AN ANALYSIS OF MULTINATIONAL ENTERPRISES' MODES OF ENTRY FOR THE BASE OF THE PYRAMID MARKETS IN SUB-SAHARAN AFRICA

By

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ABSTRACT

The main research question of this study is: What influences the choice of entry modes for the BoP markets in Sub-Saharan Africa? A literature review was conducted which assisted in developing a case study research design, involving three South African Multinational Enterprises (MNEs) within the Fast Moving Consumer Goods (FMCG) industry, serving both the wealthy consumers and the BoP markets. Only MNEs who have been operating in other sub-Saharan Africa countries for more than 10 years were selected. Content analysis was used to code and analyse the qualitative data collected through semi structured in-depth interviews conducted with three heads of the Sub-Saharan Africa within these FMCGs that have already expanded into the BoP markets of Sub-Saharan Africa. The study found that in order to choose modes of entry that works, the MNEs must first identify the characteristics of the BoP market they want to enter, then choose the positioning strategy in line with these characterises. Both the characteristics of the BoP market within the chosen country, and the positioning strategy chosen influences the MNE's choice of modes of entry.

This study found that positioning strategies linked to BoP characteristics ensures that MNEs' product offering are acceptable in the BoP markets, thus ensuring that the companies' products are acceptable, affordable and accessible to BoP consumers.

The study also found the modes of entry which are applicable for the affluent markets do not always work for the BoP markets. As a result, four modes of entry which were found to be working for the BoP markets in sub-Saharan Africa were joint venture, franchise, partnership and direct export. Direct export was found to working where distribution networks are available to reach rural consumers. The study concludes by presenting a conceptual framework that can be used by MNEs when choosing modes of entry for the BoP markets in Sub-Saharan Africa.

Key wards: Base of the pyramid markets, positioning strategy, modes of entry, emerging markets, multinational enterprises, fast moving consumer goods, Sub-Saharan Africa

DECLARATION

I declare that the thesis hereby submitted by me for the degree Doctor of Philosophy PhD) in Business Management, in the Faculty of Economic and Management Sciences at the University of Pretoria, is my own independent work and has not been previously submitted at any other university/faculty. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

MOTSHEDISI SINA MATHIBE

JUNE 2018

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To my family, thank you for your patience, especially during the days I could not get time to spend with you. This journey wouldn't have been possible without your support.

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Special thanks go to my supervisor, Prof. Albert Wocke. Thank you for showing interest in my research as well as passing on your love and passion for research to me. Your guidance and support are much appreciated; I learnt a lot from you while I was working on this research project. You are the best supervisor I could have asked for. I got to this stage due to your constant motivation, passion, commitment, support and respect for students. Thank you for all the time and effort that you have provided me in order to ensure that this research project was successfully completed.

DEDICATION

I dedicate this study to my late mother (Libakiso), my late grandmother (Maria), my late brother (Tumello), my family, friends and colleagues, and my supervisor, Prof Albert Wocke. Without Prof Wocke's support, words of wisdom, encouragement and unwavering faith in me, I would not have completed this study.

To God be the glory

TABLE OF CONTENTS

LIST OF FIGURES

LIST OF TABLES

CHAPTER ONE

INTRODUCTION AND BACKGROUND

1.1. Introduction

Since the World War II, multinational enterprises (MNEs) have been, mostly, operating in developed countries (Filippaios and Rama, 2008; Yujuico and Gelb, 2010). The mid-1970s, however, saw a major shift as MNEs began moving from developed to developing countries (Buckley & Ghauri, 2004; Freimann & Seuring, 2011, Prahalad, 2004; Prahalad & Hammond, 2002; Schrader, Simanis & Hart, 2008). The shift is believed to have been influenced by unbalanced world trade, market saturation and the increasing competition among developed countries 'domestic enterprises, caused by new entries in the market (Arora & Romijn, 2009; Bonsu & Polsa, 2011; Chikweche & Fletcher, 2011; London & Hart, 2004; Prahalad & Hammond, 2002; Pharalad & Lieberthal, 1998; Yujuico & Gelb, 2010). Besides the shift above, MNEs are also gaining interest in entering the base of the pyramid (BoP) markets in developing countries (Freimann & Seuring, 2011, Prahalad, 2004).

An MNE is regarded as an enterprise that addresses global competitiveness through networks of differentiated subsidiaries (Child and Rodrigues, 2005b). MNEs can be defined as enterprises that engage in foreign direct investment (FDI). They own or control value-adding activities in more than one country (Mayrhofer and Prange, 2015; Vogel, 2014).

The BoP market, which is also referred to as, the subsistence market, is described as a large body of consumers within the country, whose average daily income on a purchasing power parity (PPP) basis is US$2 or less. This market segment is estimated to have almost 800 million people (Worldbank, 2015a). Individually, the BoP consumers may not afford, but their combined aggregated income based on PPP makes a huge and profitable market (Kirchgoerge & Winn, 2006; Pharalad & Hammond, 2002; Rost & Ydrén, 2006; Silverthorne, 2007) as they consume to the tune of $5 trillion per annum (Subrahmanyan & Gomez-Arias, 2008). BoP markets in the developing countries are more attractive to MNEs since growth opportunities are limited in developed markets and social responsibility has become paramount (Banerjee and Duflo, 2007; Tasavori et al., 2015). However, expansion in these markets has been significantly more challenging than originally expected (Parmigiani and Rivera-Santos, 2015).

At present, there is limited if any literature on the reasons for the MNEs' choice of modes of entry for the BoP markets within developing countries (Dikova and Brouthers, 2015). While these anecdotes are intriguing, few researchers have examined this phenomenon in more detail as part of a rigorous research design to understand how enterprises have been able to achieve this level of integration (Valente, 2015; Stadtler, 2014).

