collaborative advantage of the partnership, not only focusing on the financial screening side, but also when addressing the human side of the potential/envisioned relationship?						x			x	x
	In line with the TCV, does the alliance result in the minimisation of the sum of production and transaction costs?									x	x
	Does the alliance enable the accessing of valuable/scarce resources ideal for the BOP context?							x		x	
	Is the alliance a definite means of supplementing and improving embedded knowledge, and definitely not acting as a substitute for internal development?								x	x	
	Have risks associated with an alliance already been addressed and mitigated prior to alliance formation?									x	
	Is it understood that alliances should ideally be formed when transaction costs of an exchange are intermediate, and not high enough to justify vertical integration?									x	x
	Is the idealness of alliances understood for the case wherein critical inputs for pursuing an opportunity are owned by different parties and when those inputs are inseparable from the other assets of the owner organisations?									x	
	Are collaborations chosen when the goal is to enhance knowledge in critical areas where the requisite level of knowledge is lacking and cannot be developed within an acceptable timeframe or cost?							x		x	
11.5	Is the need for adequate planning understood when assessing and selecting partners, and have the following tools for the partner assessment and selection phase been considered: partner screening form, technology and patent domain maps, cultural fit evaluation form, and due diligence team?									x	

Sections	**Questions**	**General approach**	**Customer segments**	**Value propositions**	**Channels**	**Customer relationships**	**Revenue streams**	**Key resources**	**Key activities**	**Key partnerships**	**Cost structure**
	Has in-depth searching for a suitable partner been conducted even when it seems as if the perfect partner is apparent?								x	x	
	Have the potential alliance partners' reasons for wanting an alliance been ascertained prior to contract formation, ideally achieved by asking: • What will their strategic position be as a result of the alliance, presently and in future? • Why would the partner wish to enter into such an alliance? • What weaknesses of the partner are likely to be strengthened by the alliance?									x	
11.5.1	Are alliances only utilised when management has determined that there exist appropriate levels of fit along multiple key dimensions of complementarity: mission/goals fit, compatibility, comparability of values, complementary skills/capabilities, resource fit, chemistry (managerial and workforce), target market fit, product/cause fit, cooperative cultures, cycle fit, self-analysis, clarity of expectations/evaluations, commensurate levels of risk, potential for reputational damage, and adequacy of legal form?									x	
	Has the ability to identify and meet alliance-level (e.g. joint value creation and building of community capacity) and participant-level objectives (e.g. access to resources, enhanced visibility and image, learning from other sectors) been ensured prior to alliance formation?									x	
11.5.2	Is there an understanding that partners from various sectors each exhibit different degrees of ability to address particular areas of concern, and as such is it understood that they must be chosen accordingly, with specific criteria for evaluation in mind?									x	
	Have regulative governing mechanisms been prioritised and put in place for alliances in upper tier markets whilst normative and cognitive forms of governance are favoured when working with lower tier markets?									x	
	Is it understood that BOP oriented organisations must develop in an ecosystem that is defined by structural holes and regulative institutional gaps that prevent industry development at the BOP, and must be approached by utilising alliances with government, non-profits, and the community to foster a growth oriented business ecosystem at the BOP and using BOP stakeholders as substitutes for missing actors and supporting industries often found in the strong regulative institutions of upper tier markets?	x								x	
	Is it understood that the difference in institutional distance between regulative external institutions that the social entrepreneur operates in with upper tier partners and the normative and cognitive institutions prevalent at the BOP influences the structure of any direct partnerships or dealings with the BOP, and as such requires the enterprise to adapt to cater for all institutions in how they govern relationships?	x								x	

Appendix P

Sections	**Questions**	**General approach**	**Customer segments**	**Value propositions**	**Channels**	**Customer relationships**	**Revenue streams**	**Key resources**	**Key activities**	**Key partnerships**	**Cost structure**
11.5.3.1	Has cognisance of the positioning of the enterprise been ascertained, by determining with which sector the enterprise's mission and goals tend to align with most, so as to understand how it influences the way it must relate to partner organisations from each sector?									x	
	Do managers understand that the private sector mainly acts so as to create products and services, guarantee profits for investors, and deliver employment opportunities, innovation and economic growth?			x						x	
	Do managers act so as to alleviate perceived commercial and reputational risks for private sector partners?								x	x	
	Are relationships between social enterprises and the private sector sought to benefit from scale, access resources, and gain expertise in manufacturing, operations, and financing?							x		x	
	Do managers sell the strengths of social enterprise partnerships for the private sector, such as: enhanced reputation, gaining favour with stakeholders, ability to access BOP markets due to having keen local knowhow and deeper understanding of locals in the BOP, helping them communicate with hard-to-reach audiences at a community level, addressing CSR and developing PR spin offs, and motivating employees (impacting morale, performance, and productivity) by giving them a sense of social purpose?								x	x	
	Do managers understand that the public sector mainly acts so as to create the framework for economic, political, and social rights, as well as provide regulations and standard-setting mechanisms?	x								x	
	Are relationships between social enterprises and the public sector sought to attain better fiscal options, improve the legislative environment to better traverse costly red tape, and if necessary form contractual arrangements to deliver services, products, or projects traditionally provided by the public sector?								x	x	
	Do managers sell the strengths of social enterprise partnerships for the public sector, such as: providing innovative solutions to social needs, maximising positive impact through application of expertise?									x	
	Do managers understand that the civil sector mainly acts so as to create opportunities for individual creativity and growth, providing services and support for those in need or excluded from mainstream society?			x						x	
	Are relationships between social enterprises and the civil sector sought to transfer impulses from the private sector into the public or the civil sector, build networks between sectors to scale expansion of innovations, access funds, garner localised knowledge to address gaps, increase social embeddedness in informal networks, and provide access to legitimacy for local informal institutions?									x	
	Do managers sell the strengths of social enterprise partnerships for the civil sector, such as: access to capital, improved accountabilities and efficiencies, scale economies, and distribution networks?									x	

Sections	Questions	General approach	Customer segments	Value propositions	Channels	Customer relationships	Revenue streams	Key resources	Key activities	Key partnerships	Cost structure
11.5.3.2	Has an understanding of the position of the enterprise in the supply chain been gained for arriving at an appropriate strategy for partnering with other organisations, through assessing the relative power of the organisation, by: • Determining the supply chain position of alliance, according to: degree of concentration, product and technology characteristics, and transactional behaviour and entry barriers? • Ascertaining relative power and required strategy: focal organisation dominance, upstream network dominance, focal organisation obedience, and downstream network dominance?				x					x	
	Are vertical (within the same supply chain) collaborations used for improving coordination between entities by optimising interfaces?				x				x	x	
	Are horizontal (different supply chains at same level, e.g. competitors) collaborations used to help share resources, capabilities, risks, and costs to realise bigger projects?				x			x		x	
	Are diagonal (combining both vertical and horizontal) collaborations used for accessing new markets?		x		x					x	
11.5.3.3	Have the enterprise's as well as the partner organisation's motives for the alliance regarding their strategic intent been ascertained to promote peaceful cooperation, by understanding the degree to which exploitation (elaboration and deepening of already existing capabilities to incrementally enhance competencies) and exploration (experimenting and establishing new assets and capabilities to discover new opportunities) activities are pursued in the relationship, resulting in the following alliance types: • Learning alliances (high exploit, low explore intents) to reveal new insights into markets, core competencies, and technologies. Must balance learning rates of partners? • Business alliances (low exploit, high explore intents) to secure new incremental revenues from a combination of specific assets unique to each partner? • Hybrid alliances (high exploit, high explore intents) that seek to simultaneously maximise both opportunities for capturing value from the leveraging of existing capabilities and assets, as well as maximising the opportunities to create new value through joint learning activities? • No alliance (low degree of both relates to arm's length transactions being more favourable)?			x				x	x	x	
11.5.3.4	Has a decision on the equity orientation of the alliance been made to promote effective management of the alliance, choosing from either being equity based (i.e. equity joint ventures or minority equity alliances), or						x		x	x	x

Sections	**Questions**	**General approach**	**Customer segments**	**Value propositions**	**Channels**	**Customer relationships**	**Revenue streams**	**Key resources**	**Key activities**	**Key partnerships**	**Cost structure**
	non-equity based (i.e. unilateral and bilateral contract-based alliances)?										
11.6	Has adequate planning been employed in designing the alliance via contracts and negotiation, effectively making use of the following tools: negotiation matrix, needs versus wants checklist, alliance contract template, alliance structure guidelines, and alliance metrics framework?								x	x	
	Have partners ensured that governing bodies involved in legal proceedings of contracts, etc. do not dominate the proceedings, making it too depersonalised?	x								x	
	Has sufficient time been allotted so as to arrive at actionable plans that will result in early effectiveness?									x	
	Have contracts been used as governance mechanisms, specifying the: commitments, contributions, benefits each partner accrues, conflict resolution mechanisms, and arbitration clauses (as well as lawsuit provisions) of the alliance?								x	x	
	Have the following components of a strong agreement been included: • Specific joint activity, a first-step project? • Commitment to expand the relationship? • Clear signs of continuing independence for all partners?								x	x	
	Have sound contracts been arrived at that incorporate: • An explicit mission and specific performance objectives? • A timetable for their achievement, i.e. clearly specified milestones? • Communication channels appropriate for the collaboration? • Its own resources and control systems? • Personnel with a sense of loyalty and commitment to the alliance's success? • An operating plan providing clear guidance/agreement on: · How labour is divided? · How costs will be shared? · How partner resources should and are allowed to be accessed? · How patents and/or royalties will be managed? · How scale benefits will be divided? · How to measure the value that is created? · Protocols for the alliance? · The exit strategy in the event of alliance dissolution? · The role and impact of intangible value created or shared? · Time horizons for investment returns? · Time limits for projects?								x	x	

Sections	**Questions**	**General approach**	**Customer segments**	**Value propositions**	**Channels**	**Customer relationships**	**Revenue streams**	**Key resources**	**Key activities**	**Key partnerships**	**Cost structure**
	· What administrative mechanisms will resolve questionable cases? · What technology and know-how will be contributed to the alliance? · What the definition of knowledge is? · What value is attributed to assets so they are contributed synonymously? · What will remain proprietary as well as what should be transparent or opaque? · Who is responsible for the running of what?										
	Has attention to detail been exhibited in negotiations and contract formation, utilising focus groups with representatives of each functional department as well as key players in the proposed alliance to encourage them to engage in group discussions to gain a clearer picture of all of the people and agencies involved with the formation and delivery of the collaborative effort?								x	x	
	Has a workshop been conducted with representatives from the project's key agencies and entities (identified in the focus group) that is aimed at enabling the building of relationships and setting the context of collaboration, collecting baseline quantitative and qualitative data to be used for formative evaluation purposes, resulting in a consensus on current and projected levels of integration with practical guidelines on how to attain these levels, requiring both inter- and intra-organisational brainstorming, and that the following questions are answered: • What would it look like if their ideal level of integration was reached? • What actions would they need and want to take to bring about their ideal level of integration? • What evidence would indicate that they have reached their ideal level of integration?								x	x	
	Has the enterprise guarded against partner opportunism via regulative forms of governance as far as possible, and have equity based contracts for governance in alliances where the risk of opportunism is high been used with equity acting as hostage, increasing the cost for partners who engage in opportunistic behaviour?			x					x	x	
	Have normative and cognitive governance mechanisms been chosen at the BOP, such as non-financial hostages, access to constituencies, contributions in kind, and reputation?								x	x	
	Have forms of pre-commitment been used with BOP partners, whereby gifts and in-kind contributions are used to show commitment?								x	x	
11.7	Has adequate planning been employed when managing the alliance, by making use of the following tools: problem tracking template, trust building work sheet,								x	x	

Sections	Questions	General approach	Customer segments	Value propositions	Channels	Customer relationships	Revenue streams	Key resources	Key activities	Key partnerships	Cost structure
	alliance contact list, and alliance communication infrastructure?										
	Has strategic fit with the potential partner been ensured prior to alliance formation and afterwards by embedding the alliance in the partners' strategies, regular reporting, and promoting symmetry in strategic intent by recalibrating and thus maintaining the alliance over time?								x	x	
11.7.1	Are network relationships fostered, with each entity bringing unique value-adding resources and capabilities to the network, making it more valuable for each member to remain in the network than to go it alone?							x	x	x	
	Is it the case that only a subset of activities are a part of the network, ensuring autonomy in others?								x	x	
	Has loyalty to each network member been balanced to maintain stability?								x	x	
	Has the enterprise established multiple, independent centres of competence and innovation from which further value can be created in new directions in new networks?				x					x	
	Has the degree centrality (how many direct links it has to other organisations) been minimised and power imbalances (influence and control over other network players) minimised to promote network stability?				x					x	
	Does the enterprise seek to exploit the current external network and resources of the founding entrepreneur(s) to survive, and thereafter actively seek new and additional resources for growth, growing by taking advantage of structural holes (the gaps between two organisations who have complementary sources to information)?				x					x	
	Has the enterprise leveraged the benefits of networking, such as: • Prior organisational affiliations and experiences to arrive at broader and more functional networks? • Network connections formation such that they increase the organisation's endowments in terms of needed, available, and accessible resources? • Compositional quality of network ties (extent to which a single tie can provide needed resources, e.g. expertise, financing, and legitimacy)?				x					x	
	When dealing with BOP networks, has the enterprise clearly addressed the dimensions along which the BOP differs to upper tier networks: • Lower centralisation? • Less linearity? • Higher intra-cluster densities and lower inter-cluster densities? • More structural holes? • Wider in scope? • Higher tie domain frequency? • Greater network member diversity?				x	x			x	x	

Appendix P

Sections	**Questions**	**General approach**	**Customer segments**	**Value propositions**	**Channels**	**Customer relationships**	**Revenue streams**	**Key resources**	**Key activities**	**Key partnerships**	**Cost structure**
	• More unpredictable and less stable formal aspects? • Greater resilience of informal aspects?										
11.7.2	For effective alliance management, have the following been minimised at the small group level: behavioural disintegration, emotional conflict, and stereotyping?	x							x	x	
	Above and beyond the inter-organisational level, has focus been directed at the small group level in managing the cultural differences that exist?	x								x	
	Has cultural integration been accepted as being crucial in developing a long-term alliance?	x								x	
11.7.2.1	Has national culture been accounted for in the way the enterprise manages its alliances, understanding the dimensions along which culture groups differ, i.e. balancing the national culture tensions: • Masculinity versus femininity? • Small versus large power distance? • Weak versus strong uncertainty avoidance? • Universalism versus particularism? • Individualism versus collectivism? • Neutral versus affective? • Specific versus diffuse? • Achievement versus ascription? • Sequential versus synchronic? • Internal versus external control?								x	x	
11.7.2.2	Are workplace practices designed so that an organisational culture is developed which surpasses the individual values of its employees, by engraining organisational values of managers in workplace practices to ensure employees with different values perform effectively regardless of personal beliefs?								x	x	
	Has organisational culture been accounted for in the way the enterprise manages its alliances, understanding the dimensions along which organisational cultures differ, i.e. balancing the organisational culture tensions: • Bounded versus professional focus? • Process versus result oriented? • Employee versus job oriented? • Open versus closed system? • Loose versus tight control? • Pragmatic versus normative? • Rigidity versus flexibility? • Cooperation versus competition? • Short- versus long-term orientation?								x	x	
11.7.2.4	Has leveraging employee outputs and mitigating risk been effected by addressing the organisational culture above and beyond the national culture, by using best practices to account for differences in values between organisations?								x	x	
	Has understanding the national, organisational, and professional cultures played a key role in deciding how to manage the alliance most effectively to minimise tensions?								x	x	

Sections	Questions	General approach	Customer segments	Value propositions	Channels	Customer relationships	Revenue streams	Key resources	Key activities	Key partnerships	Cost structure
	Has partner selection promoted organisations with an innovative organisational culture characterised by a: • Medium professional focus of interest? • Medium to strong result orientation? • Balanced employee and job oriented approach? • Medium to loose work discipline? • Strong open systems? • Medium to strong pragmatic attitude?									x	
	Have potential partners set on maintaining stability and perfecting established routines in their organisational culture been avoided as much as possible, i.e. those typically characterised by: • Much stronger process orientation? • More parochial and relatively closed (inward looking)? • Pretty tight control mechanisms? • Stringent behavioural norms?									x	
11.7.3	Has a focus been placed on developing the proper infrastructure for effective communications across functions along with the sharing of information for learning the most from an alliance?				x					x	
	Have internal barriers to communication been removed?				x					x	
11.7.3.1	Has appropriate communication behaviour been developed to promote alliance effectiveness, by addressing: • Communication quality? • Information sharing extent (assuage partner fears of opportunistic behaviour through reassurance of commitment and fairness of dealings)? • Participation level?				x					x	
11.7.3.2	Has the alliance ensured the maintaining of open lines of communication with multiple points of contact (both formal and informal) to enable clarity and alignment of partner expectations as well as flow of information?				x					x	
11.7.3.3	Have cooperation and coordination been promoted via formal and informal means to arrive at more cost-effective solutions?				x		x			x	x
	Has communication been utilised to engender cooperation and coordination, thus deterring competition via: • Reducing coordination costs and addressing management issues related to bounded rationality and decision biases by converging expectations and joint problem solving? • Engendering cooperation through moral suasion, trust, and group identity development, by forming multilateral promises, and actively appealing for cooperation?				x					x	
11.7.3.4	Is it understood that important to generating and/or accessing financial capital is the effective development and communication of social capital, ensuring that the						x		x	x	

Sections	Questions	General approach	Customer segments	Value propositions	Channels	Customer relationships	Revenue streams	Key resources	Key activities	Key partnerships	Cost structure
	enterprise develops positive stakeholder perceptions by guaranteeing: • Legitimacy of the partners' functional and/or ideological identities? • Compatibility of partners' identities, and actual functional or ideological identity of the alliance?										
11.7.3.5	Have partners and their colleagues learnt how to say no to requests for information and/or access, as well as how best to position oneself when doing so by: • Providing natural and ideally passive barriers to classified information communication whenever possible, instead of active measures? • Defining beforehand what must remain proprietary and what can be shared openly? • Giving employees control over what they share? • Defining steps that they can take to query requests quickly with managers?				x					x	
11.7.3.6	Is it understood that enterprises must not form too many alliances lest it detracts from stakeholders' perceptions of the positive impact the alliance will bring (in accordance with the scarcity principle)?								x	x	
11.7.4.1	Have partners balanced exploration (drive for learning outcomes) and exploitation (drive for performance outcomes) to promote the establishment of trust?									x	
	Are friendship, loyalty, trust and commitment seen as crucial to cooperation within an alliance over time, with trust promoting loyalty which reinforces cooperation and commitment of partners?									x	
	Have fears of opportunistic behaviour been assuaged by fostering trust and commitment, by ensuring that: • Similar values are shared? • Communication in their relationship is healthy? • There is no history of taking malicious advantageous behaviour?				x					x	
11.7.4.2	Is it understood that in alliance, loyalty is key but it is necessary to reduce tendencies for inter-organisation opportunistic behaviour and what can be termed tribal conflict (and that for learning alliances in specific, management of learning must not be transferred to partners as repatriating it will be extremely difficult)?									x	
	Has the importance of fostering friendships to develop better communication, increased loyalty, increased trust, and increased commitment been understood, which all tend to minimise the risk of opportunistic actions, whilst maintaining a professional culture in the workplace to ensure the risk of potential personal disputes and opportunistic behaviour between friends are mitigated?								x	x	
11.7.4.3	Is it understood that shared commitment is required to deal with conflicts instrumentally, and is promoted by orienting the partners around the future, exerting effort	x								x	