Modes of entry refers to an organisational arrangement for organising and conducting international business transactions in a foreign market (Swoboda et al., 2015). Itis an important strategic decision as it determines the degree of the MNEs' resource commitment, the risks they will bear and the level of control that each can exercise over its activities within the host country (Laufs and Schwens, 2014; Swoboda et al., 2015). Brouthers and Hennart (2007) identify, at least four, types of modes of entry. These modes are commonly used by MNEs when entering foreign markets, especially the affluent markets within the country. These modes of entry are; wholly-owned subsidiary, joint venture, exporting and contracts (De Villa et al., 2015; Estrin and Meyer, 2011; Stadtler, 2014; Brouthers and Hennart, 2007). These four commonly used modes of entry may not be suitable for BoP markets which differ from affluent markets within the same country in many ways. One may wonder whether these four modes of entry are appropriate for the BoP markets, or if there are different modes of entry for the BoP markets.

Extensive research has been done on modes of entry (Estrin and Meyer, 2011; Cassia and Magno, 2015; Huang et al., 2011; Ji and Dimitratos, 2013; Breunig et al., 2014; Buckley et al., 2014; De Villa et al., 2015), however, the focus was mainly on affluent markets, whereby consumers have considerable buying power (Estrin & Meyer, 2011; Huang, Han, Roche & Cassidy, 2011; Ji & Dimitratos, 2013). Therefore, there is need to shift research attention to BoP markets.

Other studies focused on the number of competitors, price rivalry and product substitutes in the host country (Jin, 2012; London & Hart, 2004; Prahalad, 2005). There is limited literature on ease of entry into the BoP market, customer familiarity, channel access, sales requirements as well as company fitness for the MNEs in the BoP markets (Nakata & Weidner, 2012; Bonsu & Polsa, 2011). Thus, this area needs to be explored further.

Some attention has been given to the BoP markets in developing countries such as India, Indonesia, Brazil, China and Mexico (Anderson and Markides, 2006; Arora and Romijn, 2009; Bagire and Namada, 2011; Omar et al., 2011; Prahalad, 2005; Schrader et al., 2012). For the most part, these studies are largely descriptive and focus on describing the countries' political, social and economic environments and the uncertainty of the markets in terms of the size and buying power of the consumers (Adwera, 2011; Ruvinsky, 2011; Hammond et al, 2007; Prahalad, 2005; London & Hart, 2004; Prahalad & Hammond, 2002). There are different environmental contexts between these BoP markets and those in Africa and, as such, there is need for a rigorous research with a special focus on the African continent.

What is known for one country/region cannot always be generalised for other countries/regions. As a result, what influences MNEs' choice of modes of entry for the BoP markets in developing countries such as India and China might not necessarily be the same for BoP markets in the SSA countries (Swoboda et al., 2015). Available literature seldom includes BoP markets in the SSA (Imoudu, 2012; Richards and Nwanko, 2005; Vogel, 2014; Ongweso, 2009). The SSA is an interesting context as it offers a consumer base of 973.4 million people, spread over 44 countries, with each of these countries having different governments, policies and regulations. It is estimated that 60 percent of the total population of SSA countries constitutes the BoP markets (World Bank, 2017).

SSA has world's fastest growth rate in terms of urbanisation with a current annual growth rate of about 2.5 percent. , It is predicted that by 2050, the region's population would have ballooned to nearly 2.3 billion (World Bank, 2015a, World population reference bureau, 2014). On the other hand, SSA's gross domestic product (GDP) growth rate picked up moderately in 2014, to 4.5 percent, from 4.2 percent in 2013. Despite headwinds, SSA's GDP growth rate is projected to reach a peak of 5.1 percent by 2017 onwards, owing to infrastructure investment, increased agricultural production, and buoyant services (World Bank, 2014a). This is what makes a compelling case for MNEs to take a closer look at this untapped market segment (Cherrier and Jayanth, 2009; Prahalad and Hammond, 2002b).

1.2. Problem Statement

There is limited research on market entry and modes of entry into BoP markets by the MNEs (Kolk et al., 2014b; Imoudu, 2012, Gupta et al., 2009; Bagire and Namada, 2011). Despite literature suggesting modes of entry for developing countries (Goyal et al., 2014), there is no clear conceptual framework with regards to the MNEs choice of modes of entry for the BoP markets within developing countries, most specifically, for the SSA region. As indicated earlier, it is not clear if the same modes of entry for BoP markets in India and China can be applicable for the SSA region. The assumption is that, due to lack of uniformity in SSA BoP markets, the modes of entry might vary. Therefore, MNEs need to take this variation into consideration when deciding on the modes of entry for the BoP markets in SSA.

1.3. Purpose statement

This research aims to analyse the influence of the MNEs choice of modes of entry for the BoP markets in sub-Saharan Africa countries.

1.4. Research objectives

The primary and secondary objectives of the study are presented below;

1.4.1. Primary objective

The primary objective of the study is to analyse the MNEs modes of entry for the BoP markets in the SSA countries and to identify the drivers that determines the choices for the MNEs modes of entry.

1.4.2. Secondary objectives

In order to redirect modes of entry research towards an alignment with the BoP theory, the secondary objectives of this study are as follows:

- To identify the key drivers of entry for MNEs into the BoP markets in SSA.
- To investigate the challenges faced by MNEs when entering the BoP markets in SSA.
- To investigate the rationale for MNEs' choice of modes of entry into the BoP markets in SSA.
- To propose a conceptual framework regarding the modes of entry that may be adopted by MNEs when entering the BoP markets in SSA

1.5. Research questions

Based on the research objectives stated above, the following research questions are addressed in the study:

- What are the key drivers for MNEs' entry for the BoP markets of SSA?
- What are the challenges faced by MNEs when entering the BoP markets in SSA?
- Why do MNEs choose certain modes of entry for the BoP markets in SSA?

- What is the suitable conceptual framework that can be adapted when entering the BoP markets in SSA?

1.6. Academic value and contribution of the proposed study

The study makes three valuable theoretical contributions to the extant body of knowledge. Firstly, the study brings together the rationale for the choice of the modes of entry and the BoP literature under one umbrella, with a special focus on the SSA BoP literature. Secondly, the study explores the BoP market conditions under which which serves as the main influence of the MNEs choice of entry modes. Thirdly, the study identifies the challenges faced by MNEs when entering into the BoP markets within the SSA countries. Finally, a conceptual framework that can be adopted by MNEs and academics who may want to gain a deeper understanding of modes of entry into the BoP markets in SSA is proposed.

From a methodological standpoint, this study is the first to have considered a sample selection of MNEs within the FMCG industry of an emerging country.. Many studies have only considered a situation where MNEs originate from developed countries into developing countries. As a result, less is known about firms coming from one developing country into the BoP market of another developing country. For example, Dikova and Brouthers (2015) did a three decade literature review study of about 157 articles on modes of entry. They found that only one study focused on modes of entry for Chinese MNEs into other emerging markets (Meyer et al., 2014), while none considered China as a host country.

The inclusion of FMCGs is quite important from a methodological perspective, for a change. The manufacturing, telecommunications and financial service industries have been expansively used as units of analysis in previous studies (Akula, 2008; Anderson & Markides, 2006; Dolan et al, et al, 2012; Esposito et al, 2012; Gollakota et al, 2010; Guesalaga & Marshall, 2008; Kolk & van Tulder, 2006; Macke et al, 2003; Mckee, 2013; Subramanyan & Gomez-Arias, 2008). In contrast, very limited research on the FMCG industry is available. Therefore, providing valuable insights into the rationale for the modes of entry for South African MNEs in the FMCG industry entering the BoP markets in SSAcountries could be regarded as a valuable ground-breaking contribution.

From a practical perspective, the findings will provide MNEs, government departments of trade and industry, as well as academics with a clear conceptual framework for MNEs targeting BoP markets of the SSAcountries.

1.7. Delimitations of the study

This study focused on the South African MNEs entering the SSA markets for relatively wealthy customers where BoP people also exist. The study utilised the FMCG MNEs as a unit of analysis and excluded MNEs from the finance, telecommunications and health and hygiene industries as to allow comparison across these companies.

1.8. Definition of key terms

Concepts are defined in accordance with the respective contexts in which they are used. It is therefore critical that key concepts used in this research are clarified.

MNEs: Are regarded as enterprises that address global competitiveness through networks of differentiated subsidiaries (Child and Rodrigues, 2005a). An MNE can be defined as an enterprise that engages in foreign direct investment and owns or controls value-adding activities in more than one country.

Poverty: Is defined as a human condition characterised by sustained or chronic deprivation of the resources, capabilities, choices, security and power necessary for the enjoyment of an adequate standard of living and other civil, cultural, economic, political and social rights. As described by the World Development Report (2000), poverty is the current status of an entity with regards to the attainment of a critical level in a dimension (like income or nutrition; people living below poverty line are those who live on less than US$2 per day in terms of PPP (Schreiner, 2015).

Market size: Refers to the total population living in a given country (Asante et al., 2014).

Urban population: Refers to people living in urban areas, as defined by national statistical offices. It is calculated using World Bank population estimates and urban ratios from the United Nations World Urbanisation Prospects (World Bank, 2015a). This proposed study refers to urban population as urbanised people.

Urbanisation: Is the process by which large numbers of people become permanently concentrated in relatively small areas, forming cities. Internal rural to urban migration means that people move from rural areas to urban areas. In this process the number of people living in cities increases compared with the number of people living in rural areas. Natural increase of urbanisation can occur if the natural population growth in the cities is higher than in the rural areas, although this scenariorarely occurs. A country is considered to be urbanised when over 50 per cent of its population live in the urban areas (Anonymous, 2002). An urban area is characterised by spatial concentration of people who are working in non-agricultural activities. The essential characteristic here is that urban means non-agricultural. Urban can also be defined as a fairly complex concept. Criteria used to define the term urban can include population size, space, density, and economic organization. Usually, however, urban is simply defined by some baseline size, like 20 000 people. Anyway, this definition varies between regions and cities (Anonymous, 2002).

The new degree of urbanisation creates a multiple-way classification as follows:

- Densely-populated area: (alternative name: cities)
- At least 50% living in high-density clusters (alternative name: urban centre).
- Intermediate density area (alternative name: towns and suburbs).

- Less than 50% of the population living in rural grid cells; and Less than 50% living in a high-density cluster.
- Thinly populated area (alternative name: rural area).
- More than 50% of the population living in rural grid cells (Dijkstra and Poelman, 2014).

In this study, urbanisation is referred to as large numbers of people who become permanently concentrated in relatively small areas of a country, forming cities.

Rate of urbanisation: Is defined as an increase in the proportion of urban population over time, calculated as the rate of growth of the urban population minus that of the total population. Positive rates of urbanisation result when the urban population grows at a faster rate than the total population (Unicef, 2012; World Bank, 2014b).

BoP market: Describes a large body of consumers whose annual income on a purchasing power parity (PPP) basis is less than 730 dollars per year (US$2 per day) and numbers four billion people. According to the most recent estimates, in 2013, 10.7 percent of the world's population lived on less than US$1.90 a day, compared to 12.4 percent in 2012. (World Bank, 2015a). Based on the definition of poverty and the BoP market definition, this study regards the BoP market as people living on less than US$2 per day and who are living in both urban and rural areas.

Table 1: Abbreviations used in this document

Abbreviation	**Meaning**
BoP	Base of the pyramid
MoE	Modes of entry
MNE	Multinational enterprise
SSA	sub-Saharan Africa

1.9. Organisation of the study

This thesis is divided into seven chapters. Chapter one introduces the whole study and provides the motivation and objectives of the research as well as the problem statement. Chapter two discusses the available literature on BoP markets of the SSA region and also discuss the two environments that constitutes the SSA countries which are the business environment and the institutional environment. Chapter three combines both the BoP markets literature and the modes of entry literature so as to theoretically argue that BoP markets influence the MNEs decisions on modes of entry. Chapter four discusses aspects related to the research designs and methods. Chapter five provides an argument in favour of the link between BoP markets and MNEs' modes of entry by conducting empirical research on the nature of the BoP markets and how they differ from the affluent markets. Chapter six provides an overall comparison of the case companies from which the qualitative data was gathered. Focus will be on the drivers of entry into BoP markets in SSA, the rationale for MNEs' choice of modes of entry into BoP markets in SSA, challenges faced when entering into the BoP markets in SSA, and strategies to enter into BoP markets in SSA. Chapter seven provides a comprehensive participatory framework for MNEs modes of entry into the BoP markets of the SSA region. This last chapter also summarises and concludes the study.