Sections	**Questions**	**General approach**	**Customer segments**	**Value propositions**	**Channels**	**Customer relationships**	**Revenue streams**	**Key resources**	**Key activities**	**Key partnerships**	**Cost structure**
	and balancing short-term problems with the promise of long-term goal achievement?										
11.7.4.4	Have appropriate control mechanisms been used to increase trust, depending on the degree of knowledge of the transformation process and outcome measurability: • Output control: when there is low task programmability and high outcome measurability, to attenuate performance risk? • Behaviour control: when there is high task programmability and low outcome measurability, to attenuate relational risk? • Social control: when there is low task programmability and low outcome measurability, to attenuate relational and performance risk? • Behaviour and output control: when there is high task programmability and high outcome measurability?								x	x	
	Are business alliances predicated on the application of clear control mechanisms and unambiguous outputs, e.g. financial and market performance?									x	
	Are learning and hybrid alliances predicated on the application of control mechanisms based on behaviours and processes?									x	
11.7.5	Has the collective learning process been managed carefully by partners to simultaneously acquire knowledge and access previously inaccessible knowledge by ensuring partners are able to: • More effectively integrate knowledge regarding the production of complex goods and services? • Increase the efficiency with which knowledge is utilised?							x	x	x	
	In learning alliances, is it understood that for both partners to keep up with the pace of knowledge creation, benchmarking the partner's learning is necessary as opposed to benchmarking the parent organisation?								x	x	
	In business alliances, is continuous reviewing of the business model enacted (by measuring and evaluating the business model and guarding against complacency)?								x	x	
	For effective learning, have information channels been designed so as to be fed directly into decision making?				x					x	
	Has balancing collaborative (which permits access to and transfer of proprietary skills and knowledge) and competitive (whereby knowledge and expertise provided by a partner is exploited) learning activities been achieved to successfully learn from the collaboration?								x	x	
11.7.5.1	Has the value extracted from the alliance been maximised, by: • Bargaining over the stream of economic benefits that issues directly from the successful execution of joint tasks? • Internalising the skills of partners?							x	x	x	

Sections	**Questions**	**General approach**	**Customer segments**	**Value propositions**	**Channels**	**Customer relationships**	**Revenue streams**	**Key resources**	**Key activities**	**Key partnerships**	**Cost structure**
	• Increasing the absorptive capacity of the enterprise to appropriate a greater volume of the collective knowledge generated in the alliance?										
	Has the capacity to learn been maximised so as to outlearn partners, by enabling the enterprise to relate the critical links between learning, dependency, and bargaining power and thus lessen dependency on partners and improve the enterprise's bargaining power?								x	x	
	Is the absorptive capacity improved by increasing technological knowledge via capitalising on prior and current investments in R&D?								x	x	
	Is it understood that the ability of the enterprise to absorb knowledge is important in learning and hybrid alliances to effectively reduce information asymmetry between partners and promote valuable learning, and can be achieved by having predefined structures and processes in place to keep pace with the rate that knowledge is created in the alliance, anticipating and mediating mixed performance signals?								x	x	
	In business alliances, has the ability to absorb knowledge been improved prior to when partners must transfer strategic capabilities to one another?								x	x	
	Have the requirements for effective learning been addressed whereby partners change their own routines for the best learning outcomes, by: • Changing joint activities? • Enhancing mutual commitment of resources? • Undertaking joint decision-making?							x	x	x	
11.7.5.2	Has the enterprise understood the role of and dealt with the managerial implications of ambiguity on the process of knowledge transfer, by effectively addressing the antecedents of ambiguity such as: • Complexity? • Cultural and organisational distance? • Experience? • Partner protectiveness? • Specificity? • Tacitness?			x	x					x	
	Are inter-organisational learning strategies being utilised to avoid exploitation, by considering the trade-offs that must be made between the development of collective learning and how the learning outcomes are divided between partners?								x	x	
	Has the correct learning strategy been chosen, according to the parent organisation's exhibited receptivity and transparency levels in comparison to their partner's levels, such as: • Collaboration (high receptivity and transparency)? • Competition (high receptivity, low transparency)?									x	

Sections	**Questions**	**General approach**	**Customer segments**	**Value propositions**	**Channels**	**Customer relationships**	**Revenue streams**	**Key resources**	**Key activities**	**Key partnerships**	**Cost structure**
	• Compromise (moderate receptivity and transparency)? • Accommodation (low receptivity, high transparency)? • Avoidance (low receptivity and transparency)?										
	Is there an understanding of the impact of timing (i.e. the evolution) on learning strategies such that empowering strategy evolutions (from disintegration to symbolic to moderation to deadlock to integration) are promoted by developing an understanding of how the learning strategy is likely to develop for the partner in the next time period based on the current strategies employed by the parent and partner organisations?									x	
11.7.6	Has the organisation been aligned with the resources of its partners to enable the enterprise to gain access to key resources of the partner and maximise the utilisation thereof?							x		x	
	Have the enterprise's resources been identified and classified, appraising the weaknesses and strengths relative to competitors and partners wherein opportunities for resource acquisition or utilisation are identified?							x		x	
	Have the enterprise's capabilities (what it can do more effectively than rivals and partners) been reconciled with its available resources, in addition to identifying the inputs to and complexity of each capability?								x	x	
	Is the importance of appraising the rent-generating potential of resources and capabilities for the parent and partner organisations in terms of their potential for generating sustainable strategic advantage been determined according to the appropriability of their returns?						x	x	x	x	x
	Has the strategy for resource management been selected such that it best exploits the combinations of resources provided by the parent and partner organisations?							x		x	
	Have resource gaps been identified and filled through investing in replenishing, augmenting, and upgrading the enterprise's resource base?							x		x	
11.7.6.1	Have the resource characteristics (imperfect mobility, imperfect imitability, and imperfect substitutability) that make partners more attractive been sought in the alliance, ensuring the enterprise is safe from being compromised?							x		x	
	Is causal ambiguity being promoted where necessary to hide which resources are key to the core competencies of the enterprise, protecting it by promoting resource tacitness, complexity, and specificity?							x		x	
11.7.6.2	Are all resource types of partner organisations being utilised to maximise value where possible, including tangible and intangible resources such as financial capital resources, physical resources, human resources, organisational resources, technological resources, and managerial resources?			x				x		x	

Sections	**Questions**	**General approach**	**Customer segments**	**Value propositions**	**Channels**	**Customer relationships**	**Revenue streams**	**Key resources**	**Key activities**	**Key partnerships**	**Cost structure**
	Are resources managed appropriately in accordance with the resource types of the partner, namely property based or knowledge based, as well as their characteristics (mobility, imitability, and substitutability)?							x		x	
11.7.6.3	Has strategic fit among partners regarding their resources been achieved, by classifying resources according to their similarity and utilisation into the following groups: supplementary (similar performing), complementary (dissimilar performing), surplus (similar nonperforming), and wasteful (dissimilar nonperforming), from which they can be better aligned with the alliance strategy?							x		x	
11.7.7.1	Is it understood that early stage risks require that input measures (financial resource use, partner morale, personnel turnover, productivity, reciprocity, adaptability, efficiency, and innovativeness) are predominantly used to evaluate alliance performance, whilst conventional output measures (profits and cash flow) become more significant with time as the alliance produces the fruits of its initial inputs (starting with output measures is only apt in industries with short product life cycles)?							x		x	
11.7.7.2	Have both supplementary and complementary resource alignments been sought as both are beneficial and necessary to bolster the strength of the alliance?							x		x	
11.7.7.3	Are partnerships with the civil sector sought to help in meeting customer needs and in bypassing institutional environment constraints (e.g. those caused by formal institutional voids and knowledge gaps)?					x				x	
	Are partnerships with the public sector sought to help in coping with challenges in the institutional environment?								x	x	
	Are partnerships with both private and civil sector partners sought to help in dealing with responsiveness to difficult market conditions?		x	x		x				x	
	Are partnerships with the private sector sought to help in responding to market conditions at the BOP?				x					x	
11.7.7.3	Are relational success criteria being used to assess the alliance performance, including: individual excellence, importance, interdependence, investment, information, integration, institutionalisation, and integrity?								x	x	
11.7.8	Is the enterprise successfully managing alliance risk, instabilities, conflict, and tension, by matching of strategic intents (i.e. pursuit of symmetry) via continuous mutual adaptation, recalibration and reaffirmation of strategic intents of the alliance partners?								x	x	
11.7.8.1	Have the sources of risks been identified in accordance with the theoretical views of alliances?									x	
11.7.8.2	Have risk typologies been used as an effective way of outlining the most important risks from a diverse range of sources, including: • Life cycle risks: in finding fit, maintaining flexibility, managing the collaboration, planning for the future? • Functional categories of risk: compliance, operational, reporting, and strategic risks?									x	

Sections	**Questions**	**General approach**	**Customer segments**	**Value propositions**	**Channels**	**Customer relationships**	**Revenue streams**	**Key resources**	**Key activities**	**Key partnerships**	**Cost structure**
	• Relational and performance risk?										
	Have the risk management frameworks been used for controlling risks, such as: • Belief systems? • Boundary systems? • Diagnostic control systems? • Interactive control systems? • Action controls? • Cultural controls? • Personnel controls? • Results controls? • Assigning decision rights? • Performance measurement? • Rewards and punishments?								x	x	
11.7.8.3	Is it understood that strategic alliance orientations are dependent on the primary resources (physical and knowledge based) and risk types (relational and performance risk) of the organisation: • Control: (for property resources with high relational risk) use contractual, equity, and managerial control? • Flexibility: (for property resources with high performance risk) use contracts, avoid JVs and minority equity alliances, and insist on specific costing and pricing formulas with clear property rights? • Security: (for knowledge resources with high relational risk) maintain a knowledge barrier, and clarify that learning will and must be prevented? • Productivity: (for knowledge resources with high performance risk) focus on knowledge productivity, and identifying and eliminating internal resistance and learning barriers?							x		x	
11.7.8.4	Have the multiple sources of internal tensions been recognised and dealt with, such as: • Broader involvement problems? • Constitution and governance tensions? • Contention between respect and resentment? • Discovery of differences? • Legitimate structural arrangements and ownership tensions? • Organisation-environment linkages and accountability tensions? • Paradigm commitments and tension between goals and logic?	x								x	
11.7.8.5	Are trust and control mechanisms suitable to the nature and degree of the risks used to effectively reduce risk?									x	
11.7.8.6	Has a mutual hostage situation been created whereby contracts make it such that opportunistic behaviour is too costly and associated with too great a risk, thus mitigating opportunistic behaviour?						x	x	x	x	

Sections	**Questions**	**General approach**	**Customer segments**	**Value propositions**	**Channels**	**Customer relationships**	**Revenue streams**	**Key resources**	**Key activities**	**Key partnerships**	**Cost structure**
	Is there close monitoring of collaborative interaction to identify potential conflict situations and thereby help detect and prevent partner behaviour that might be directed towards deliberately opportunistic goals?								x	x	
11.8	Have the multiple approaches available to conflict resolution in alliances been considered when conflicts arise, prior to alliance disintegration: • Introducing a third party? • Coercion? • Conjoined resolution? • Persuasion? • Sanction?								x	x	
	Has adequate planning been employed when assessing and terminating an alliance, and been aided by utilising the following tools: relationship evaluation form, periodic status report, termination checklist, and termination planning work sheet?								x	x	
	Has an airtight alliance termination contract been developed, showing cognisance of the way in which what may have seemed beneficial in the short run may end up losing the enterprise's strategic position when the alliance dissolves?								x	x	
	During the course of the alliance life time have the following been disallowed: • The outsourcing or eroding of control over core competencies? • The compromising of competitive advantages?			x	x			x	x	x	
	Is there an understanding of the impact time horizons have on the likelihood of failure when predicting when dissolution will occur, including for: • Learning alliances: limited time horizons, extending no further than the length of a learning cycle unless renewed, thus the major challenge is recognising when to end the relationship? • Business alliances: last as long as a business opportunity exists, and as such the challenge lies in knowing how to maintain both continuity and oversight over an extended period of time, with dissolution occurring when economic viability no longer remains? • Hybrid alliances: hard to predict in that multiple time horizons need to be juggled?									x	

Appendix Q Semi-structured interviews

The details of the expert interview processes are included in this appendix, starting with the screening interviews document, and ending with the focus interview summary feedback.

Q.1 Document for preliminary interviews

The following pages were printed out and placed in a transparent A3 folder for ease of use at the interview locations (which were not necessarily near a projector or screen).

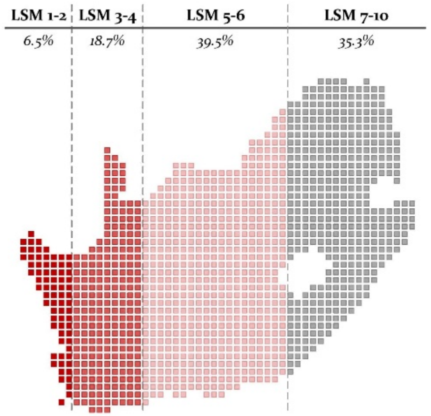
Appendix Q

The Bottom of the Pyramid | A Framework for SME Action

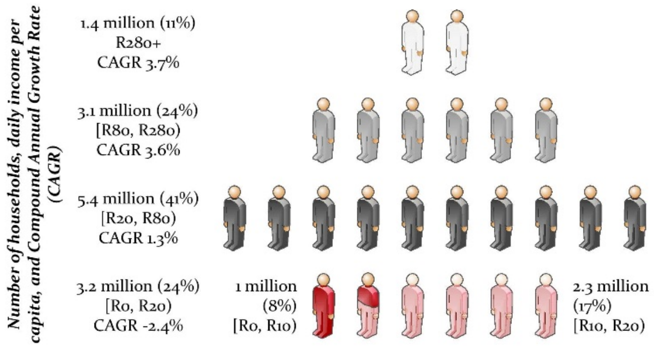
Michael D van der Merwe

Introduction

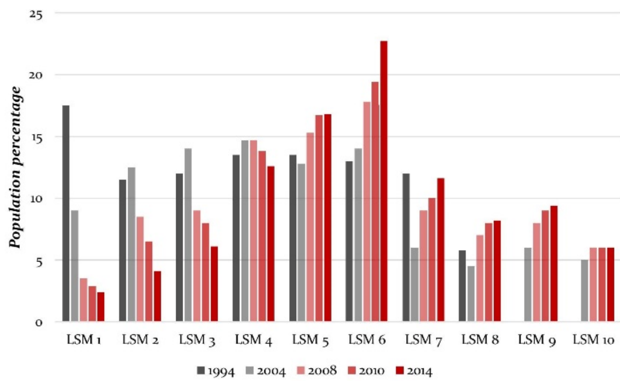
Living Standard Measure (LSM) breakdown



(South African Audience Research Foundation, 2014:1)



(Eighty20, 2011)



(adapted from Nedbank Group, 2011:4)

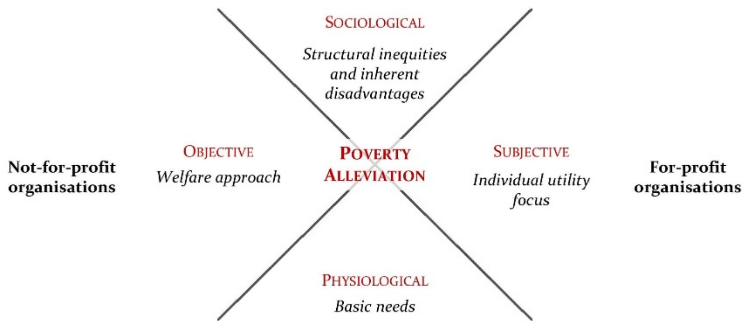
Introduction

High growth

Most firms start, live, and die small (Davidsson, Achtenhagen & Naldi, 2010)

30x	1 in 7
High-growth firms are 30 times more likely than average performing firms to reach and sustain mid-size (Hölzl, 2014)	Only one in seven companies equal or surpass a real annual revenue and growth rate able to sustain profitable growth (Zook & Allen, 1999)

Poverty alleviation paradigms



Problem statement

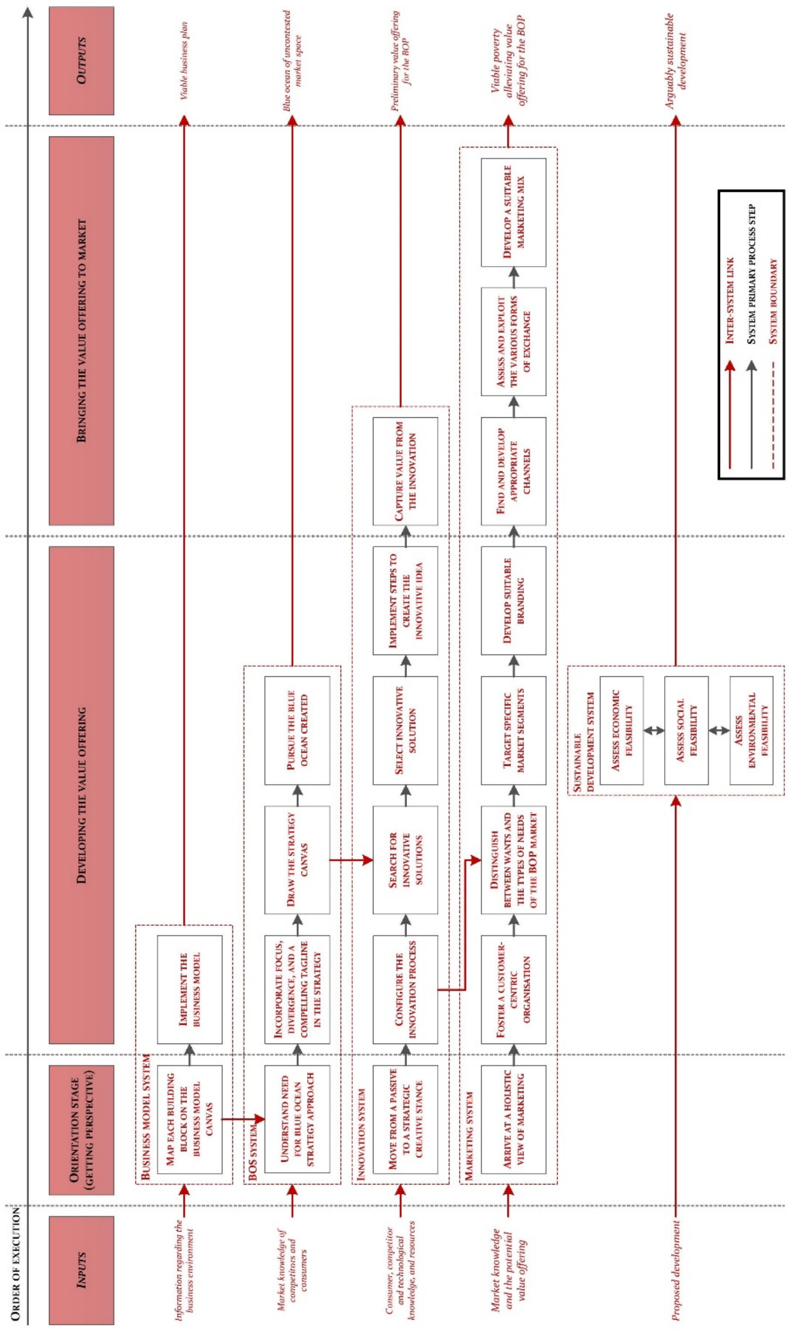
There is no framework by which SME owners and managers
pursuing high growth whilst targeting the BOP market can be guided
or through which they might evaluate their efforts