1.10. Summary

This chapter outlines the problem statement, motivation, as well as goals and objectives of the research. It also provides definitions of the concepts that are used throughout the study. The study is built on the assumption that differences in institutional environment and the varying sizes of the SSABoP markets play a vital role in MNEs' decision-making for the modes of entry. The research adopted an interpretivist philosophy, using an exploratory qualitative approach and inductive reasoning. A multiple case study research methodology involving data from three South African MNEs that were operating in the SSA has been considered for the study. The results of the study made three valuable theoretical contributions to the existing body of knowledge: the theoretical reasoning of the choice of modes of entry into BoP markets, theoretical understanding of the BoP market conditions under which certain modes of entry are suitable, and the development of a conceptual framework that can be used as a guide by MNEs when making decisions to enter the BoP markets. The following chapter provides an overview of the BoP markets. This is followed by a detailed discussion of the BoP markets in SSA.

CHAPTER TWO

LITERATURE REVIEW

THE BOP MARKETS AND THE SSA

2.1. Introduction

Chapter 2 provides a review of literature with special focus on the BoP markets in SSA, its institutional environments and the differentiating factors of the BoP markets. First, however, a background of the BoP markets is presented.

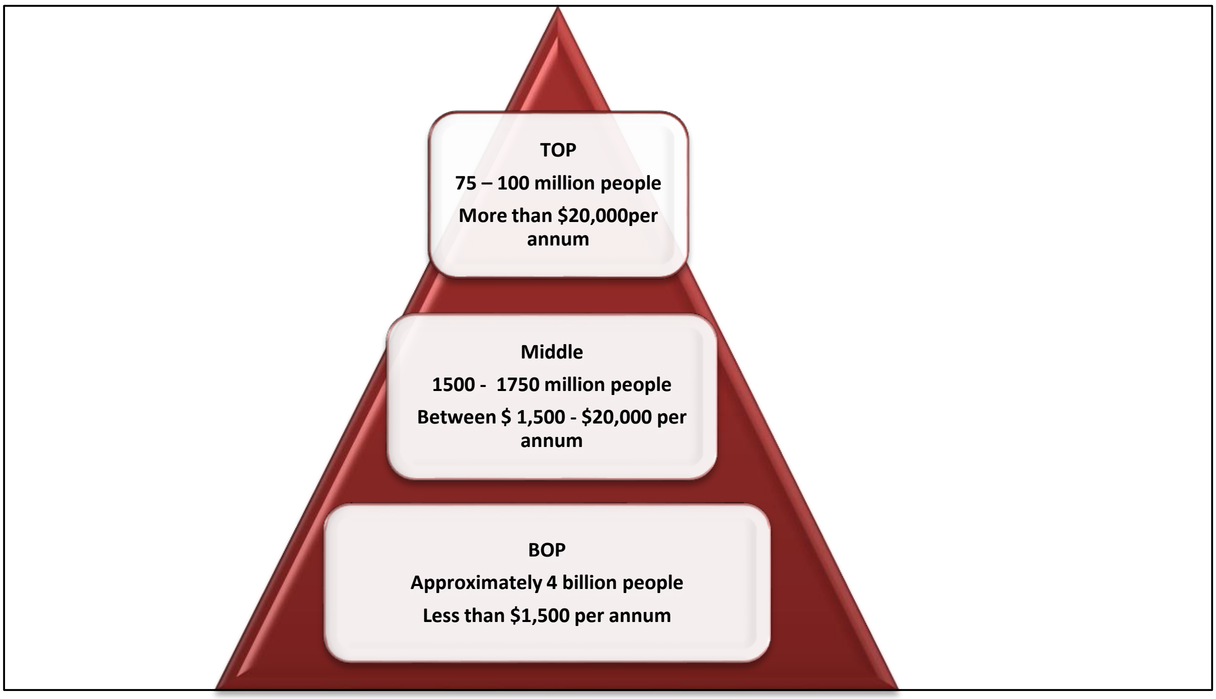
2.2. The background of the BoP markets

MNEs have been operating mostly in developed countries (Filippaios & Rama, 2008; Yujuico & Gelb, 2010) until the mid-1970s, when there was a major shift that saw MNEs increasing and gaining currency in emerging markets (Giuliani & Macchi, 2014; Prahalad & Hammond, 2002a; Simanis & Hart, 2008c). The shift was influenced by unbalanced world trade, market saturation and decreasing buying power of consumers in developed countries. On the other hand, there was increasing competition among domestic enterprises, resulting from new entries in the market (Arora and Romijn, 2011; Bonsu & Polsa, 2011; Chikweche & Fletcher, 2012; Prahalad & Hart, 2002; London & Hart, 2004).

In recent years, numerous MNEs such as Unilever, Cemex, Tetrapak, and Vodafone have provided evidence that MNEs can realise profitable business activities and simultaneously contribute to poverty alleviation in an economically feasible way (Schuster & Holtbrügge, 2012; Yujuico & Gelb, 2010). However, emerging markets are characterised by different challenges, which include poverty, high unemployment rates, illiteracy and poor infrastructure (Gollakota et al., 2010; Prahalad & Hart, 2000). As a result, when entering emerging markets, MNEs needed to review their business models and identify suitable modes of entry into these markets (Meyer & Su, 2015).

According to Prahalad (2005), emerging countries comprise a pyramid with three dimensions - referred to as the economic pyramid. Prahalad (2005) argues that an economic pyramid can be used to capture the distribution of wealth and the generation of income in these developing countries. The economic pyramid illustrates how people are classified in emerging markets. The pyramid indicates market opportunity by highlighting where the majority of people are hierarchically situated (Ibid). Figure 1 provides a detailed illustration.

Figure 1: The economic pyramid in emerging markets



Source: Prahalad (2005:4)

Figure 1 shows that 75 to 100 million people are found at the top of the economic pyramid (ToP) and they live on more than US$ 20 000 per annum. These are the wealthy consumers with various opportunities to generate income. About 1500 to 1750 million consumers are found in the middle of the economic pyramid (MoP), living on between US$ 1 500 and US$ 20 000 per annum. While the BoP market comprises a large body of consumers whose annual income based on purchasing parity power (PPP) is less than US$1500 per annum and numbers roughly four billion (Chikweche & Fletcher, 2012; London & Hart, 2004; Prahalad, 2005). The BoP is the largest and fastest-growing segment of the world's population.

Reaching the four billion people in these markets poses both tremendous opportunities and unique challenges to MNEs, as conventional wisdom about MNEs global capabilities and entry modes may not be appropriate. The BoP model suggests a natural alignment between business goals of profit maximisation and development aspirations for poverty reduction. The model has been much celebrated in academic and policy circles (Simanis & Hart, 2008).

Prahalad (2005) argues that BoP constitutes a significant market opportunity, and that MNEs are uniquely positioned to unlock the potential of these markets. Moreover, while serving BoP consumers, MNEs can gain profit and alleviate poverty simultaneously (Prahalad, 2005). The four billion poor have become potential customers in international markets, since China, India; the former Soviet Union and Latin American countries opened their borders to foreign investment (Mohr et al, 2012:2).

Although BoP people's needs and aspirations bear the seed for market participation, non-existent individual buying power, illiteracy, high unemployment rate, poor infrastructure, and informal economies have locked them into poverty, depriving them of the capacity to engage in economic transactions (Adwera, 2011; London & Hart, 2004; Prahalad, 2005).

Despite the BoP's shortcomings, some of the MNEs have identified it as a potential market for their products and/or services, and have considered BoP as an opportunity to venture and expand into (London & Hart, 2004; Prahalad, 2005; Prahalad & Hammond, 2002). How MNEs can successfully enter these huge untapped BoP markets has not been effectively addressed in international business literature and emerging markets theory (Kolk et al., 2014a, Brafu-Insaidoo and Biekpe, 2014).

2.3. The BoP markets in SSA

In terms of population, Africa is the world’s second-largest and second most populous continent after Asia. In 2014 Asia had a population of about 4.351 billion, while Africa had about 1.136 billion (World Population Reference Bureau, 2014). Although Africa has abundant natural resources, it remains the poorest and most underdeveloped continent (Abu-Aisha & Elamin, 2010; Kargbo et al., 2015). The African continent is made up of two regions which are Northern Africa and SSA. The focus of this study is on SSAfor two reasons. Firstly, this region offers a consumer base of 973.4 million, of which an estimated 63 percent of the total population constitutes the BoP markets (World Bank, 2015a).

Secondly, SSAhas been recognised for having the world’s fastest growing rate of urbanisation; with a current growth rate of 2.5 percent per annum, and it is predicted that by 2050, the region’s population would have leapt to nearly 2.3 billion (World Bank, 2015a; World Population Reference Bureau, 2014). The urban population of SSAdoubled between 1990 and 2007 to 290 million (World Development Institute, 2009). SSAoffers the highest return on foreign direct investments (FDIs) in the world, far exceeding all other regions, yet it is not as competitive as the BRICs (Britain, Russia, India, and China) countries (UNCTAD, 2006).

While the BoP approach is championed as a new tool of inclusive global development, its embrace raises critical questions of how and to what effect the underutilised poor are assimilated into the ambit of global markets. These questions are particularly relevant to SSA, where MNEs from different industries are now targeting these markets (Dolan & Roll, 2013). Although MNEs seek to extract surplus value by securing a foothold in the BoP markets, MNEs could not simply tap underserved consumers or underproductive small enterprises in SSA’s informal economies (Dolan et al, 2012; Dolan & Roll, 2013; Gollakota et al, 2010; Guesalaga & Marshall, 2008; Kolk & van Tulder, 2006;). A fundamental requirement to attend the SSABoP markets successfully is to deeply understand the two environments, namely business and institutional governing the SSA markets.

2.4. The SSA Environments

In terms of population, Africa is the world's second-largest and second most populous continent after Asia. In 2014 Asia had a population of about 4.351 billion, while Africa had 1.136 billion (World Population Reference Bureau, 2014). Although Africa has abundant natural resources, it remains the poorest and most underdeveloped continent (Abu-Aisha and Elamin, 2010; Kargbo et al., 2015). The African continent is made up of two regions which are Northern Africa and SSA. The focus of this study is on SSA for two reasons. Firstly, this region offers a consumer base of 973.4 million, of which an estimated 63 percent of the total population constitutes the BoP markets (World Bank, 2015a).