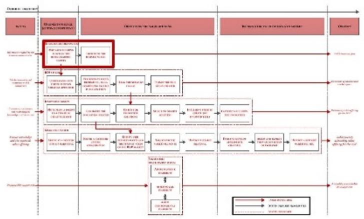
Aim

To determine how to increase the likelihood of SMEs attaining highly profitable growth
through targeting the BOP market in an effort to alleviate poverty
by providing SME owners and managers with a framework for managerial decision making and evaluation

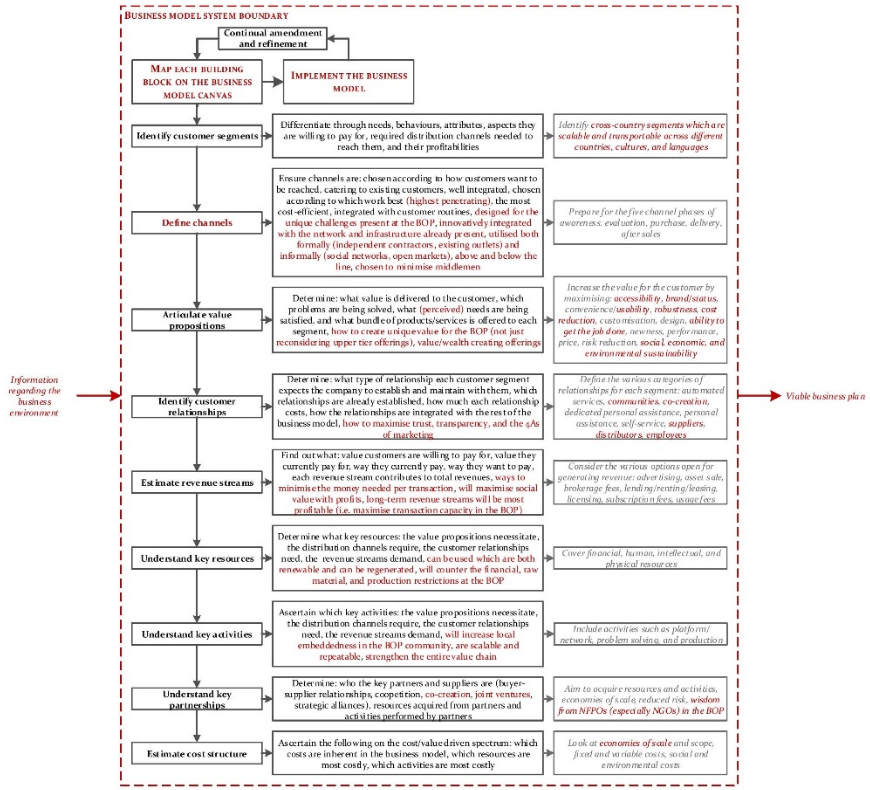
Appendix Q

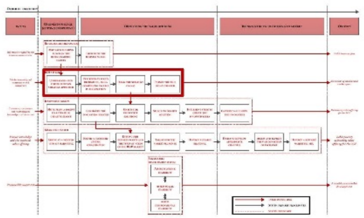
The high growth BOP targeting SME framework



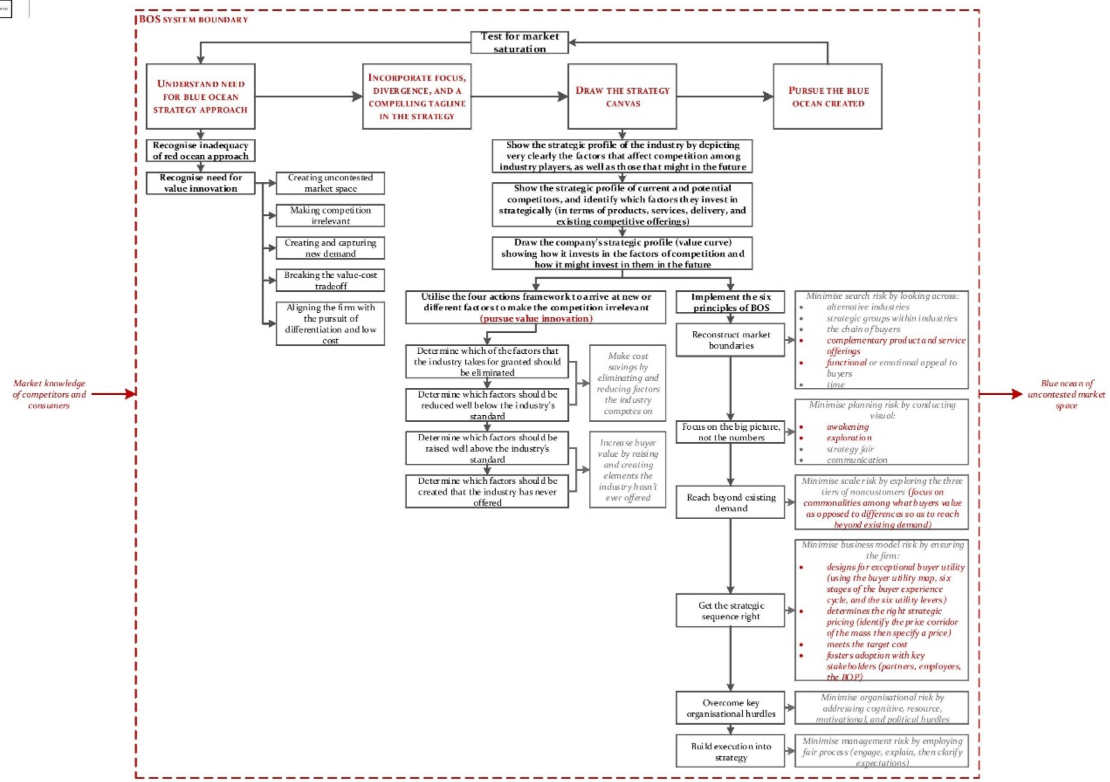


The business model purposeful activity system

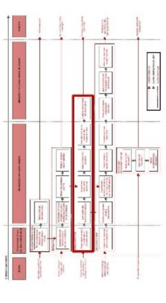


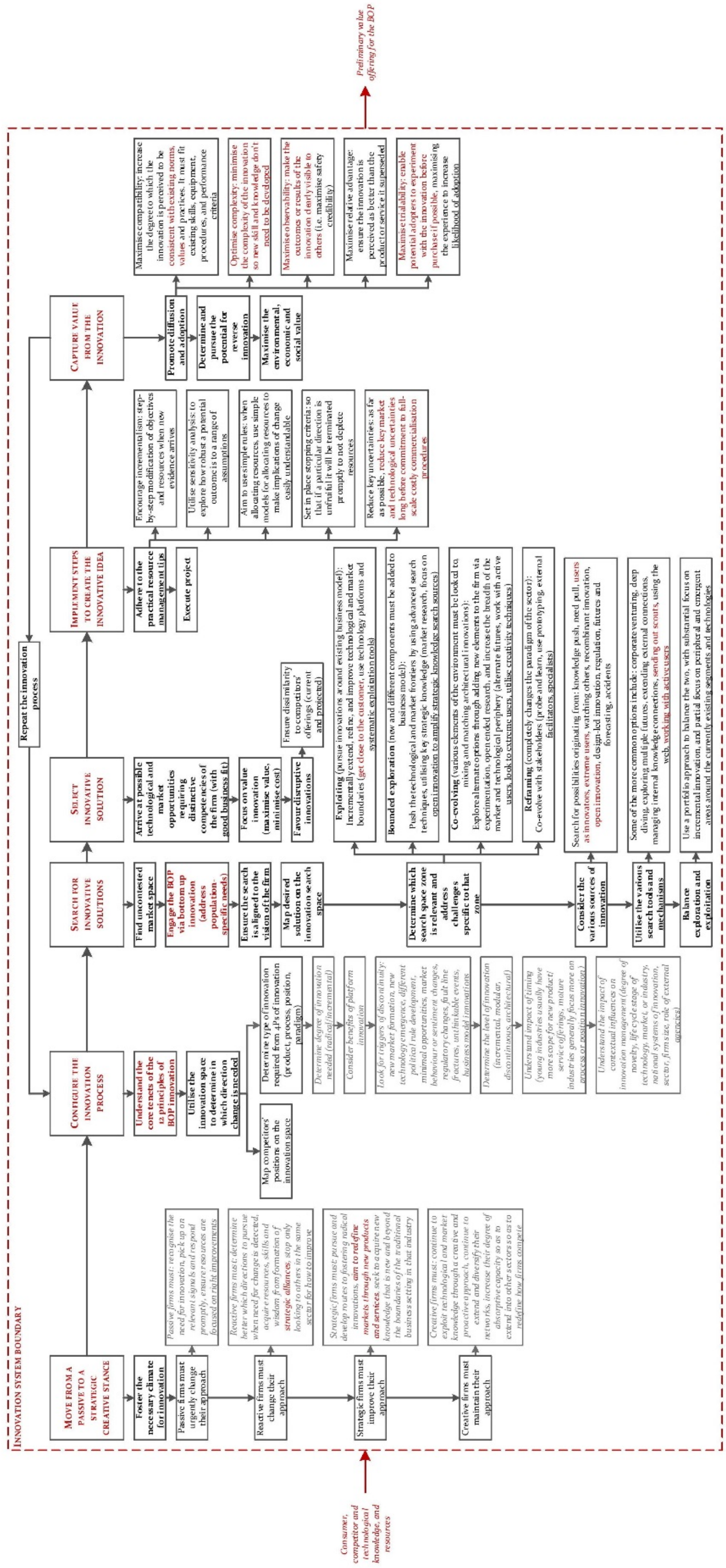


The BOS purposeful activity system

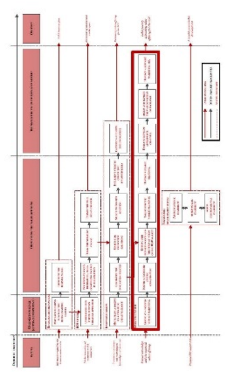


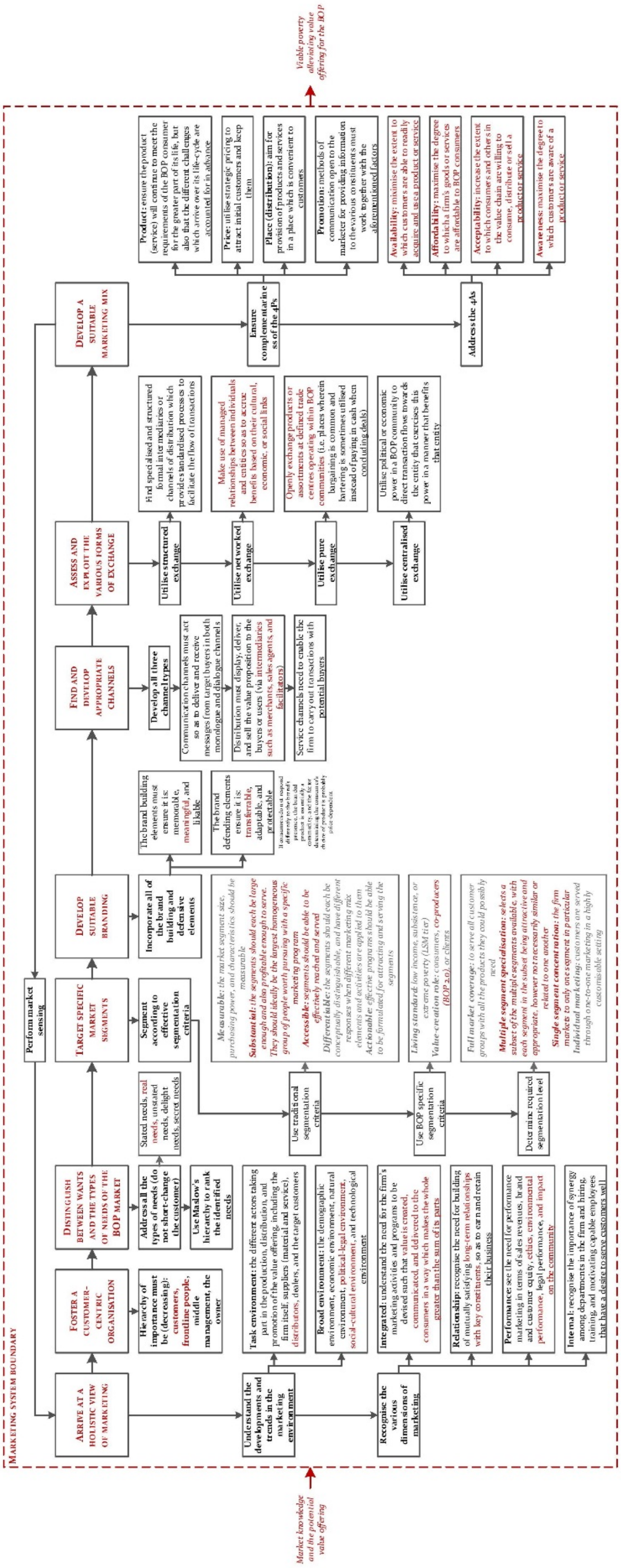
The innovation purposeful activity system

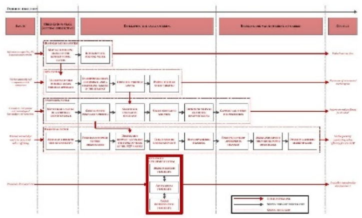




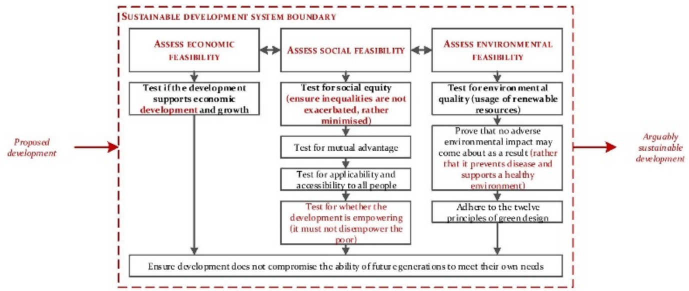
The marketing purposeful activity system



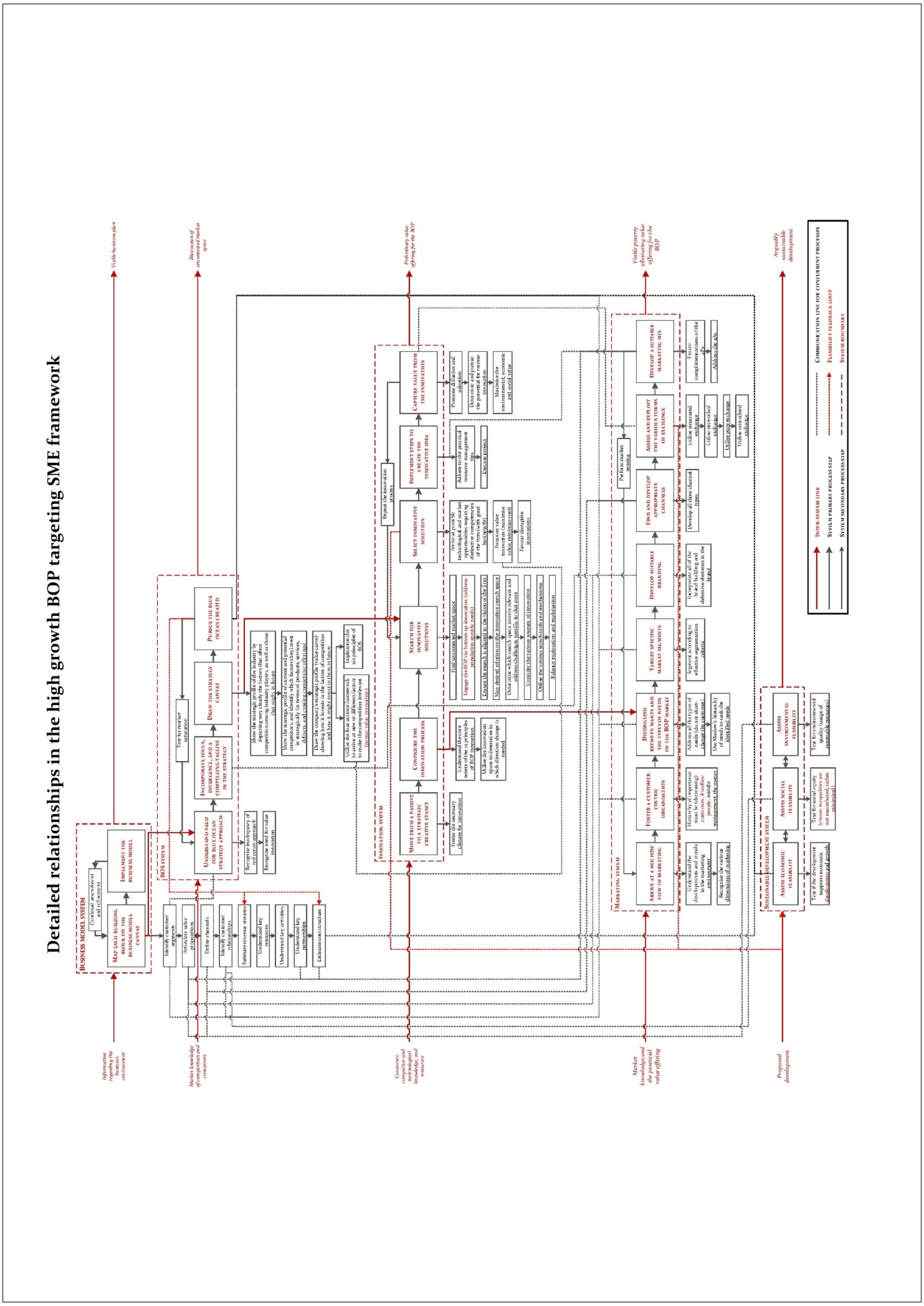


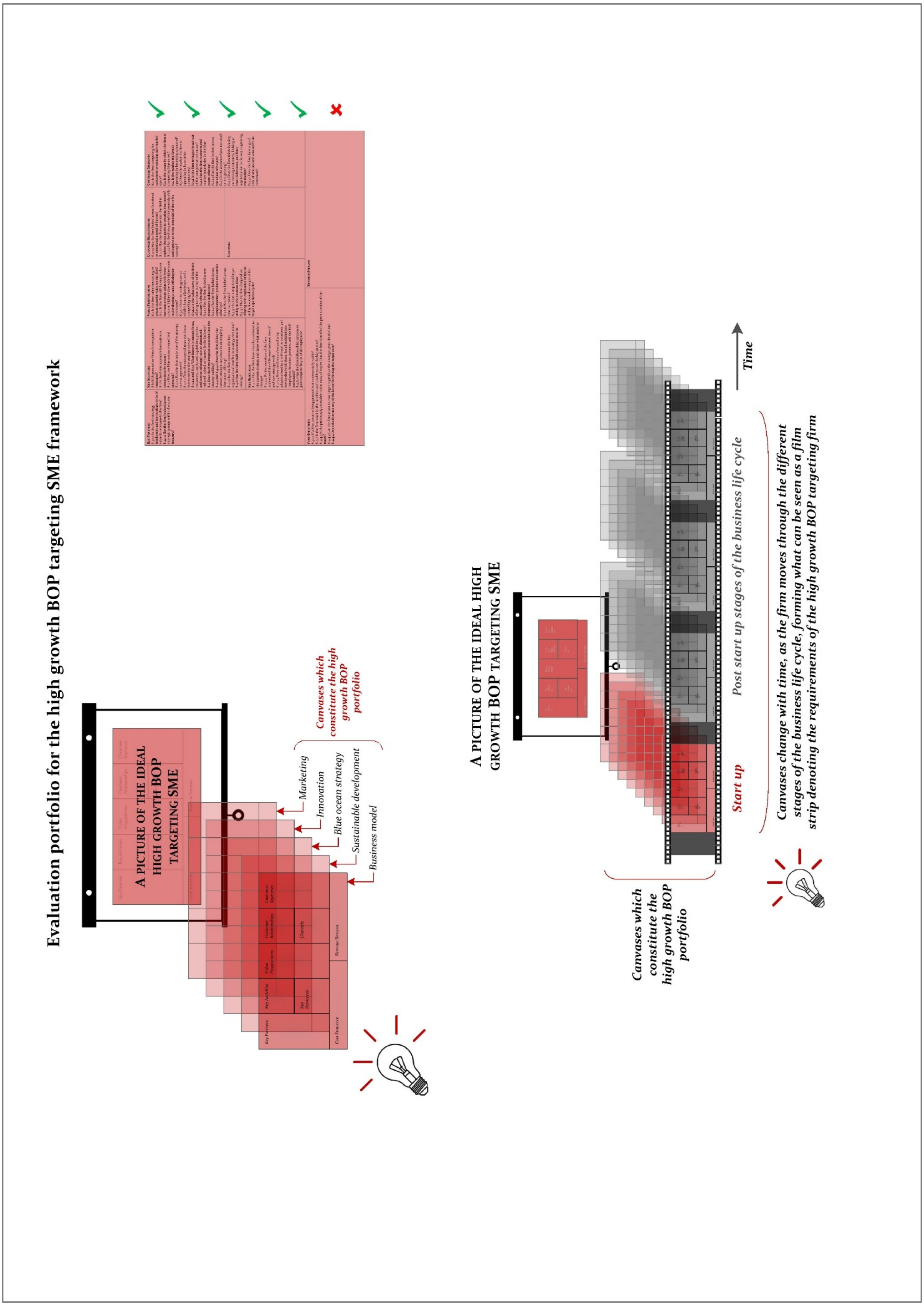


The sustainable development purposeful activity system



Appendix Q


Detailed relationships in the high growth BOP targeting SME framework


Evaluation portfolio for the high growth BOP targeting SME framework
A PICTURE OF THE IDEAL HIGH GROWTH BOP TARGETING SME
Marketing
Innovation
Blue ocean strategy
Sustainable development
Business model
Canvases which constitute the high growth BOP portfolio
A PICTURE OF THE IDEAL HIGH GROWTH BOP TARGETING SME
Start up
Post start up stages of the business life cycle
Time
Canvases which constitute the high growth BOP portfolio
Canvases change with time, as the firm moves through the different stages of the business life cycle, forming what can be seen as a film strip denoting the requirements of the high growth BOP targeting firm

Business model questions

General approach	
5.2	Is the business model employed by the firm uniquely developed for the BOP context, giving a clear plan of action?
5.2.1	Does the business model encompass all the functions of the business model, including articulating, identifying, defining, estimating, orientating, and formulating key factors for strategic firm action?
5.2.2	Are the goals of the business model pertaining to the customer, the value proposition, the way money is made, and how value is brought to the customer clearly shown?
5.3	Does the business model fully describe the core logic for the creation and capturing of value?
5.4	Does the business model provide complete understanding of the key areas (infrastructure, offer, customer, and financial viability) and building blocks (key partners, key activities, key resources, value proposition, customer relationships, channels, customer segments, cost structure, and revenue streams) of the business model canvas?
Customer segments	
5.4.1	When defining criteria for customers being from different segments, management must answer the following questions of the customers: Are they willing to pay for different aspects of the offer? Have they got needs which require and justify a distinct offer? Have they got substantially different profitabilities? Do they need to be reached through different distribution channels? Do they require different types of relationships?
5.6.1	Is the multi-dimensional nature of the BOP market clearly understood, and that it has to be segmented even more finely than in traditional upper tier markets?
Value propositions	
5.4.2	When developing value propositions, the following questions must be answered: What value does the company deliver to the customer? Which customer problems are the company helping to solve? Which customer needs are being satisfied? What bundle of products and services are being offered to each customer segment?
	Have the following routes to increasing the value proposition been considered fully: accessibility, brand/status, convenience/usability, cost reduction, customisation, design, ability to get the job done, newness, performance, price, and risk reduction?
5.6.2	Is it understood that traditional market value propositions cannot simply be reconsidered and repackaged for the BOP market, and that unique value propositions catering to the needs of the BOP must be developed, requiring an in depth analysis of the market to understand the customers?
Channels	
5.4.3	Determining which channels are best requires the following questions regarding channels to be answered: Via which channels do the customer segments want to be reached? How are the existing customer segments being reached? How are the company's channels integrated? Which channels work best? Which channels are most cost-efficient? How are the company's channels being integrated with customer routines?
	Have the following functions of channels been addressed in order to reach and communicate with customer segments in delivering a value proposition: the ability to purchase specific products and services, a means of evaluating the proposition, provision of post-purchase support, and a raised awareness of products and services?
5.6.3	Are the various means of accessing the BOP market, through both formal and informal communication, distribution, and sales channels well understood, and have the infrastructural difficulties been fully considered?
Customer relationships	
5.4.4	Defining customer relationships requires the firm to answer the following questions: What type of relationship does each customer segment expect the company to establish and maintain with them? Which relationships are already established? How costly are the relationships? How are the relationships integrated with the rest of the business model?
	Have all of the following relationship forms been considered in forming customer relationships: automated services, communities, co-creation, dedicated personal assistance, personal assistance, and self-service?
5.6.4	Has the unique customer profile of the BOP consumer been understood in terms of irregular income patterns, language and literacy diversities, frugal attitudes of consumers, and limited mobility, and furthermore has a relationship based on trust and transparency been developed with the target market?
Revenue streams	
5.4.5	In order to determine which revenue streams are most ideal for the specific market settings requires the following questions to be answered: For what value are customers willing to pay? For what value do customers currently pay? How do customers currently pay? How do or would customers prefer to pay? How much does each revenue stream contribute to the company's overall revenues?
	Is the possible impact of each of the following revenue streams clearly understood: advertising, asset sale, brokerage fees, lending/renting/leasing, licensing, subscription fees, or usage fees?
5.6.5	Is the low cash flow nature of the BOP market understood, and been catered for through minimising costs and maximising value, aligning firm profits with poverty alleviation and simultaneously empowering those at the BOP so as to gain lasting success in the marketplace?
Key resources	
5.4.6	Have the following questions been answered in understanding the key resources needed by the firm: What key resources do the company's value propositions necessitate? What key resources do the company's distribution channels require? What key resources do the company's customer relationships need? What key resources do the company's revenue streams demand?
	Have the different types of key resources been determined, including: financial, human, intellectual and physical resources?
5.6.6	Are the utilised resources both renewable and minimal so as to achieve sustainable development at the BOP, having been chosen based on a clear understanding of their availability, sustainability, and appropriateness?
Key activities	
5.4.7	Have the following questions been answered in terms of required key activities: What key activities do the firm's value propositions necessitate? What key activities do the firm's distribution channels require? What key activities do the firm's customer relationships need? What key activities do the firm's revenue streams demand?
	Have each of the following categories of activities been considered: platform/network, problem solving, and production?
5.6.7	Are the operational and managerial processes both repeatable and scalable, so as to allow for high growth to be achieved?

Key partnerships

5.4.8	Have the following considerations been taken into account in order to make sure the key partnerships necessary for success are in place: Who are the company's key partners? Who are the company's key suppliers? Which key resources are being acquired from partners? Which key activities are performed by the company's partners?
5.6.8	Has partnering with the BOP in order to achieve higher levels of success in reaching the BOP market been considered or implemented yet, shifting from a mind-set of BOP 1.0 to one of BOP 2.0?

Cost structure

5.4.9	Have the following questions been answered in developing the cost structure of the business model: What are the most important costs inherent in the company's business model? Which key resources are most expensive to the company? Which key activities are most expensive to the company?
	Is the firm trying to minimise costs through an understanding of the economies of scale, economies of scope, fixed costs, and variable costs?
5.6	Has sustainability been addressed in the financial viability area of the business model canvas?
5.6.9	Have low costs and prices been pursued above and beyond profits per transaction, looking to sales of volume to realise profits?
5.6.10	Has sustainable development been pursued, through minimising both social and environmental costs in conjunction with economic costs, so as to create lasting value for the poor?

Blue ocean strategy questions

General approach

7.2	Is BOS pursued over Porter's competitive strategies?
	Is the firm's approach innovative or competitive by nature?
7.3.2.1	Is the firm's strategy incoherent and too intricate to be of value for everyone in the firm?
7.4.2	Is the firm stuck in the numbers and unable to see the big picture?
7.4.2.1	Has the firm been visually awakened to the current strategy and know what needs to change?
7.4.6	Has the firm built execution into its strategy?

Customer segments

7.2	Is the firm competing for customers or creating new market space?
	Is the ocean in which the firm is competing blue or red?
	Is the market the firm is operating in becoming saturated?
7.3	Does the market the firm is operating in have other competitors?
7.3.2	Is the firm trying to break out of the competitive red ocean?
	How are blue oceans created and captured?
7.3.2.1	If a blue ocean is being pursued is it commercially viable?
7.4.1	Has the firm reconstructed market boundaries in the blue ocean offering?
7.4.1.1	Has the firm looked across alternative industries?
7.4.1.3	Has the firm looked across the chain of buyers?
7.4.1.5	Has the firm looked across functional or emotional appeal of buyers?
7.4.2.2	Has the firm gone into the field to explore the six paths to creating blue oceans?
7.4.3	Is the customer base too small or not growing?
	Does the firm think focusing on existing customers, looking at their differences, and finer segmentation is the way to growing the market?
7.4.3.1	Does the firm have a good idea of who are and who aren't its customers?
7.4.4 *and* 7.4.4.1	Does the firm follow the correct strategic sequence in developing a blue ocean offering?

Value propositions

7.3.1	Is the firm still having to choose between average value with lower costs or higher value with higher costs in developing a value offering for customers?
7.3.2.1	Has the firm made use of the strategy canvas approach?
	Does the strategy canvas exhibit focus, divergence, and a compelling tag line?
7.3.2.2	Does the managerial team know how to utilise the strategy canvas?
	Is the value curve of the firm's offering too close to that of the industry's offerings?
7.3.2.2 *and* 7.3.3	What factors (strategic focus, customers, assets and capabilities, product and service offerings) can be eliminated, reduced, raised, or created in the industry?
7.4.1.4	Has the firm looked across complementary product and service offerings?
7.4.4.2	Is there exceptional buyer utility in the business idea?
	Has the firm designed an offering with cognisance of the six utility levers and six stages of the buyer experience cycle?

Customer relationships

7.4.1.6	Has the firm looked across time i.e. trends?
7.4.2.3	Has the firm queried the general public and experts as to the potential of the to-be strategy?

Revenue streams

7.4.4.3	Is the price easily accessible to the mass of buyers (has the firm identified the price corridor of the mass)?

Key resources

7.4.2.4	Do the members of the firm understand the difference between the old and new strategy well?
7.4.6.1	Has the firm followed fair process to gain complete buy-in of all employees?

Key activities

7.2	Is the firm value innovating to create superior value for the firm?
7.4	Does the firm integrate execution into the strategy making?
7.4.4.5	Does the firm understand what adoption hurdles it will need to overcome, and how to deal with them, for all stakeholders (employees, business partners, and the BOP personnel)?
7.4.5	Has the firm overcome the key organisational hurdles to strategy execution?

Key partnerships

7.4.1.2	Has the firm looked across strategic groups within the same industry?

Cost structure

7.4.4.4	Can the firm attain its cost target to profit at the strategic price decided on?
	Does the firm use any of the levers for hitting the target cost?

Innovation questions

General approach	
8.2.1	Is the impact of the size of the firm on the management of the innovative efforts understood?
8.2.2	Is the way in which innovation is managed (regarding its impact on innovation effectiveness) well understood, and has the firm been progressing from a passive stance towards a strategic or creative stance?
8.4	Is it understood that innovations range from incremental to radical ones, requiring altogether different management approaches?
8.5	Has the firm got a good grasp on the steps of the innovation process, so that its innovative efforts are logical and repeatable?
Customer segments	
8.7.1	Has value innovation been utilised, whereby the focus of strategy is on expanding existing markets or creating new ones as opposed to beating the competition?
8.7.2	Have disruptive innovations been considered as a means of providing the BOP with products and services so as to increase the market share of the firm?
Value propositions	
8.2	Is the importance and need for innovative efforts well understood, for the bringing about of superior ideas and ensuring that the value proposition remains the best it can be for the target market?
8.3	Does the firm view innovation as the process by which new ideas are brought to reality and value is captured from them?
8.4.1	Is the innovative offering filling a new space on the innovation space which comprises of four distinct categories of innovation, including product, process, position, and paradigm innovations?
8.4.2	The following questions should be clearly answered by management as they provide managerial lenses through which innovative efforts must be viewed for successful implementation:
8.4.2.1	Is the required innovation radical or incremental in nature (or where in between)?
8.4.2.2	Has platform innovation been considered so as to allow for later derivatives to extend upon the basic features initially offered?
8.4.2.3	Has the current market scenario been assessed to see if discontinuous innovation may require a fundamental shift in the firm's direction or value offerings to remain in business?
8.4.2.4	Is component innovation, or architectural level innovation required in the new innovative offering?
8.4.2.5	Is the timing of the innovation with respect to the market conditions well understood, so as to determine whether to focus more or less on product or process innovation?
8.4.2.6	Have the contextual variables been considered in the development of the new innovative idea?
8.9.3	Have the following key attributes been promoted so as to increase the rate of diffusion and adoption of innovative value offerings:
8.9.3.1	Increased compatibility?
8.9.3.2	Lower levels of perceived complexity?
8.9.3.3	High degree of observability?
8.9.3.4	Greater relative advantage?
8.9.3.5	Enhanced trialability?
Customer relationships	
8.7.3	Has the firm innovated from the bottom up, by getting involved with people in the BOP at a local level?
Key resources	
8.9.2	Are managers prudent in the choice of direction and allocation of resources for innovative activities (i.e. incrementalism, sensitivity analysis, simple rules, stopping criteria, evaluation of different types of innovation, and the reduction of key uncertainties)?
Key activities	
8.6.1	Is there a balance between exploration and exploitation search activities within the firm?
8.6.2	Have each of the search tools and mechanisms been adequately considered in searching for alternative innovation sources?
8.6.3	Have the various zones and challenges which require the use of specific tools to overcome them been understood and prepared for in the innovation search space?
8.7	Have the various innovation strategies which have been shown to work at the BOP been understood and utilised in the business?
8.7.4	Have rich and extensive linkages with potential sources of innovation been built so as to maximise the impact of open innovation?
8.7.5	Has the firm adopted a reverse innovation approach wherein the firm develops solutions to specific problems at the BOP in such a way that they are potentially saleable in the higher tiers of the economic pyramid?
8.7.6	Have the constraints to innovation when operating in the BOP market been addressed using Prahalad's twelve principles of innovation?
8.9.1	Are the components commonly observed in successful innovative firms (including an appropriate structure, creative climate, effective team work, external focus, high-involvement, key individuals, a shared vision, leadership, and a will to innovate) exhibited in the firm?

Marketing questions

General approach	
9.3	Is marketing viewed as the set of activities and actions which identify and meet human and social needs by creating value for the customer, and then communicates it and delivers it to the target market?
9.3.1	Are both the task environment and broad environment well understood when assessing the market environment?
9.6	Has the marketing mix approach to marketing been utilised?
9.6.1	Has the four Ps framework been utilised as a strong point of departure for ensuring that a holistic marketing mix is brought to the customer, by taking into account:
9.6.1.1	The product (service)?
9.6.1.2	The price?
9.6.1.3	The place (distribution)?
9.6.1.4	The promotion?
9.6.1.5	Sustainability in each of the four Ps?
Customer segments	
9.5	Has the target market been arrived at via specific segmentation so as to arrive at a clearly defined and well understood target market?
9.5.1	Are the effective segmentation features of measurability, substantiality, accessibility, differentiability, and action ability exhibited in each market segment?
9.5.2	Has the level of segmentation been selected and evaluated from the following options:
9.5.2.1	Full market coverage?
9.5.2.2	Multiple segment specialisation?
9.5.2.3	Single segment concentration?

9.5.2.4	Individual marketing?
9.5.3	Has the BOP market been specifically broken down into the following segments so as to maximise the impact of the value offering:
9.5.3.1	Living standard segmentation (low income, subsistence, or extreme poverty)?
9.5.3.2	Value creation role segmentation (consumers, co-producers, or clients)?
Value propositions	
9.2.1	Is creating customer value the focus of the firm?
9.2.2	Is the firm developing solutions for customer wants (leading to possible exploitation) or all of the various customer needs (to eradicate poverty)?
9.2.3	Is the firm serving the most pressing customer needs first, starting from the base of Maslow's hierarchy of needs?
9.3	Is the aim of marketing to make the value offering so in line with what the customer wants that it basically sells itself?
Channels	
9.3.2	Has a holistic view of marketing been fostered, whereby the following is taken into account:
9.3.2.1	Integrated marketing?
9.3.2.2	Relationship marketing?
9.3.2.3	Multiple measures of performance?
9.3.2.4	Internal marketing?
9.3.3	Have the three broad ranging channel types been used to reach the target market, including communication channels, distribution channels, and service channels?
9.4	Have the following four types of exchange which occur at the BOP each been assessed as a possible means of interacting with the consumers:
9.4.1	Structured?
9.4.2	Networked?
9.4.3	Pure?
9.4.4	Centralised?