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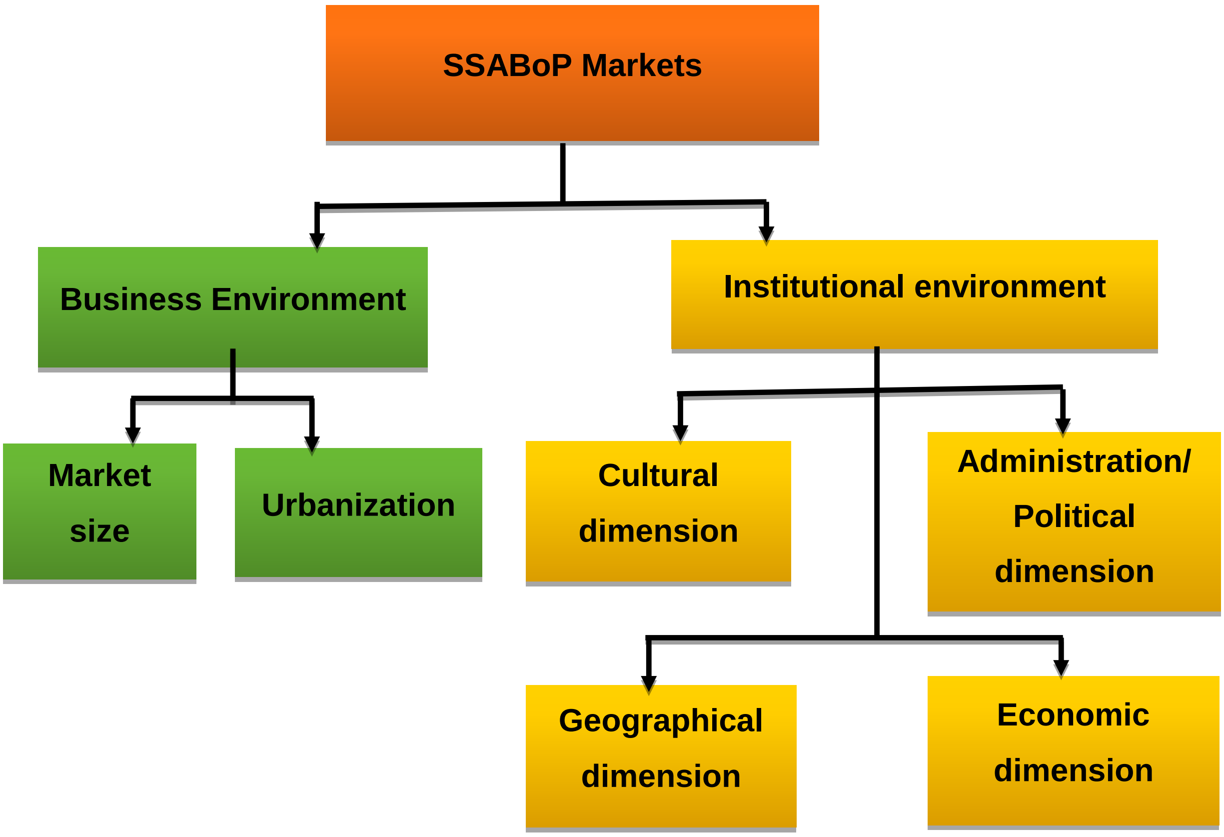
& Marshall, 2008; Kolk & van Tulder, 2006;). A fundamental requirement to attend the SSA BoP markets successfully is to deeply understand the two environments, namely business and institutional, which govern the SSA markets.

This section discusses the business and institutional environments within the BoP markets of SSA. The section starts off by summarising the two environments by means of a diagram. See figure 2.2 below.

Figure 2 2: SSABoP market



Source: Self compilation

2.4.1. *The business environments*

Since the BoP concept is still in its earliest stage, growth can be extremely rapid (Arora & Romijn, 2009; Prahalad & Hammond, 2002). Despite the potential growth, when MNEs enter BoP markets they have to face unique challenges that affect all value activities as the characteristics of the Bop environment differ substantially from those of affluent markets. BoP markets are characterised by limited purchasing power, a lack of financial services, inadequate institutional frameworks, and an insufficient market infrastructure.

Moreover, the customer's lack of knowledge about products and services that exacerbate their diffusion, and missing intermediaries inhibit the acquisition of requisite market knowledge (Gradl, Sobhani, Bootsman, & Gasnier, 2008; Kraemer & Belz, 2008; London, Anupindi, & Sheth, 2010; Rivera-Santos & Rufı´n, 2010). Due to these characteristics, MNEs cannot apply, for example, traditional marketing methods such as advertising on television and in magazines as BoP customers do not have access to them or are illiterate. Traditional distribution channels cannot be used as the physical infrastructure is inadequate. Hence, when MNEs aim to enter BoP markets they cannot rely on their existing knowledge but have to find new and innovative solutions (Gollakota, Gupta, & Bork, 2010; Hudnut, 2008; Prahalad, 2005).

For the past three decades, MNEs have set their eyes on SSA's underserved, yet potentially growing markets (Akula, 2008, Gollakota et al., 2010). This approach reframes development as a seamless outcome of core business activities - one that can contribute to poverty alleviation by bringing much-needed products and services to the poor and generating employment opportunities for BoP communities while making profit (Simanis and Hart, 2008a; Dolan and Roll, 2013). However, in order to succeed at the BoP markets, MNEs need to understand the unique characteristics that separate the SSA BoP markets from the rest. There are at least two unique variables that separate SSA BoP markets from the rest of the BoP markets of the world. These unique criteria are market size and availability of infrastructure. The two variables are discussed in detail from the next section onwards.

2.4.2. The BoP market size

The vast majority (above 60 percent) of people in SSA constitute BoP markets (Chikweche & Fletcher, 2011). The larger the size of the BoP markets, the higher the market share and profitability for the MNEs in the long-run (Arora and Romijn, 2011, Becker et al., 2013). The BoP is, however, not a homogenous segment, hence incomes can vary across regions and countries (Gollakota et al., 2010; Subrahmanyan & Gomez-Arias, 2008). The BoP markets are segmented into three levels. The segmentation is done by using annual income increments of $500 PPP to distinguish amongst three BoP income segments. These levels are US$500, US$1000 and US$1500 (Arora and Romijn, 2011, Becker et al., 2013). In SSA, the BoP markets are classified into the following levels: upper-middle income, lower-middle income, lower income. Apart from the aforementioned levels, there are several other fragile states.

Due to infrastructure investment and agriculture expansion, growth is expected to remain strong in most low-income countries, pushing the economies to lower-middle income in the long run and eventually pushing it to the upper-middle income (World Bank, 2015c, International Monetary Fund, 2015). This growth is expected to hold into 2050 (World Bank, 2012). This is an indication that, there is a huge untapped BoP market in SSA. The markets are served by inefficient informal economies that offer poor quality goods at relatively high prices (Akula, 2008, Gollakota et al., 2010).

The untapped BoP markets are estimated to have a GDP per capita of US$ 712 trillion per annum, which is estimated to increase by 5.1 percent in the near future and even higher going onwards (World Bank, nd). This increase is driven by domestic demand, supported by continuing infrastructure investment and private consumption, fuelled by lower oil prices. External demand also supports growth, because of stronger prospects in high-income economies (World Bank, 2015d).