9.6.2.1	Has the four As framework been used to ensure the validity of the marketing mix strategy for the BOP market, by taking into account the availability of the value offering?
9.6.2.4	Has the four As framework been used to ensure the validity of the marketing mix strategy for the BOP market, by taking into account the awareness of the value offering?
Customer relationships	
9.6.2.3	Has the four As framework been used to ensure the validity of the marketing mix strategy for the BOP market, by taking into account the acceptability of the value offering?
Revenue streams	
9.6.2.2	Has the four As framework been used to ensure the validity of the marketing mix strategy for the BOP market, by taking into account the affordability of the value offering?
Key activities	
9.3.4	Have the six criteria for choosing brand elements been adhered to in developing a strong brand?

Sustainable development questions

Value propositions	
6.3	Is the need for social equity in society fully grasped?
Key resources	
6.4	Is it clearly understood that environmentally friendly development is vital in Africa, for the sake of the poorest?
	Do products and services adhere to the design criteria of the twelve principles of green design?
6.5	Is sustainable economic development a key attribute of the firm's operations, making optimal use of resources?
	Is the pursuit of economic growth by the firm only for profits or for aiding in poverty alleviation as well?
Cost structure	
6.2	Are there any measures of sustainability for business practices in place regarding the triple bottom line?
	Is the concept of sustainable development clearly understood?

Validation questions

1. Do you concur that each of the specified managerial subsystems are necessary for attaining sustained high growth at the BOP?

2. Are the concerns for the BOP well indicated?

3. In your opinion does the framework exhibit the essential features of a conceptual framework (i.e. an integrative role, interpretative capacity, delivered understanding, soft interpretation, indeterminism, constructability, multi-disciplinary nature)?

4. If correctly implemented, do you believe the framework will aid managers in attaining higher firm growth rates when targeting the BOP market?
   - 4.1 If not, wherein do you think the problem lies?
   - 4.2 In your expert opinion, is the framework both systemically desirable and culturally feasible?
   - 4.3 Do each of the purposeful activity systems rank satisfactorily against the measures of performance (regarding their efficacy, efficiency, effectiveness, and ethicality)?

5. Does the framework incorporate a feasible evaluation process for owners/managers to assess their stance regarding the ability to attain high growth at the BOP?

6. Would you be prepared to implement the framework in a BOP targeting firm under your control?

7. Do you recognise any aspects which you believe should be considered in implementing the framework?

References

South African Audience Research Foundation (2014)

South African Audience Research Foundation. 2014. [Online]. Segmentation Tools. LSM. Data. LSM Descriptions. Available: http://www.saarf.co.za/ [2015, August 12].

Eighty20 (2011)

Eighty20. 2011. [Online]. Overview of the Bottom of the Pyramid in South Africa (Latest Data). Available: http://insightout.eighty20.co.za/index.php?route=product/product&product_id=2030 [2015, August 13].

Nedbank Group (2011)

Nedbank Group. 2011. [Online]. JP Morgan Banking Seminar: Contextualising the Mass Market Banking Opportunity. Available: http://www.nedbankgroup.co.za/pdfs/corporatePresentations/2011_11_25-JPMorganBankingSeminar.pdf [2015, August 13].

Davidsson, Achtenhagen and Naldi (2010)

Davidsson, P., Achtenhagen, L., & Naldi, L. (2010). Small firm growth. *Foundations and trends in entrepreneurship*, *6*(2), 69-166.

Hölzl (2014)

Hölzl, W. (2014). Persistence, survival, and growth: a closer look at 20 years of fast-growing firms in Austria. *Industrial and Corporate Change*, *23*(1), 199-231.

Zook & Allen (1999)

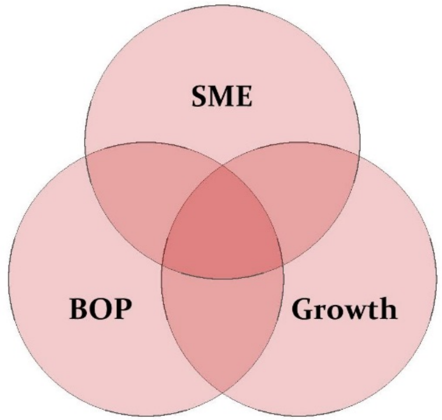
Zook, C., & Allen, J. (1999). The facts about growth. *New York: Bain and Company*.

Validation question 4.3

Strongly disagree	*Disagree*	*Neutral*	*Agree*	*Strongly agree*
1	2	3	4	5

- **Efficacy (E_1):** indicates whether the transformation provides the intended outcome
- **Efficiency (E_2):** indicates whether the least possible amount of resources is being used to implement the transformation
- **Effectiveness (E_3):** indicates whether the transformation helps to realize a more long-term goal (i.e. if it fits into a long-term strategy of the system)
- **Ethicality (E_4):** indicates whether the transformation is morally correct

System	**E_1**	**E_2**	**E_3**	**E_4**
Business model				
Blue ocean strategy				
Innovation				
Marketing				
Sustainable development				
Framework				



[Please indicate your area of expertise]

Name: ______________________ ***Signature:*** ______________________

Q.2 Summary feedback of focus interviews

The recurring themes in Table Q-1 were identified during the course of the focus interviews with experts.

Table Q-1 Recurring themes summary of the focus interviews

Recurring themes	**Key factors mentioned consistently**
Building trust and transparency in a win-win approach	Building trust and transparency is key for BOP relationships, from both sides
	There is a lot of distrust in the environment
	Building trust takes time
	Delivering on what you promise is pivotal, as one failure to do what you promise will sever the relationship's trust
	Once trust is lost, it is unlikely it will be captured again
	The BOP are loyal, yet difficult to sway, so providing clear benefits and maintaining their trust is crucial
	Changing the BOP's behaviour through gaining their trust is the only consistent way to make relationships effective
	Finding the right BOP partners and distributors can be achieved by vetting them with experts promoting the use of reputational capital to improve trustworthiness. It is important to vet distributors within the BOP via low-quantity, low risk testing phases which you can be used to determine their trustworthiness. Too much too quick can make it more beneficial for them to steal it. Little and often can make them realise it is a revenue stream
	Incentivising relationships is crucial:
	• Use in-kind gifts to incentivise relationships when entering the BOP to show commitment and make a trusting relationship by taking the first step
	• Honour is expensive at the BOP, it costs. It is cheap when all your primary needs are provided for, e.g. basic needs. So, you cannot expect much from BOP partners unless honour is made cheaper by giving them incentive to help. Otherwise it would be more to their advantage to act opportunistically
	• Providing incentive is key to gaining the involvement of the poor, as they can already access grants, so the benefits must outweigh other charitable causes
	• Changing the BOP's behaviour is crucial, requiring a lot of effort to get them out of their comfort zones. Incentive is crucial, norms must be taken into account, and benefits clearly seen to attract them
Pursuing profit to maximise impact via reinvestment	Don't think that social impact is not synonymous with gaining profits, because with that thinking enterprises will be hampered from developing something that can be scaled. The drive for profitable gain promotes efficiency and improvement. Social impact isn't maximised because a sale is profitable. It is how those profits are redirected that is what maximises the impact thereof, in whether the owner decides to scale up or not. Fundamental to making a profit is the creation of value. So, if an enterprise operates ethically in the BOP, a positive impact will be made with profits, because they will only buy what they value
	It is imperative to have a for-profit drive as it makes the most impact
	The interesting thing is that if a value offering was truly valued, the BOP would buy it and the enterprise would be profitable, so sometimes calling it a social enterprise can be detrimental in that it can result in an erroneous way of thinking that tends to try and push things on the BOP, forcing acceptance, when in actual fact what is needed is a better or altogether different offering. So, profitability is still the best indicator of success. The negative connotations of for-profit must not chase the entrepreneur away from making profits, as it is still the best indicator of true value creation
	Social in social entrepreneurship is just a buzz word as any business is going to have a social impact no matter what. Therefore, the whole sustainable development angle is really just to

Recurring themes	**Key factors mentioned consistently**
	attract partners in conventional markets with a civic duty in mind and when accessing money from lenders who want to alleviate poverty, etc.
	At the BOP, business is business, not something labelled social business. As the sustainable slant of business is more for marketing in upper tiers, it is imperative to build sustainability into your model, like with the BEE initiative, it enables companies to gain points and thus get more business opportunities, which brings about social equity as a result. The social benefit is attached to the real attractive part: more profits. Providing incentives is therefore key, as triple bottom line accounting is really just a buzzword
	Low profit margins make it such that high volumes need to be sold which requires a lot of acceptance in the community prior to bringing the product to market
	For start-ups, targeting upper tier markets initially to become profitable and only thereafter diving into the BOP when enterprises have the capacity to do so is oftentimes an effective strategy
	Key to growth is the concept of cascading responsibility, whereby the social entrepreneur moves from managing things to managing people
	Avoiding founder's syndrome is vital, as the enterprise grows it must be managed instead of run by the founder. This is a key hurdle faced by socially minded social entrepreneurs who want to take all the credit for their impact, generally speaking, who fear that sharing or delegating responsibility may result in them losing their hard-earned status or recognition
	Segmenting the market is even more important at the BOP as the profit from more affluent tiers can cascade down to lower ones making offerings more affordable to them
Developing innovative (and/or hybrid) business models	An idea is not a business, it may be of value, but must reach many people to do so, thus real value is created by developing an innovative business model. The crucial thing for success is execution
	Detailed business models are rare, and often not fully informed
	Business modelling and proven/provable economic sustainability is pivotal to accessing funds from third parties
	Ensuring long-term sustainability of a business model (looking across time-horizons) is impossible unless it changes as the community changes. As they are empowered, the approach needs to be changed as what incentivises them changes. Focusing on a momentary arbitrage is not sustainable
	Inventor and innovator are very different and often incompatible, innovative business modelling is necessary
	Hybrid models are useful, using money from upper tier markets to provide funding for entering into the BOP successfully
	If funding is necessary for a product, it almost always fizzles out, it is more sustainable to develop a functional business and innovate from there
	The lower the turnover per unit, the more imperative innovative business modelling becomes
Filling structural holes	Finding structural holes and filling them is key, but not promoting those that the enterprise is linking to bypass them is key and must be guarded against
	Linking BOP to the traditional markets is in itself a business
Having the right orientation towards funding	Key to staying afloat is making an economically sustainable, business minded social enterprise that is not dependent on outsiders or partners for funding, by arriving at a profitable solution early on and scaling it up
	Organically growing the business trumps seeking funding because it forces the enterprise to refine processes, innovate and minimise costs. Leaning on funding institutes is only ideal when all of that is already set up
	Foundations can be good sources of funding as they generally have little or no requirements for how it might be used, and they furthermore provide post-funding support
	Cross-sector solutions with the government are important as they enable government to improve efficiency and access funding more readily
	Venture capital, angel investors, and the like are worthwhile approaching for funding but only after a concrete plan is in place

Recurring themes	**Key factors mentioned consistently**
	TIA, IDC, and NRF are useful funders, however they take very long, as there is rarely a quick turnaround when money comes from government
	Adhering to BEE is crucial, and can provide access to funds, especially useful at the BOP (IDC, TIA, NRF, WESGROWTH)
	Sustainable development is a way of differentiating yourself from the mainstream to gain visibility, enabling you to access funds, if your business is all about sustainable development and you go to the right places
Maximising use of existing infrastructure	Key to effective business modelling is that infrastructure is necessary in addition to good value offerings, but scale can't be achieved without the infrastructure
	Marketing principles for upper tier markets are applicable at the BOP, all that is different is the channels that need to be tapped into
	It is important to foster demand from the front lines to effectively enter the BOP
	Building a pipeline, a value creation network, is what is crucial, not just selling a product
	Don't confuse adaptation with infrastructure. Solutions can be highly specific to certain communities (i.e. the specific goods and services), but the infrastructure must be kept consistent, utilising the raw channels in place as much as possible
	It is key to develop solutions that have already got clear delivery channels in place for reaching the customer
	Using BOP partners is crucial to bring down costs as they are in the community and therefore are perfectly positioned to make maximum impact regarding selling on goods and services, whereas an upper tier player must invest in infrastructure and a number of other costs need to be catered for to just get to the same starting place as a BOP partner
	Advertising is key for recognition to scale up and develop a stronger presence in the BOP
	Designing new channels is oftentimes necessary, but not every channel must be new
	SPAZA shops (homes with goods or services) are numerous and act as a good way of distributing goods, but only to very localised communities
	Marketing channels are imperative, but what is key is giving the BOP something physical to try out, maximising trialability, not advertising. A product in hand means so much more than an advert
Branding development	Brand building and marketing at the BOP is by default very expensive in comparison to when operating in traditional markets, and using sales representatives going door-to-door can actually be a very effective way of penetrating the high density urban BOP markets, unlike with upper tiers
	Maximising trialability is key, and clearly showing all of the benefits or features, as the BOP expect more from offerings and make use of the little they have to its full extent
	Above the line advertising must be used for brand building, and below the line for creating demand
Penetrating the market rapidly by finding tipping point influencers in the market	There does exist limited spending power, but if the BOP see influential others using the enterprise's offerings to makes their lives better, it is more likely noncustomers will adopt them too
	Finding people of affluence to sway others that regard them highly is imperative, i.e. tipping point influencers that can create a snowball effect
	Network theory is important, looking at people with sway, those who set the agenda and drive need down the chain of customers
	People in the BOP are even more connected, following social norms, so fostering adoption with key influencers is crucial
	Looking to tipping point leaders within the BOP is also key to accessing it, decentralising the approach, making the BOP partners answerable to one of their own as opposed to a privileged outsider. Of course, incentives must be given to those leaders
	Spreading costs and capitalising on one or two key people in the BOP to foster trust in the community is key, charging for use of the innovation to make it affordable, instead of getting them to buy the product. This allows them to access the value of it, but not have to purchase it, just its effects

Recurring themes	**Key factors mentioned consistently**
	The role of group think must be seen in the BOP, the herd-mentality of doing what others do (especially in an environment of need where higher order needs such as self-actualisation are not the focus), resulting in their actions being dictated by the group. This may be why it is key to scale rapidly, as the offering will either take off rapidly or not take off at all
Dealing with different perceptions of time and/or urgency	Strategy must be looked at in a very short cycle manner
	Upfront detailed strategies rarely survive contact with the BOP, so it is important to get into the market and see the need and infrastructure already in place and lacking
	Enterprises must not underestimate the time needed to develop relationships with the BOP, as they operate on a very different timescale
	Logistical problems are the most pressing due to lack of access, and time between contact with each distributor or seller in the BOP can represent a key challenge to overcome
	The time difference, needing immediate gratification makes the BOP's judgements different to conventional ones, therefore maximising the ability for the product to quickly show its benefits is necessary
	Dealing with the government on anything that is key to an enterprise's strategy is not ideal as they are nowhere near responsive enough
	Bigger companies (corporates) are relatively slow in general as partners, not responsive enough for certain things, but useful for scaling up and accessing capacity
	NGOs are similarly slow, and their structure is too hierarchical requiring across the board consensus before they can help. Therefore, it may be better to learn from them than to partner with them
	Motivating NGOs to be responsive in a timely sense is going to be difficult as they have a very different timescale that they are operating according to, with philanthropic approaches having a much more heart focus than the head focus of capitalist approaches
Using apt forms of governance	Utilising social regulation is key to success, putting consequences and rewards in place for exacting positive behaviour. Transparency enables others in the BOP's social groups to see if they did something wrong and thus curbs those actions, so the social forces at play are very strong.
	Social and cognitive governance is crucial with BOP partnerships
	Using a carrot and stick approach is key, make sure people do what they need to and meet deadlines and quotas (forced with a stick) and use carrots to incentivise them (i.e. rebates for hitting sales targets). Contracts therefore do play a role at the BOP, but the carrot approach is oftentimes much easier to effect
	Geographically, urban BOP markets are much easier to conduct traditional business in, whereas rural regions are much more difficult to enforce contracts in
	Equity deals when a social enterprise is still small will be quite harsh, so bigger organisations will use their sway to get what they want and this must be understood before getting into an undesirable agreement
	Contracts are always good and necessary, but enforcing them can be a nightmare regarding costs and time if a large enterprise acts opportunistically. So, it shouldn't be relied on too heavily. It is more ideal to put in place mechanisms to limit the likelihood of opportunistic behaviour occurring in the first place
	Ensuring partners have no other contracts that might inhibit their adherence to new ones with the enterprise is key
	Employment contracts must ensure restrictive trade, limiting employees' ability to leak sensitive information
	Termination clauses in contracts are imperative, i.e. no payment no service in a very prompt way. Important to address in the negotiation stages
Redefining value	Value offerings must be readily available, coming to the customer, instead of the other way around. Ensuring they are accessible, and ideally within walking distance (due to there being no formal and cheap transport) is key
	Localised solutions are imperative for maximally addressing issues
	Value can be maximised by sufficiently fine segmentation, focusing on geographical contexts within a particular area (risk and values), for community development, and thus

Recurring themes	Key factors mentioned consistently
	recognising the social, economic, spatial (geographic), and community cohesion aspects which all have risk and value attached to them. This way the enterprise can use the existing value (infrastructure too) to address the risk
	Determining the systemic relational aspects of each community's needs is key
Promoting certain product characteristics	Quality is critical as if something breaks, experience shows that it's unlikely another product will be purchased by that consumer again, and the highly connected BOP social network will kill possible for growth especially if it requires a high initial investment
	Modelling products for mass production from day one is key, as being able to attain scale is so crucial to success
	Very high volumes are needed for physical products, maximising penetration rapidly
	One must also ensure novelty before proceeding, because there is indeed brand consciousness at the BOP
	Being transportable and scalable across the country is key, key to which is using readily accessible resources that can be attained basically anywhere in the country
Arriving at new payment/cost options for BOP consumers	Pooling of finances when buying meaningful and useful products is indeed something the BOP communities are willing to do, but the advantages must be easily distributable among all paying for it
	It is important to deal with the BOP's low cash style, using other cashless approaches
	Various financing options are imperative due to low lump sums of money available in BOP
	Capitec is very useful as many of the BOP have an account, which makes paying the BOP partners much easier, leaving the logistics of putting the cash into the account up to the distributors, which spreads the risk and the responsibility
	It is possible to use the same price point as normal shops for BOP products and services as in upper tiers, but the advantage must be evident to the BOP, e.g. that they save money on not needing to commute and therefore can more conveniently access products and services from home
	Using alternate routes to foster adoption of value offering is key, such as renting and providing a service by having key BOP partners operate the product on behalf of BOP customers (e.g. expensive water filter with too high upfront investment, but operated by trusted partner in the BOP to earn him a living)
	The BOP will actually pay more than they are used to if the jump in value is significant enough
	Subsidising costs or adding extra incentives (e.g. by deducting the cost of fuel for a more expensive home cooking unit) can help move products that are a bit more expensive
	Providing BOP with products that they can run micro businesses with and sell on behalf of the enterprise promotes them taking care of the offering (securing and maintaining it), if it gives them continual value
	Cheap and sustainable are not necessarily always the same, e.g. too low a price point might make reaching the target market unaffordable, so enterprises must balance it to get into the market
	Cutting costs to provide cheaper offerings of the same quality is still key to capturing a significant BOP customer base
Engraining values in practices	Engraining organisational culture in best practices is indeed useful when employees have different fundamental values to the enterprise
	The BOP struggle to understand the limits of technology and therefore are not always the best entrepreneurs, especially not when left to create value on their own. Inclusive innovation must really mean fully inclusive, listening to and guiding BOP partners to be effective and contribute meaningfully
Dealing with unexpectedly key issues/tensions	Access is a huge hurdle, and the BOP are well connected, so they support one another more than outsiders, resulting in it being very difficult to win over customers without a firm trust having been established beforehand
	NPOs have oftentimes a high degree of infighting to deal with due to desire to own the positive impact, so it is important to be careful to maintain a professional, and not political role with them in alliances

Recurring themes	**Key factors mentioned consistently**
	Foreigners in the BOP generally work together to provide offerings sourced outside the country which afford them much better prices than can be arrived at locally, thus an understanding of the whole market eco-system is required before deciding to bring a product to market
	Losing contact with key BOP partners is a pressing issue, as they tend to change numbers and phones much more frequently, making regular contact with them a key difficulty when trying to be very responsive to demand
Partnering tips	Finding the right person, i.e. the champion in the right department, is key for forming partnerships with other large enterprises as the bigger they are, often the worse they are at implementing new strategies and adapting to the partnership
	Priorities among partners are different, and sometimes upper tier partners care more about the buzz words (social entrepreneurship), more so than the positive impact. Choosing partners wisely is therefore key
	Corporates as partners are not generally very good at assimilating knowledge unless it is very close to their core business
	For resource deficient enterprises, alliances are crucial for achieving scale
	Partnering with the BOP themselves, using their knowledge to generate traditional products that are more appealing to the market can be very useful, so inclusive innovation is indeed ideal
	The importance of social enterprises helping conventional private sector organisations enter into new markets is a strong selling point for alliances, but is only likely once the social enterprise has had some measure of success with the BOP market
	Start-ups must leverage their ability to do things very quickly, fail fast and fail forward, try something new tomorrow, which corporates cannot do, but look to gain from corporates' massive access to markets, which could provide scale for the entrepreneur overnight and effectively cut out years of growth by partnering strategically. This opens up revenue streams (shares in the enterprise) for the corporate and creates employment opportunities for the enterprise along with giving them the luxury of rapid development. However, they are likely to dominate any contract proceedings due to their significantly greater contributions, which may not be ideal for the enterprise
	There are multiple NGOs that are really just charities and are doing what the government should be doing, so finding the right NGO that has capabilities aligned to the social enterprise is important when forming a partnership with them
Differing paradigms	It is important to make sure that rating systems used in the BOP do not ostracise the very people they are designed to help (e.g. with a trust and transparency approach), as even within the BOP there exist hierarchies that exploit the less connected
	Understanding the psychological aspects/promotors of relational success are key to influencing the BOP. Knowledge makes very little impact on the BOP. What must be sought is to foster self-volition, an internal drive to better themselves
Resource management	Knowing when to stop pursuing an unfruitful direction is key. Pursuing something that seems like a good idea but that doesn't have a holistically arrived at business model backing it is never going to happen. In essence, even good value offering ideas are useless unless there is an innovative business model driving its development
	Utilising a lean approach with an iterative testing approach is necessary to keep costs down and not overcommit to risky choices
	Incremental resource allocation is key, as investing in every aspect before can be hugely costly when it is found that the offering isn't wanted
	An iterative approach of improvement and development whereby new alternate routes are found is key to steady growth attainment

Appendix R Survey of best practices in South African social enterprises

Please note that the survey was arrived at by eliminating any potential sources of overlap and incorporating the framework's primary requirements. The writing in red signifies those primary requirements that were incorporated into the others to shorten the survey. Furthermore, the codes in each of the tables of Appendices R.2.3 and R.2.4 are those used in the statistical analyses, and can therefore be ignored.

R.1 Email content

Dear [insert name],

Thank you so much for agreeing to participate in this study!

This survey is being used to gather information on the current climate of certain best practices in social enterprises operating in South Africa, and as such will be used to substantiate the findings of a doctoral dissertation funded by the National Research Foundation. The collective findings will present a clear picture of how much each best practice can be linked to the success or failure of an enterprise in attaining growth whilst generating a positive social impact in low-income population groups. The objectives of this study are threefold, namely to:

1. Determine the current state of social entrepreneurship in South Africa
   i.e. enterprise growth rate, sector, size, age, etc.
2. Rank the priority with which best practices are planned for in the social enterprises
   i.e. high priority, low priority, or not planned for at all
3. Understand the manner in which these best practices are implemented
   i.e. in an explicit way, an implicit way, or not implemented at all

This survey should take roughly 30 minutes to complete. Please be assured that the information gathered via this survey will be kept strictly confidential and will at all times remain completely anonymous. Furthermore, the information will not be used outside the scope of the research purposes listed in the above objectives.

Please follow the link below to start the survey:

https://www.surveymonkey.com/r/35HT8ZG

If you are interested in the findings of this study, please fill in your email address at the end of the survey and an executive summary will be shared with you upon completion of the study. If you know anyone who fits the criteria for participating in this survey, please be so kind as to fill in their email addresses at the end of the survey. We appreciate your involvement immensely!

For any enquiries, please contact Michael, the lead researcher, via email (16000293@sun.ac.za) or his private cell phone number (+27723445062).

Yours sincerely,

The Industrial Engineering Department

Stellenbosch University

Lead researcher: Michael van der Merwe

Supervisors: Prof SS Grobbelaar, Prof CSL Schutte, Mr KH von Leipzig

R.2 Survey content

R.2.1 CONFIDENTIALITY AGREEMENT

This survey gathers information regarding six best practices of social enterprises in their pursuit to alleviate poverty, namely:

1. Business modelling
2. Sustainable development
3. Business strategy
4. Innovation
5. Marketing
6. Strategic alliances

This information will be used to provide insight and credibility to a doctoral study on social enterprise growth in South Africa. None of the information gathered in this study will be linked to you personally. By completing this survey, you are acknowledging that you have read this, and are thereby consenting that we may use your information anonymously. No question is mandatory, and you are free to abandon the survey at any time should you feel uncomfortable with the questions.

It will take approximately 30 minutes to complete this survey. If you have any additional questions or information, please contact Michael, the lead researcher, via email (16000293@sun.ac.za) or his private cell phone number (+27723445062).

Your time and valuable input is greatly appreciated!

Lead researcher: Michael van der Merwe

Supervisors: Prof CSL Schutte, Dr SS Grobbelaar, and Mr KH von Leipzig

Department of Industrial Engineering

Stellenbosch University

R.2.2 DEMOGRAPHICS

1. Under which industry is your enterprise classified (according to the Standard Industrial Classification)?

- *[ACC] Accommodation and food service activities*
- *[ADM] Administrative and support service activities*
- *[AGR] Agriculture, forestry and fishing*
- *[ART] Arts, entertainment and recreation*
- *[CON] Construction*
- *[EDU] Education*
- *[ELE] Electricity, gas, steam and air conditioning supply*
- *[FIN] Financial and insurance activities*
- *[HUM] Human health and social work activities*
- *[INF] Information and communication*
- *[MAN] Manufacturing*
- *[MIN] Mining and quarrying*
- *[OTH] Other service activities*
- *[PRO] Professional, scientific and technical activities*
- *[PUB] Public administration and defence; compulsory social security*
- *[REA] Real estate activities*
- *[TRA] Transportation and storage*
- *[WAT] Water supply; sewerage, waste management and remediation activities*
- *[WHO] Wholesale and retail trade; repair of motor vehicles and motorcycles*
- *Other comment field*

2. What is your official position within your enterprise?

Comment box

3. How many permanent employees work for your enterprise?

Comment box

4. How many temporary employees work for your enterprise?

Comment box

5. How many employees work for your enterprise in total?

Calculation: add number of permanent employees to number of temporary employees

6. What size category is the SMME?

In accordance with standard industrial classifications and total employee count:

- *Micro*
- *Very small*
- *Small*
- *Medium*
- *Large*

7. In what year was your enterprise founded?

Comment box

8. What is the age of your enterprise in years in the year 2017?

Calculation: subtract year founded from 2017

9. What category best describes the current growth rate of your enterprise (i.e. this year's sales less last year's sales as a fraction of last year's sales)?

Dropdown options with Likert from 1 to 6:

- *[6] More than doubled (i.e. better than 106% per annum)*
- *[5] More than inflation (between 6% and 106% per annum)*
- *[4] In line with inflation (i.e. close to 6% per annum)*
- *[3] Definitely declining (i.e. between 6% and -44% per annum)*
- *[2] Less than half of previous year (i.e. worse than -44% per annum)*
- *[1] My enterprise was only founded this year*

10. For how many consecutive years has your enterprise experienced positive growth?

Dropdown options:

- *[1] 1 year*
- *[2] 2 years*
- *[3] 3 years*
- *[4] 4 years*
- *[5] 5 years*
- *[6] 6 years*
- *[7] 7 years*
- *[8] Over 7 years*
- *[0] Our enterprise has never experienced positive growth yet*
- *[0] Our enterprise is not currently experiencing positive growth but has done in the past*

11. Which roles do the poor undertake in the value creation process of your enterprise?

Multiple choice with more than one option:

- *Customers (i.e. benefiting from value offerings sold to them)*
- *Clients (i.e. customers receiving a professional service)*
- *Co-creators (i.e. strategic partners)*
- *Employees (i.e. being paid to work for the enterprise)*

R.2.3 GROWTH IMPACT AND MANAGERIAL DIFFICULTY

The following options are given for answering the questions on this page.

With regards to the impact each best practice has on growth:

Growth impact options [GI]	**Likert scale value**
We have not addressed this	1
Consistently negative growth impact	2
Costs usually outweigh benefits	3
Negligible growth impact	4
Benefits usually outweigh costs	5
Consistently positive growth impact	6

With regards to how difficult each best practice is to manage effectively:

Managerial difficulty options [MD]	**Likert scale value**
Not addressed	1
Trivial to manage	2
Easy to manage	3
Negligible difficulty	4
Difficult to manage	5
Complex to manage	6

12. Please rate both how you perceive the following best practices impact the growth of your enterprise and how difficult managing the best practices is:

Best practices	**Growth impact [GI]**	**Managerial difficulty [MD]**
Business modelling *in planning and amending the value creation process*	12BMGI	12BMMD
Pursuing sustainable development *to ensure social, economic, and environmental development trade-offs are managed*	12SDGI	12SDMD
Following a clear strategy *so as to keep one step ahead of competitors*	12STGI	12STMD
Collaborating with strategic alliance partners *to accrue maximum benefits for the firm*	12SAGI	12SAMD
Innovating *to improve existing value offerings and arrive at new offerings for maximum value creation for customers*	12INGI	12INMD
Marketing *to ensure that the value offering is brought to market in the right way so as to maximise market penetration*	12MAGI	12MAMD

R.2.4 IMPORTANCE AND ADEQUACY

The following options are given for answering the questions on this page.

To answer how much of a priority each concern is in terms of time given to its planning and regarded impact on enterprise growth (i.e. importance and urgency):

Priority level in planning [PL]	**Likert scale value**
Not planned for	1
Unimportant and not urgent	2
Unimportant but urgent	3

Important but not urgent	4
Important and urgent	5

To answer how well each concern is implemented in terms of the tools/structures/methods used when it is addressed (i.e. adequacy of the tools, structures, or methods used by management to ensure each is addressed):

Manner of implementation [MI]	**Likert scale value**
Not addressed at all	1
Not addressed practically	2
Addressed indirectly/implicitly	3
Addressed directly/explicitly	4

Business modelling (BM)

The business model describes the core logic for the creation and capturing of value

~ Zott and Amit (2010)

13. How well does your enterprise articulate its value propositions (i.e. how well do you describe the products and services that specific customer segments gain value from)?

Dropdown options with Likert from 1 to 4:

- *[1] Not described at all*
- *[2] Inadequately described*
- *[3] Adequately described*
- *[4] Very clearly described*

14. Please rate both the priority you place on planning for each consideration and the manner in which each consideration is implemented in your enterprise:

Action statements	**Priority level in planning [PL]**	**Manner of implementation [MI]**
Using business modelling as a tool for describing the core logic for creating and capturing value	14BM01PL	14BM01MI
**__Identifying customer segments__ that the enterprise aims to reach and serve*	14BM02PL	14BM02MI
^__Defining channels__ to understand how you reach and communicate with customer segments when delivering a product/service	14BM03PL	14BM03MI
∞__Identifying customer relationships__ the enterprise has with each customer segment	14BM04PL	14BM04MI
®__Estimating revenue streams__ by calculating the predicted revenues less costs to determine likely earnings and __estimating the cost structure__ by calculating and describing all of the costs that are incurred in operating the business model	14BM05PL	14BM05MI
__Determining key resources__ that are required to make the business model work (financial, human, intellectual, physical)	14BM06PL	14BM06MI
~__Identifying key partnerships__ that help make the business model work (i.e. the network of suppliers and partners)	14BM07PL	14BM07MI

Sustainable development (SD)

Development which ensures that it meets the needs (global economic, environmental, and social) of the present without compromising the ability of future generations to meet their own needs.

~ Brundtland (1987)

15. Please rate both the priority you place on planning for each consideration and the manner in which each consideration is implemented in your enterprise:

Action statements	**Priority in planning [PL]**	**Manner of implementation [MI]**
Practically addressing economic needs *of the poor*	15SD01PL	15SD01MI
Practically addressing social needs *of the poor*	15SD02PL	15SD02MI
Practically addressing environmental needs *of the poor*	15SD03PL	15SD03MI
®***Evaluating and promoting the long term economic feasibility*** *of the business plan (i.e. ensuring it generates a lasting profit)*	15SD04PL	15SD04MI
Evaluating and promoting the long term social feasibility *of the business plan (i.e. ensuring it impacts society beneficially)*	15SD05PL	15SD05MI
Evaluating and promoting the long term environmental feasibility *of the business plan (i.e. ensuring it is renewable)*	15SD06PL	15SD06MI

Strategy (ST)

A plan, method, or series of manoeuvres or stratagems for obtaining a specific goal or result.

~ Andrews and Roland (2012)

16. Which type of strategic stance would you say your enterprise exhibits the most:

- *[1] We do not follow any strategy per se*
- *[2] A competitive approach (developing better products/services to beat competitors)*
- *[3] A non-competitive approach (developing altogether new and different products/services to cut out competitors)*

17. Please rate both the priority you place on planning for each consideration and the manner in which each consideration is implemented in your enterprise:

Action statements	**Priority in planning [PL]**	**Manner of implementation [MI]**
Documenting a clear strategy *to obtain specific goals and results*	17ST01PL	17ST01MI
Outlining the strategic profile of the enterprise, industry, and current and potential competitors *(i.e. what is invested in, competitive factors/offerings, what may need to be invested in in future)*	17ST02PL	17ST02MI
Addressing key organisational hurdles *for optimal strategy implementation (e.g. motivational, resource)*	17ST03PL	17ST03MI
Determining competitive factors which can minimise or cut out competition *(i.e. eliminating and reducing factors the industry competes in to*	17ST04PL	17ST04MI

Action statements	**Priority in planning [PL]**	**Manner of implementation [MI]**
make cost savings, and creating and raising factors the industry hasn't offered yet to increase buyer value)		
Getting into the field and gaining first-hand experience *by seeing the value offering being used by the buyer/user, and actively communicating with buyers, suppliers, and co-creators*	17ST05PL	17ST05MI
Creating new demand (market space) for products/services *by looking to non-customers, whilst focusing on both the differences and commonalities among what buyers value*	17ST06PL	17ST06MI
α Following a step-by-step approach to strategy *by:*		
• *α maximising buyer acceptability when designing products/services;*	17ST07PL	17ST07MI
• *α ensuring affordability to the buyer by determining the right strategic pricing (then meeting the target cost);*	17ST08PL	17ST08MI
• *α ensuring accessibility (and availability) of value offerings to buyers, and;*	17ST09PL	17ST09MI
• *α increasing awareness of buyers and fostering adoption with key stakeholders by designing adequate means of promotion*	17ST10PL	17ST10MI

Strategic alliances (SA)

Strategic alliances are purposive strategic relationships between independent firms that share compatible goals, strive for mutual benefits, and acknowledge a high level of mutual dependence.

~ Mohr and Spekman (1994)

18. Please rate both the priority you place on planning for each consideration and the manner in which each consideration is implemented in your enterprise:

Action statements	**Priority in planning [PL]**	**Manner of implementation [MI]**
Forming strategic alliances *to accrue mutual benefits (resource access, synergies, lower costs) from organisations with compatible goals*	18SA01PL	18SA01MI
~Searching for potential partner(s) *by:*		
• *~actively seeking alliance partners in the social sector (e.g. NPOs, local communities);*	18SA02PL	18SA02MI
• *~actively seeking alliance partners in the private sector (e.g. private businesses including social enterprises), and;*	18SA03PL	18SA03MI
• *~actively seeking alliance partners in the public sector (e.g. government, state-owned enterprises)*	18SA04PL	18SA04MI
Ranking and selecting a suitable partner *by weighing their relative pros and cons and choosing the most complementary one*	18SA05PL	18SA05MI
Defining rights and duties when designing the alliance *by forming a contract and negotiating accordingly (e.g. negotiating payments in contracts, length of contracts, resource specificity, negotiation costs, maximising bargaining power)*	18SA06PL	18SA06MI
Closely monitoring/managing the alliance throughout its life span *by:*		
• *developing clear methods of communicating and coordinating with partners (engagement spaces);*	18SA07PL	18SA07MI
• *gaining access to (complementary) resources of partners;*	18SA08PL	18SA08MI
• *gaining access to complementary contextual knowledge of partners;*	18SA09PL	18SA09MI

Action statements	Priority in planning [PL]	Manner of implementation [MI]
• *establishing routines for the co-creation of knowledge with partners;*	18SA10PL	18SA10MI
• *outlining procedures for managing intellectual property (IP);*	18SA11PL	18SA11MI
• *addressing cultural differences between partner firms (e.g. values, goals);*	18SA12PL	18SA12MI
• *acting so as to minimise risk and opportunistic behaviour of partners (e.g. protecting proprietary assets, being clear about objectives to avoid incompatibility and performance risks, etc.);*	18SA13PL	18SA13MI
• *acting so as to promote trust with/between alliance partners;*	18SA14PL	18SA14MI
• *gaining increased social status in the public eye through association with partners;*	18SA15PL	18SA15MI
• *enhancing relationship building with select communities by taking advantage of the partnership;*	18SA16PL	18SA16MI
• *safeguarding against the key competencies of the firm being undermined by or through partners, and;*	18SA17PL	18SA17MI
• *ensuring transaction costs are minimised as a result of the partnership*	18SA18PL	18SA18MI
***Evaluating the alliance** to determine if it should be renewed, renegotiated or terminated*	18SA19PL	18SA19MI

Innovation (IN)

Innovation can be seen as the process by which new ideas are turned into reality and existing offerings are improved, maximising the value created by and captured from them.