Overall, high economic growth rates have not translated into better living standards for Africans. It is estimated that SSA's BoP people still struggle to survive. Job creation has not kept pace with the booming population, which has almost reached the one billion mark – or 15 percent of the world's total population– and is projected to increase to 20 percent by 2030. With falling labour productivity figures and a manufacturing sector that has remained largely stagnant since the 1970s, many SSA economies trail the rest of the world in competitiveness (World Bank, 2015b).

High GDP per capita can be used to serve the BoP markets. However, in SSA, GDP wealth is concentrated at the ToP market middle class population (World Bank, 2014b). GDP per capita varies considerably across various categories of the income levels, with the upper-middle-income group averaging almost US$4,000 per capita in 2010, followed by the lower-middle income group at about US$1,500 per capita and low-income countries at about US$500 per capita per annum (World Bank, 2014b). SSA continues to record strong economic growth, despite the weaker global economic environment. It has been noted that foreign direct investment (FDI) inflow prospects for Africa as a whole improved since 2010. Particularly in the SSA region, FDI inflows grew from US$29.5 billion in 2010 to US$36.9 billion in 2011 (UNCTAD, 2012) - a faster growth pace than the world economy as a whole. The increase was helped by still-strong commodity prices, new resource utilisation and the improved domestic conditions that have underpinned several years of solid growth trend in the region's low-income countries (Richards & Nwankwo, 2005). SSA's GDP growth has picked up moderately in 2014, to 4.5 percent and is projected to pick up to 5.1percent by 2017, and even higher going forward (World Bank, 2014a). With a market that is growing as rapidly as this, choosing MoEs that best suit this market would be an advantage as it would yield better returns for MNEs in the long- run.

FDI to SSA has increased substantially since 1990. Over the period 1990–1994 to 2010–2013, FDI increased by about 170% in real terms (1980 constant US dollars), from US$1503 million to US$17,719 million. In addition FDI as a share of GDP increased by about 360% from 1.52% to about 6.98% within the same period. FDI to SSA is concentrated in oil exporting countries. However, the degree of concentration has declined substantially over time. For example the share of FDI to the top four oil exporting countries (Angola, Equatorial Guinea, Nigeria and Sudan) declined from about 61% in 1990–1994 to about 14% in 2010–2013.

In contrast, FDI to the four oil exporting countries increased by about 12% in real terms over the period 1990–1994 to 2010–2013 (from $911.82 million to $3085.93 million). The period 2010 to 2013, however, witnessed the most significant increasing rise in global FDI inflow volumes to date. The effect of the global financial crisis, which momentarily halted the global FDI trends within other regions, clearly had minimal impact on the SSA region. The variance in the trends of growth between GDP and FDI inflow within SSA experienced an increasing rise in GDP figures, thus increasing the attractiveness to extractive industry foreign investment. The actual nature and volume of FDI inflow clearly reflects growth patterns consistent with FDI theory. The regional FDI inflow volumes within SSA, recorded an average of 20 percent of GDP, while the ECOWAS and WAEMU regions recorded the highest and lowest values respectively.

Also, the prevalent trait of the SSA economies was their inadequate provision of basic infrastructure required to maximize the benefits of the recorded low volumes of FDI inflow (IMF, 2016). This compares with an increase of about 280% (from $591.53 million to $14,633.13 million) for the other SSA countries (Asiedu et al., 2015).

SSA countries share in global reserves and annual production of some minerals is sizeable. In 2010, Guinea alone represented over 8 percent of total world bauxite production; Zambia and the Democratic Republic of Congo had a combined share of 6,7 percent of the total world copper production; and Ghana and Mali together accounted for 5.8 percent of the total world gold production (United Nations Population Fund, 2009; IMF, 2012). The region grew further at a rate of 4.8 percent in 2012 and is largely on track despite setbacks in the global economy (World Bank, 2012). Excluding South Africa, the continent’s largest economy, growth in SSA has risen to 6 percent in the first quarter of 2012, growing at an annual rate of percent, up from the 11 percent rate recorded in the last quarter of 2011(World Bank, 2012).

Furthermore, SSA continues to record strong economic growth, despite the weaker global economic environment. It has been noted that the foreign direct investment (FDI) inflow prospects for Africa as a whole have improved since 2010. Particularly in the SSA region, FDI inflows grew from US$29.5 billion in 2010 to US$36.9 billion in 2011 (UNCTAD, 2012). Regional output rose by 5 percent in 2011. As pointed out earlier, the growth can be attributed to robust commodity prices, utilisation of new resources, not to mention the improved domestic conditions which have underpinned several years of solid growth trajectories in the region's low-income countries (Richards & Nwankwo, 2005). Despite this, there is variation in performance across the region, with output in middle-income countries tracking more closely the global slowdown and with some sub-regions adversely affected, at least temporarily, by drought (IMF, 2012). Literature shows that, although there may not be enough money at the BoP markets, there is a high concentration of people at these markets, which makes it a compelling case for MNEs to enter these markets.

2.4.3. Urbanisation in SSA countries

Urbanisation is growing in both developed and developing countries. The proportion of the world's urban population is expected to increase from 47 percent in 2010 to 57 percent by 2050 (World Bank, 2015d). Literature shows that more than 50 percent of the people in some of the SSA countries live in urban areas (Dijkstra and Poelman, 2014; Anonymous, 2002). A growth rate of 3.5 percent per annum is recoded in countries such as South Africa, Kenya, and Nigeria since the last three decades (Oke et al., 2014).This growth is expected to hold into 2050 (World Bank, 2012).

Projections also indicate that between 2010 and 2025, some African cities are expected to account for up to 85 percent of their respective national population. The share of SSA's urban population is about 36 percent and is projected to increase to 50 percent and 60 percent by 2030 and 2050 respectively (World Bank, 2015a). This rapid expansion has changed the continent's demographic landscape. Urbanisation in SSA has, however, failed to bring about inclusive growth. This, in turn, has resulted in the proliferation of slums, urban poverty and rising inequality (World Bank, 2015c), which lead to an increase in BoP markets in the urban areas of the SSA countries.