~ Anonymous

19. Which innovation stance does your enterprise exhibit?

Dropdown options with Likert from 1 to 5:

- [1] Non-existent (the enterprise does not have any detailed approach to managing innovation at present)
- [2] Passive (the firm tends to pick up on the relevant signals whilst ensuring resources are focused on the right improvements)
- [3] Reactive (the enterprise recognises in which direction change is most needed when they detect the need for change, and form strategic alliances to aid in these changes)
- [4] Strategic (the enterprise pursues and develops routes to fostering radical innovations so as to redefine markets, seeking knowledge which is new and beyond traditional industry boundaries)
- [5] Creative (the enterprise exploits technical and market knowledge, so as to extend and diversify networks into other sectors and change how organisations compete)

20. Please rate both the priority you place on planning for each consideration and the manner in which each consideration is implemented in your enterprise:

Action statements	Priority in planning [PL]	Manner of implementation [MI]
***Innovating to bring about new ideas and improve existing offerings** so as to maximise the created and captured value*	20IN01PL	20IN01MI
***Determining what is needed** and outlining parameters to guide the innovation search process (e.g. setting search boundaries wrt if*	20IN02PL	20IN02MI

Action statements	**Priority in planning [PL]**	**Manner of implementation [MI]**
product/process/position/paradigm innovation is needed; identifying triggers of discontinuity; industry maturity impact)		
Generating ideas through searching for innovative solutions *to social problems by:*		
• *utilising multiple sources of innovation (e.g. users as innovators, design-led innovation, forecasting, etc.) and various search tools and mechanisms (e.g. working with alliance partners, sending out scouts, deep diving, etc.);*	20IN03PL	20IN03MI
• *engaging with the poor from the bottom up and developing solutions together*	20IN04PL	20IN04MI
Ranking and then selecting the top innovative solution *which is ideally: disruptive to existing norms; requires distinctive competencies of the enterprise, and; dissimilar to offerings of competitors*	20IN05PL	20IN05MI
Developing a high quality innovative solution *by:*		
• *encouraging incrementalism when developing innovative solutions (step-by-step modification of objectives and resources when new evidence arrives);*	20IN06PL	20IN06MI
• *setting in place stopping criteria so as to terminate too costly/unfruitful ideas early on;*	20IN07PL	20IN07MI
• *testing the robustness of proposed solutions to a range of assumptions, and;*	20IN08PL	20IN08MI
• *reducing risk (key technical and market uncertainties) before committing to full-scale commercialisation procedures*	20IN09PL	20IN09MI
Capturing maximal value from the innovation *by:*		
• *maximising compatibility (consistency) with existing norms and values of the buyer/user when designing innovative solutions;*	20IN10PL	20IN10MI
• *minimising the need for new skill and knowledge to be developed before user is able to use it/benefit from the innovative solution;*	20IN11PL	20IN11MI
• *making outcome/results of innovation clearly visible to buyer/user, and;*	20IN12PL	20IN12MI
• *enabling potential adopters to experiment with the innovation before investing*	20IN13PL	20IN13MI

Marketing (MA)

Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.

~ Keefe (2013)

21. Please rate both the priority you place on planning for each consideration and the manner in which each consideration is implemented in your enterprise:

Action statements	**Priority in planning [PL]**	**Manner of implementation [MI]**
Marketing to ensure the creating, communicating, delivering and exchanging of value offerings *for customers, clients, partners and society*	21MA01PL	21MA01MI
Fostering a customer-centric enterprise *by focusing on customers first and foremost, then frontline people, and then middle management*	21MA02PL	21MA02MI
****Targeting and learning more about specific market segments*** *by:*		

Action statements	**Priority in planning [PL]**	**Manner of implementation [MI]**
• **using traditional segmentation criteria (i.e. measurable, substantial, accessible, differentiable, and actionable);*	21MA03PL	21MA03MI
• **using low-income market segmentation criteria (i.e. living standard (low-income, subsistence, and extreme poverty) and value creation role (consumers, co-producers/creators, or clients));*	21MA04PL	21MA04MI
• **choosing a suitable segmentation level (i.e. full market coverage, multiple segment specialisation, single segment concentration, or individual marketing), and;*	21MA05PL	21MA05MI
• *∞identifying customer relationships the enterprise has with each customer segment*	21MA06PL	21MA06MI
Developing suitable branding *(memorable, meaningful, and likeable)* ***and brand management capability*** *(transferrable, adaptable, and protectable)*	21MA07PL	21MA07MI
*^**Finding existing and developing new channels** for communicating (messages to and from target buyers), distributing (value propositions that display, deliver, and sell them to buyers/users), and servicing (transactions with potential buyers)*	21MA08PL	21MA08MI
Exploiting multiple forms of exchange *including structured, networked, pure, and centralised exchange (e.g. using standardised processes, social links, trade centres, and political influence respectively)*	21MA09PL	21MA09MI
*α **Developing a suitable and realistic marketing mix** by:*		
• *α testing that products/services are developed to be acceptable to buyers;*	21MA10PL	21MA10MI
• *α testing that pricing is set to be affordable to buyers;*	21MA11PL	21MA11MI
• *α testing that placement is chosen to be accessible (available) to buyers, and;*	21MA12PL	21MA12MI
• *α testing that promotion means are designed to increase awareness of buyers*	21MA13PL	21MA13MI

R.2.5 OTHER

In conjunction with the best practices just addressed, which other business practices would you attribute to the ability of a social enterprise working with the poor to attain consistent growth (e.g. performance based incentives, access to financial capital, etc.)?

Comment box

Furthermore, it would be greatly appreciated if you could please kindly forward the names, contact details, or website links of any social enterprises you know of that have positively impacted the lives of poor South Africans:

Comment box

If you are interested in the findings of this doctoral study, please provide your email address in the comment box below and an executive summary of the findings will be sent to you as soon as it is completed:

Comment box

Thank you for your time and help in making this study valuable to social enterprise development in South Africa!

Appendix S Chapter summaries

In the proceeding sections is a snapshot of the main findings of each chapter.

S.1 Chapter 1 – Introduction

The first chapter took a look at the historical backdrop against which enterprises in South Africa operate. Due to high levels of inequality which are pervasive across the country, poverty is exacerbated and the traditional role players in terms of poverty alleviation have been shown to be inadequate to the task, resulting in the development of innovative BOP approaches (i.e. BOP 1.0, 2.0, and 3.0). Subjective approaches look at maximising individual utility at the BOP, whereas objective approaches are more welfare orientated. FPOs, including SMMEs are ideally suited to addressing both the physiological and sociological needs of the BOP in a subjective manner, due to a number of factors, the most important of which are their inherently higher skill sets and their greater entrepreneurial drive to arrive at new solutions to old problems profitably in a shorter time period. To aid enterprises in this, BOP literature has progressed steadily towards a holistic, inclusive approach that utilises open innovation and cross-sectoral partnerships to scale up and maximise positive impact in the lives of the poor.

On the for-profit side, SMMEs are particularly ideal in that they account for a huge share of the overall jobs created in the country, and when they create value for the BOP market it is basically killing two birds with one stone, i.e. alleviating poverty and promoting economic development. Of course, not all SMMEs contribute equally to the sustained job and value creation which South Africa's economy needs, and for this reason it was deemed necessary to look specifically to high growth enterprises. This is mainly due to the fact that high growth enterprises account for a disproportionately large share of the jobs created in the economy (locally and abroad), and high growth is the most common measure of enterprise success. Due to the advantages which high growth brings about, it is well studied and has a comprehensive literature base from which to draw arguments as to what separates high growth enterprises from low growth ones. By arriving at this conclusion, it was determined that what is necessary for the engineering focus of this study is a framework that integrates a set of factors which promote high growth, ensuring their applicability to the BOP context. To end the introductory chapter, the main research question and research sub-questions were set up. Simultaneously, the scope of the study was demarcated via the limitations and delimitations.

S.2 Chapter 2 – Research design

In the research design chapter, the SSM approach was defined in detail. SSM was chosen due to its popularity in solving social problems without any single cause per se. Furthermore, it provides the researcher with a tried and tested means of developing models and validating them, both of which were extremely useful in developing the framework, which is the main aim of this study. The process begins by defining root definitions of key systems pertaining to the SMME (the primary system), which are the high growth factors and sustainable development for the purposes of this study (the subsystems). The framework which is a culmination of these systems is then iteratively developed via conceptual models which express the way these systems work, the shape of which is primarily influenced by the findings of an in-depth literature review and a three-pronged validation approach that utilises SSM's proven measures of performance. The process ends by defining feasible and desirable changes that can be made to address the problem situation, along with actions to achieve this. These final considerations are addressed in Chapter 14.3.

S.3 Chapter 3 – Base of the Pyramid market

Though it is well established and widely accepted that the BOP market in many developing countries is a profitable market for entrepreneurs to enter, this was confirmed through reviewing the literature and facts about South Africa's BOP in particular, looking at both its size and increasing spending power over the last few decades. The BOP market was then divided into fundamental segments which give SMME owners a better idea of what they are up against if they decide to tackle the BOP market. The determinants of poverty in addition to the minimal and erratic spending power of the market was then addressed, to gain an understanding of the type of environment that exists around communities in the BOP. In order to dispel any myths regarding the BOP market, its critical dimensions were then revealed, which show that many of the upper tier populations' assumptions regarding the BOP are inaccurate at best. The BOP values many things which are not often associated with the poor by the upper tiers. The existence of impediments to enterprise action was then addressed, so as to minimise any risk that the SMME owner or manager might unknowingly fall prey to.

S.4 Chapter 4 – SMMEs and social entrepreneurship

To ensure the legitimacy of the job creation capacity of SMMEs, multiple articles and reports were found with evidence supporting that they do indeed generate a substantial proportion of the jobs in South Africa. Beyond this, the Minister of Development, Ms Lindiwe Zulu, has called upon SMMEs to lead the country forward in developing its full economic potential so as to minimise poverty, unemployment, inequality, and maximise development. In moving the country out of its efficiency driven status to a more innovation driven one, the role of SMMEs was determined as being pivotal.

After establishing the need for a growing SMME sector, the SMME was defined formally according to the various sectors. SMMEs exhibit a number of features which make them suitable to the task of development, especially at the BOP. These include their geographical pervasiveness, job creation capacity, contribution to economic development, greater economic flexibility, resilience, skill development ability, and lastly their socio-economic transformation capacity.

With a good understanding of what SMMEs can do, it was then necessary to look to the ideal orientation for SMMEs. For this, entrepreneurship became the focus. Out of the three types of SMME types, including those which are survivalist, proprietorial, and entrepreneurial, the entrepreneurially oriented enterprises were shown to historically have the greatest potential for attaining high growth. The core of entrepreneurship was determined as the manner in which entrepreneurs are able to find opportunities and thereafter exploit them.

Of particular interest to this study was the notion of social entrepreneurship, which is much better suited to the BOP, as operating at the BOP has an intrinsic social element which is unavoidable if one wishes to operate there. Social entrepreneurship was thus determined as being different from purely commercial entrepreneurship in that it requires a different mission, view of opportunity, value proposition (for real wealth creation), and mode of resource deployment. Regarding their mission, social entrepreneurs seek to make a positive social impact, above and beyond immediate profits, although not without a strong drive for profits. This requires huge reinvestment in the business in the start-up phase, so as to enable the business to grow and scale its impact. The opportunity in the BOP market must be the driving force behind the actions of social entrepreneurs, not the idea of financial gain. Financial gain should be financial reinvestment, and is necessary to grow the enterprise. Value propositions of social entrepreneurs need to be affordable and create wealth for the BOP if possible, so as to increase their spending power, thus empowering them to rise out of poverty. Value is therefore best measured in terms of the positive impacts on the BOP society in conjunction with the traditional counting of profits measure. Resources are much scarcer in the BOP, and it may be more difficult to secure funding when operating there due to traditional views of the poor. This needs to be taken into account, even in terms of sales, which should aim to increase volume and reduce costs so as to realise profits at scale in a rapid fashion. In essence, the role of the social entrepreneur is to directly arrive at a new equilibrium in the market which is sustained and positive in nature.

It was determined that key to growth is thus a for-profit approach as opposed to a not-for-profit one when entering the BOP market. For-profits are advantageous in that they promote efficiency and innovation, leverage scarce public and philanthropic resources, respond more quickly to demand, and exhibit improved accessibility to skilled personnel, as they have the means to compensate them for their efforts. This concluded the chapter on SMMEs and social entrepreneurship.

S.5 Chapter 5 – Enterprise growth

High growth enterprises were defined according to their traditional measures, which are multiple and varying in nature. Due to both the multimodal nature and range of measures used to measure high growth, no specific quantitative measure was utilised per se, but rather a qualitative approach was employed when determining the factors which promote high growth. This was deemed acceptable as no single measure of success can really be defined as true success. Either an enterprise is profitable or not, and if it is profitable, any measure used in the multitude of articles that is above average sufficed. The aim of this research was never to arrive at a deterministic means of attaining a specific growth rate, but rather to promote growth through adherence to best practices determined through a comprehensive and systematic literature review.

The method of determining the high growth factors was iterative in nature, looking at both the citation count and the degree of linkage to other high growth literary works when ranking the importance of each of the high growth factors. Papers were adjusted according to their age so as to minimise the Matthew Effect, wherein older works are misrepresented due to their advanced age.

After following the systematic literature review process, a number of ranked high growth promoting factors were arrived at. These factors were clustered into the following four groups:

- **Founder characteristics:** leadership qualities; team size; relevant industry experience; level of education; entrepreneurial experience; entrepreneurial orientation, and; breadth of professional and social network
- **Enterprise attributes:** size and age; legal form; geographic location and expansion; industry life cycle stage and market environment; access to financial capital; organisational structure; vision, mission, and communication, and; commitment to and motivation for growth
- **Business practices:** strategy; strategic alliances; business planning; marketing capabilities; international sales; acquisition; creating unique value for customers, and; innovation
- **Human resource management:** human capital, and performance based incentives

In determining which ones fell within the scope of this study, eight factors remained: strategy, business planning, marketing capabilities, innovation, strategic alliances, size and age, accessing financial capital, and creating unique value for customers. The last three factors just listed were incorporated into the study, though not focused on in as much detail due to the reasons set out in Chapter 5.5.2.

An additional area of importance which was not included in the high growth literature findings, which was determined as being imperative to enterprise action at the BOP is that of sustainable development. For this reason, it was also included in the factors which constitute the framework.

S.6Chapter 6 – Business modelling

Fundamental to any business is its planning technique. The advantage of Osterwalder's business model canvas approach deemed it as appropriate for SMMEs targeting the BOP. It is a comprehensive approach to planning which uses visual aids to make the functional sections of the enterprise more easily understood. By breaking down the business into four areas which are made up of the nine basic building blocks, an SMME can plan for growth by tackling each of the primary areas of the business. The areas and associated building blocks are as follows:

- **Customer:** customer relationships, channels, and customer segments
- **Offer:** value proposition
- **Infrastructure:** key partners, key activities, and key resources
- **Financial viability:** cost structure, and revenue streams

Each of these nine building blocks needs to be addressed uniquely. It is imperative when operating at the BOP to take note of key considerations which are vital to success. These considerations are not generally necessary or applicable in traditional market tiers.

First off, it was determined that for success at the BOP, customer segments must be scalable and transportable across countries, languages, and cultures. Channels need to be defined which allow for market penetration, ideally formed through extensive networking with the BOP and through utilising infrastructure which already exists. Customer relationships must be fostered which maximise trust, transparency, and the 4As of marketing. The BOP must not only be seen as customers/consumers, but also as communities, co-creators, suppliers, distributors, and potentially employees.

The value proposition must be articulated such that it more adequately answers the various types of needs which exist at the BOP. The proposition should create value for the BOP customer, and increase their spending power. Brand and status are important for the BOP, including multiple other characteristics of the ideal BOP value proposition: usable, robust, low cost, low maintenance, ability to get things done, risk reduction, convenience, and accessibility.

Key resources need to be attained which are renewable, and can be regenerated. Key activities for the BOP must increase local embeddedness of the enterprise, be scalable and repeatable, and strengthen the entire value chain. Key partnerships must be formed in conjunction with the relationships with the consumer at the BOP in an inclusive manner, which as mentioned requires potentially seeing them as co-creators and partners. Other key partnerships include those with NFPOs which have been operating in the market for a longer period of time, and from whom knowledge and wisdom can be gleaned.

In estimating the revenue streams of the business, ways of minimising the money required by the BOP per transaction must be thought out, looking to building long-term relationships whereby achieving scale at low profit margins is seen as the route to lasting profits. Lastly, the cost structure must maximise value while minimising costs, so as to capture as large a market as possible. Economies of scale can also help reduce costs.

S.7Chapter 7 – Sustainable development

Sustainable development was found to rest on the three pillars of social, environmental, and economic sustainability. Growth for the sake of growth can lead to poverty exacerbation, and end up worsening the lot of those in the BOP. It is therefore imperative that development is arguably sustainable in all three spheres.

Only through sustainable development will lasting positive impacts be made in the BOP. Due to the sheers size of the BOP, purely replicating upper tier practices in the BOP would cripple the environment. This necessitates a new resource savvy approach. Socially, inequalities are one of the leading reasons for the difficulty of the poorest escaping their lives of poverty. By ensuring socially sustainable development, the enterprise can promote empowerment of the BOP, effectively giving them a voice. Economic sustainability is also crucial for the enterprise as just discussed, making sure that it turns over enough profit to continue growing and developing new and improved solutions to BOP problems.

S.8Chapter 8 – Business Strategy

With respect to business strategy, BOS was determined as the ideal strategy to follow when entering the BOP market. As it is largely an uncontested market space, it is more akin to treading new ground, unlike the competitive red oceans of the traditional markets wherein competition is rife. BOS basically looks to value innovation to create increasing levels of buyer value whilst simultaneously minimising costs. A practical approach to creating blue oceans of uncontested market space using the strategy canvas was reviewed. The strategy canvas approach is advantageous in that it is clear and simple, enabling the owners and managers to clearly portray the direction the enterprise is headed in to stakeholders.

It was seen that by incorporating focus, divergence, and a compelling tag line, an effective strategy can be arrived at. It is imperative to focus on a clear goal and specific competitive factors in line with the competencies of the enterprise. In order for the enterprise to define its own ocean, it must be divergent from existing value offerings from other enterprises operating in the BOP. Lastly, a compelling tagline enables the enterprise to convey a clear message about its intentions, promoting both interest and trust in the enterprise.

The strategy canvas allows the enterprise to portray its intended strategic profile against that of competitors, which allows the enterprise to ensure it is divergent enough and thus operating in a blue ocean. There exist a number of tools which help in drawing the strategy canvas, including the four actions framework as well as those tools associated with the six principles of BOS.

The four actions framework basically says which factors must be raised, reduced, created for the first time, or eliminated altogether in developing a blue ocean offering for the BOP. By redefining the offering levels of each of the enterprise's competitive factors and adding or removing certain factors in line with the enterprise's competencies, it is possible to arrive at a blue ocean.

The six principles of BOS work in conjunction with the four actions framework and enable the enterprise to look at any aspects of the market and offering which might have been skipped in the initial analysis. They also act so as to attenuate the risks involved in developing a blue ocean. The six principles are:

- **Reconstruct market boundaries:** this is achieved through looking across: alternative industries, strategic groups within those industries, the chain of buyers, complementary product and service offerings, functional or emotional appeal to buyers, and time. This attenuates the search risk
- **Focus on the big picture, not the numbers:** this involves a visual: awakening to compare the business to that of competitors and realise where the strategy needs to change, exploration to determine how to create a blue ocean in the BOP and see the advantages of specific products and services for that climate, strategy fair to gain feedback from those on the frontline who made the field observations, and communication of the new strategy by showing how it differs to that which was before and what this means for stakeholders. This attenuates the planning risk
- **Reach beyond existing demand:** look at all three tiers of noncustomers including soon-to-be noncustomers, refusing noncustomers, and unexplored noncustomers. This attenuates the scale risk
- **Get the strategic sequence right:** The strategic sequence of BOS must be utilised in arriving at a commercially viable BOS idea: buyer utility, price, cost, and then adoption. This attenuates the business model risk
    - Utility can be maximised by using the buyer utility map, providing for the six stages of the buyer experience cycle, and the six utility levers

- Strategic pricing can be arrived at through defining the price corridor of the mass, then specifying a level within that corridor
- Target costing must be achieved through streamlining operations and introducing cost innovations, partnering, or changing the pricing model of the industry
- Adoption must be fostered with all stakeholders including employees, business partners, and the BOP

- **Overcome key organisational hurdles:** clear political, motivational, resource, and cognitive hurdles. This attenuates the organisational risk
- **Build execution into strategy:** adhere to the guidelines of fair process by engaging with active role players, explaining the strategy to them, and clarifying what exactly is expected of them. This attenuates the management risk

The business strategy most suitable to the BOP was therefore argued as being that of BOS. The role of competitive approaches was addressed, specifically how they come to the fore in time when the existing products or processes cannot be optimised to cut out competition any longer.

S.9Chapter 9 – Innovation

Innovation was determined to be vital to the development of new and improved value offerings for the BOP and can thus be seen as that mechanism by which blue oceans are kept blue for as long as possible. Innovation is important in that it is a consistent indicator of an enterprise's success, and is often accompanied by growth. Innovation is the specific tool of entrepreneurs by which they take opportunities and convert them into value propositions which are new and improved, maximising the value for the customer and the enterprise.

SMMEs exhibit a number of advantages over their larger counterparts regarding their ability to innovate successfully, including their: greater decision-making speed; informal culture; high quality of communication (everyone knows what is happening); shared and clear vision; agility and flexibility; entrepreneurial spirit and risk-taking propensity; energy, enthusiasm, and passion for innovation, and; generally heightened capabilities at networking. SMMEs however have different innovative capabilities, which increases from passive enterprises to reactive enterprises to strategic enterprises to the most ideal which are creative enterprises. Size may offer inherent advantages, but it is how these are utilised, i.e. the innovative stance, that matters most.

Innovative solutions were seen to take a number of forms, including products, processes, positions, and paradigms, which constitutes the innovation space. Innovations can be further divided according to their nature, being either incremental or radical. Incremental innovations are useful for continual improvement in particular, whereas radical innovations tend to deal well with discontinuous changes in the business environment. Platform innovation is also useful in that it provides a base from which other offerings can grow and develop, creating more buy-in at the BOP. This also tends to make offerings more affordable, as the price sensitive BOP consumer can buy additional features later on, minimising their required upfront investment. Innovation can furthermore be defined according to its level, from component to architectural level innovations. Timing also plays a significant role in the innovation required, with product innovation being more applicable in the early stages of the innovation life cycle, and process innovations being more relevant later on in the life cycle.

The innovation process was seen to operate according to a number of well-established phases, starting at searching for an innovative solution, then selecting a solution, then implementing steps to develop that solution, and lastly capturing value from that solution.

In searching for a solution, it was determined that it is imperative that the various sources of innovation are looked to, which include: knowledge push, need pull, users as innovators, extreme users, watching others, recombinant innovation, design-led innovation, regulation, futures and forecasting, and accidents. A number of search tools also exist, some of which must be utilised, including: corporate venturing, deep diving, exploring multiple futures, extending external connections, managing internal knowledge connections, sending out scouts, using the web, and working with active users. Depending on where a solution is being searched for in terms of its nature (radical versus incremental) and environmental complexity (established frame versus new frame), there exist a number of zone specific search challenges which must also be managed with appropriate tools and mechanisms.

It became apparent that in moving from the search to the selection stage of the innovation process it is the responsibility of the manager to ensure the right balance between exploration and exploitation is struck. Going in one direction too early will minimise the likelihood of arriving at an optimal solution to the problem, however resources will be wasted if a direction is not decided upon after adequate searching has been done.

Multiple strategies for finding, developing, and bringing innovative solutions to the BOP were seen to exist, each of which has benefits which can greatly help an early stage SMME, and among others include:

- **Value innovation:** which is the cornerstone of BOS, and looks to maximising value whilst minimising cost
- **Bottom-up innovation:** which is crucial to BOP dealings, meaning that solutions for the BOP must be brought about by getting to the frontlines, getting to know the target customer closely

- **Open innovation:** which is hugely advantageous for early stage enterprises due to their generally limited capital capabilities, meaning that any expertise from outside is very valuable and can make all the difference for a start-up lacking the know-how or necessary skills
- **Inclusive innovation:** which stresses the need to bring the BOP actors into the innovation process, gleaning knowledge that would otherwise be unattainable, and thereby maximising impact on two counts: by developing more astute solutions, and by empowering the oft excluded BOP individuals and communities
- **BOP innovation:** which puts forward principles which govern the development of solutions for the BOP in a generalised fashion, and provide a good sanity test for any BOP innovator

Once the innovative solution has been found and decided upon, the importance of implementing clear steps to create the BOP value offering was seen. Although the processes for this step are very situation/context dependent/specific, there are particular resource management tips that are crucial, including: promoting incrementalism in resource allocation, performing a sensitivity analysis to see what the consequences will be if something falls through, adhering to simple rules to ensure resources aren't depleted unknowingly, setting in place stopping criteria to minimise wasting money on unfruitful pursuits, setting in place evaluation criteria specific to the type of innovation followed, and reducing key market or technological uncertainties.

For the final stage of capturing value from the innovation, it was determined that it is important to promote diffusion into the market as well as adoption. Both of these can be achieved through carefully deciding on the characteristics of the innovation: compatibility, complexity, observability, relative advantage, and trialability.

S.10 Chapter 10 – Marketing

Marketing was found to be the set of actions and processes which are necessary to create, communicate, deliver, and exchange value offerings with stakeholders, including customers, clients, partners, and the BOP at large.

Approaching marketing effectively was shown to require a holistic understanding of marketing first, understanding its multiple interrelated facets before addressing any one part of it. Holistic marketing looks at integrated (communication, products and services, and channels), relationship (customers, channels, and partners), performance (sales revenue, brand and customer equity, ethics, environment, legal, and community), and internal (marketing department, senior management, and other departments) marketing. Once each type of marketing is understood and reconciled with one another, the enterprise is ready to begin marketing.

Marketing was distinguished as one of the most important processes for building customers value, satisfaction, and loyalty. In developing value, distinguish between the various types of needs and wants that exist at the BOP was seen. Needs include those which are stated, real, unstated, delight, and secret. Understanding all of these, and addressing the most pressing first is the role of the marketer. Maslow's hierarchy, although not necessarily accurate as higher needs are sometimes more important than more basic ones, still provides the marketer with an idea of what is most crucial given the particular BOP context the enterprise is operating in. By ensuring that more basic needs are addressed, it is possible to avoid short-changing or exploiting the BOP market. Furthermore, if one really wants to create buying power sustainably it is important to build the BOP market up with a solid foundation as opposed to building a house of cards.

When developing a BOP value offering, it is crucial to target specific and ideal markets. Effective segmentation criteria by which a marketer can ensure the market segments are favourable include that they are: measurable, substantial, accessible, differentiable, and actionable. Offerings must also be developed with a clear idea of the market coverage which the enterprise hopes to achieve, from full market coverage (near impossible for a start-up) to multiple segments (more favourable for a start-up), single segments (most favourable to a start-up), to the smallest coverage of individuals as segments (which is generally too expensive for a start-up and likely not affordable to the BOP). Specific segmentation criteria which can be used to break the BOP market down include: segmentation by living standard (increasing from extreme poverty to subsistence to low income), and segmentation by value-creation role (either as consumers, co-producers or clients). The most ideal segments were determined as being those which are low income and can act as co-producers and consumers.

When developing an offering, it was found that it is imperative to attain a strong presence in the market which will last, which in addition to getting to the frontlines can be achieved via strong branding. Brand equity can be maximised by incorporating the brand building elements of memorability, meaningfulness, and likableness with the brand defending elements of transferability, adaptability, and protectability.

Long before a solution to the needs at the BOP are being addressed, it was seen that the marketer must have started determining which marketing channels will work best for the given solution. All three types of channels including communication, distribution, and service channels must be addressed. Communication channels are necessary to raise awareness as well as learn about customer views regarding the value offering, distribution channels are necessary to get the offering to the market and back if disposal is necessary, and service channels are required to maximise the value for the customer whether it is through training, installing, or disposing of the innovation.

Of course, before the value proposition is in the market, ready for sale, it is imperative that the most beneficial forms of exchange for the given offering are open, which were found to range from structured exchange, to networked, to pure, and finally to centralised exchange.

The importance of starting out with an integrated nature of marketing in mind is clearly seen in that at the end of the marketing process it was determined that an ideal marketing mix needs to be utilised. Ways of ensuring a holistic mix is developed include utilising both the traditional mix of the 4Ps of product, price, place, and promotion, and the 4As of availability, affordability, acceptability, and awareness. It was argued that only when all of these components mix well will marketing be successful in bringing lasting value to the customer at the BOP.

S.11 Chapter 11 – Strategic alliances

This was the last chapter addressing the specifics of the growth factors. The role of strategic alliances was found to be of great importance in creating value for the enterprise and the BOP. To begin with, the need for forming strategic alliances was ascertained so as to not promote unnecessary relationships, as all alliances are associated with risk, no matter the sector or profit orientation of the partner. After having addressed the situations in which alliances could potentially be ideal for aiding in enterprise growth, an understanding of the various views of strategic alliances was developed. Life cycle (linear) approaches, teleological (iterative) approaches, evolutionary (population) approaches, and dialectical (internal tensions) approaches were all addressed, and contributed to a fuller understanding of the way in which alliances progress. Factors from each approach were incorporated in the framework requirements of the chapter.

Thereafter, the partner assessment and selection phase was addressed, focusing on the importance of ensuring strategic fit, understanding the institutional impact on alliances, and deciding on which type of partnerships (structures) are most ideal and when. Normative, cognitive, and regulatory forms of governance were seen to be more appropriate when dealing with certain partners, with the first two being commonplace and more effective in the BOP than the regulatory forms of governance oft found in traditional upper tier markets. Various views of partnerships were explored, including a sectoral view, supply chain view, and primary goal (exploring versus exploiting) view. Each have their own advantages and context dependent usefulness. The structures of alliances were seen to be predominantly based on the equity orientation of the partners in question, being either equity based, or non-equity (contract) based.

Having thereby arrived at a holistic view of the options open to the social enterprise, the next step was to design the alliance via contracts and negotiations. This phase stressed the need for fostering personal rapport with the partner, as well as defining key introductory projects to initiate the relationship and bring all stakeholders on board. Furthermore, the need for clearly stipulating the alliance termination clauses in a specific termination contract during alliance formation was recognised.

Thereafter the steps required to effectively manage the alliance were addressed, looking at:

- **Networking:** establishing the need for developing networks and leveraging them for maximal results, especially in the early stages when the enterprise is relatively resource and knowledge deficient. Key here is understanding the differences between upper tier networks and BOP networks, along the dimensions of centralisation, linearity, cluster density, structural holes, scope/boundaries, tie domains, and partners
- **Cultural constructs and tensions:** balancing the differences between partner organisations in terms of national, organisational, and professional cultures. Key here is the embedding of the social enterprise's best practices in the routines of partners and their affiliates who may have differing value systems which would otherwise impede progress
- **Communication:** forming open lines of communication for effective alliance management and operations. It was found that being able to refuse partners' requests to potentially key information is key for guarding the core competencies of the enterprise, however it was also determined that more ideal than this is the development of processes that inadvertently guard the enterprise from losing its key competencies
- **Relational dynamics:** developing interorganisational relationships that are work to reinforce partner trust, loyalty, and commitment, by developing the right control mechanisms and thus ensuring partners are satisfied with the alliance
- **Learning and knowledge management:** managing the process of joint knowledge creation and capture, by orienting the alliance in such a way that it stays ahead of the partner in terms of the knowledge that is produced as a result of the partnership, but also learning from partners as effectively as possible and managing ambiguity effectively
- **Resource management:** aligning resources with partner resources for effective relations, which requires an understanding of the types and characteristics of resources of both organisations
- **Alliance performance:** utilising effective and appropriate measures for gauging the alliance as it matures, so as to not cause unrest between partners. This requires gaining an understanding of the type of partner being dealt with, and aligning expectations with what they are best suited to address

- **Managing risk and opportunistic behaviour:** understanding the types of risks, their causes, the ways in which to prevent them from occurring, and the manner in which to deal with them if they are realised

To conclude the chapter, the alliance termination phase was addressed. As already mentioned, the exit strategy needs to have been developed in the formative stage of the alliance, however it was determined as being worthwhile to attempt to reconcile differences with partners before alliance dissolution. There are a few routes to achieving this, including introducing a third party, coercion, conjoined resolution, persuasion, and sanction.

S.12 Chapter 12 – Conceptual framework development

In developing the conceptual framework, it was deemed necessary to follow a structured approach. To do this, the idea behind the term *conceptual* and *framework* were understood, and from this a full understanding of the term *conceptual framework* was built. It was thus found that a conceptual framework consists of a network of interlinked concepts, each of which are important in comprehensively understanding a phenomenon such as high growth. The need for concepts (i.e. the various high growth factors and sustainable development, for the purposes of this study) to articulate their respective phenomena and support one another when developing the framework was determined.

A number of features of frameworks were developed, which include their: integrative role, interpretative capacity, delivered understanding, soft interpretation, indeterminism, constructability, and multi-disciplinary nature. These features can therefore be seen as constituting a set of criteria which a proposed framework must satisfy to truly be a framework. The criteria were used in the validation process as will be covered soon.

A list of criteria is not however sufficient to arrive at a fully-fledged framework. For this, the conceptual framework analysis procedure was used, which goes through a number of phases. It just so happened to be that the framework analysis procedure fit perfectly with the comprehensive systematic literature review method employed in Chapter 5. The phases of the framework analysis technique include in order of occurrence: mapping the selected data sources, extensive reading and categorising of the data, identifying and naming concepts, deconstructing and categorising the concepts, integrating concepts, synthesis, resynthesis, and making it all make sense, validating the conceptual framework, and lastly rethinking the conceptual framework. The practical steps used to actually build the models are outlined in the design method of Chapter 12.6.1.

Thus, the conceptual models of purposeful activity systems (i.e. the framework subsystems) were developed. Purposeful activity models are the goal oriented procedures which SSM makes use of. These purposeful activity systems work together to form the framework, each outlining a number of steps which work concurrently with one another to achieve their specific goals. The framework combines the highest order steps of the various systems into a cohesive whole. Each of the systems clearly indicates which considerations need to be taken when, and furthermore say which are crucial to operating at the BOP.

In addition to the framework, an evaluation process and tool were developed to aid consultants in their bid to guide managers in addressing their enterprises' adherence to the requirements of each subsystem wherein the details of the framework lie. This evaluation method therefore plays a supporting role, helping managers to assess their stance regarding the five high growth factors and sustainable development at the BOP.

Thereafter, the framework was verified through linking it back to the requirements laid out in Chapters 1 to 11, thus ensuring that it fulfils all of the requirements. The areas of the framework which address each of the requirements are indicated in Appendix G. This verification was the final step of the design method. In ending, a brief internal analysis of the developed framework was done to ensure that it exhibits each of the features of a framework before going on to the validation process.

S.13 Chapter 13 – Validation

Four routes to validating the dissertation's findings were determined, including validation by implementation, interviews with experts, conducting a survey, and case studies. Implementation was deemed implausible due to the restrictions on the timeframe of the study. Therefore, validation was approached through conducting a retrospective case study, semi-structured interviews, and bolstering the validity with empirical findings from an industry survey.

First off, the case study was conducted on the first version of the framework and proved its credibility and confirmability for the next validation step. The retrospective case study was shown to adhere to specific criterion which ensured its credibility for learning in the South African context as the Jaipur Rugs case originated in India. Jaipur Rugs was chosen due to its ability to meet the criterion and also due to its clear and in-depth representation in literature. This was then used in conjunction with the screening interviews to iteratively arrive at a framework that satisfies the requirements of SSM outlined in Chapter 2.2.6, namely that it is efficable, efficient, effective, and ethical.

Once the framework was deemed valid by the first two validation routes, the survey was constructed from the new and updated framework requirements. In this way, it reflected the nature of the framework, and after sending out the survey, 57 credible social enterprise responses were gathered. The survey results revealed that the framework is indeed valid. Successful social enterprise respondents invariably addressed the key areas of the framework to a greater degree than those whose enterprises were struggling did. The need for the framework was determined via a demographic analysis, the reliability via a Cronbach reliability analysis, the relevance via an analysis of variance, and the usefulness via a regression analysis.

The last route to validation was again achieved through semi-structured focus interviews with experts, however with an additional goal in mind, namely to ascertain which framework requirements must be addressed before interacting or dealing with a set of key stakeholders. This acts to improve the usefulness of the framework for the consultant when guiding social entrepreneurs with the framework and its tools. All of the interviewees were positive about the validity of the findings, and thus, the framework, its subsystems, and the evaluation technique were validated.