The sizes of the BoP markets in SSA, though different, are huge enough for MNEs' growth**.** South Africa's BoP market is above 54 percent (Mail & Guardian, 2015). Kenyan BoP market is about 46 percent (WorldBank, 2015). About 61 percent of the people in Nigeria live at the BoP market level (BBC News, 2016), while the BoP population in Cameroon constitutes almost 40 percent of the national population (World Bank, 2015).

2.5. The institutional environments in SSA

Kraybill and Weber (1995) note three categories of institutions which affect economic outcomes: political institutions, market institutions and civil institutions. These three categories, covering the various fields of socio-economic activity, together determine the institutional environment in which individuals and their organisations exist and grow. De Soto (2000) defines the institutional environment as a set of political, economic, social and legal conventions that establish the foundational basis for production and exchange. The institutional environment includes the systems of formal laws, regulations, procedures, informal conventions, customs and norms, that broaden, mould and restrain socio-economic activity and behaviour (de Soto, 2000). As Brousseau & Raynaud (2006) state, there is a distinction between institutional environment and institutional arrangements. The former refers to the general institutions of societies that set the "rules of the game" and make them mandatory, either because these rules are enforced by a coercive, last resort power (i.e. the State), or because they represent the beliefs and conventions forming the identity of a society (nation, language, etc.). It includes, therefore, both its formal and informal components (Brousseau and Raynaud, 2006). In contrast, the notion of institutional arrangement refers to mutual (and most often bilateral) commitments established mainly by contracts between agents.

Institutional arrangements, therefore, refer to governance structures and contractual arrangements. These structures and arrangements cover institutions related to arrangements “between economic units that govern the ways in which these units can cooperate and/or compete” (Popova, 2010, Popova et al., 2007, Davis et al., 1971). The institutional environment applies to a large range of heterogeneous transactions. In this sense, it is generic.

Most of the time MNEs overestimate the attractiveness of foreign markets and they become so dazzled by the sheer size of untapped markets (Prahalad, 2005). Thus, they lose sight of the vast difficulties of pioneering new, often very different territories (Gollakota et al., 2010). The problem is rooted in the very analytic tools that managers rely on in making judgments about entering the foreign market. These tools consistently underestimate the costs of doing business internationally. The most prominent of these is the country portfolio analysis (CPA), which is a hoary but still widely used technique for deciding where an MNE should compete. By focusing on national GDP, levels of consumer wealth, and people’s propensity to consume, CPA places all the emphasis on potential sales, but ignores the costs and risks of doing business in a new market (Ghemawat, 2004). Most of those costs and risks result from barriers created by distance in the institutional environment. Distance is not only determined in terms of geographic separation, though that is important.

Institutional environmental distance also has cultural, administrative/political, and economic dimensions that can make foreign markets considerably more or less attractive. Much has been made of the death of distance in the institutional environment in recent years (Banalieva & Dhanaraj, 2013). It has been argued that information technologies and, in particular, global communications are shrinking the world, turning it into a small and relatively homogeneous place. But when it comes to business, that is not only an incorrect, but a dangerous assumption as well (Ghemawat, 2013). MNEs must explicitly and thoroughly account for institutional and environmental distance when they make decisions about choosing modes of entry for expanding to foreign markets and, more specifically, when expanding to BoP markets.

2.6. Four dimensions of BoP institutional environment

The CAGE distance framework helps MNEs identify and assess the impact of distance on various industries. Table 4.1 below shows the key attributes of distance on the upper portion. The middle portion of the table shows how these attributes affect product offering and industries. This is specifically for the BoP markets product offering. The lower portion of the framework proposes a mode of entry into a country based on the four dimensions of distance for the BoP markets.

Table 2: The CAGE distance framework for the BoP markets

	Cultural distance	**Admin/political distance**	**Geographic distance**	**Economic distance**
Attributes creating distance	• Different languages • Different ethnicities, • Lack of connective ethnic or social networks, • Different religions • Different social norms	• Absence of colonial ties • Absence of shared monetary or political association • Political hostility • Government policies • Institutional weaknesses	• Physical remoteness • Lack of a common boarder • Lack of sea or river access • Size of country • Weak transportation or communication links • Differences in climates	• Differences in consumer incomes • Differences in cost and quality of: • Natural resources • Financial resources • Human resources • Infrastructure • Intermediate inputs • Information/knowledge
Industries or products affected by distance at the BoP markets	• Products have high linguistic content (TV) • Products affect cultural or national identity of consumers (food) • Product features vary in terms of: size (car) • Standards (electrical appliances) • Packaging • Products carry country-specific quality association (wine)	• Government involvement in high in industries that are: producers of staple goods (electricity) • Producers of other entitlements (drugs) • Large employers (farming) • Large suppliers to government (mass transportation) • National champions (aerospace) • Vital to national security (telecommunications) • Exploiters of natural resources (oil, mining) • Subject to high sunk costs (infrastructure)	• Products have a low value-to-weight or bulk ratio (cement) • Products are fragile or perishable (glass, fruit) • Communications and connectivity are important (financial services) • Local supervision and operational requirement are high (many services)	• Nature of demand varies with income level (cars) • Economies of standardization or scale are important (mobile phones) • Labour and other factors cost differences are salient (garments) • Distribution or business systems are different (insurance) • Companies need to be responsive and agile (home appliances)
Propositions	**1. Cultural dimension = wholly-owned subsidiary**	**2. Administrative/political dimension = Joint-venture**	**3. Geographic dimension = exporting**	**4. Economic dimension = contractual agreements**

Adapted framework: Ghemawat (2001:140)

Distance in institutional environment between two countries can manifest itself along four basic dimensions: cultural, administration/political, geographic and economic. The types of distance in institutional environment influence MNEs in different ways. Geographic distance, for instance, affects the costs of transportation and communication, so it is important for MNEs to deal with heavy or bulky products, whose operations require a high degree of coordination among highly dispersed people or activities to take note of this type of a distance (SCALERA, 2015).

Cultural distance, by contrast, affects consumers' product preferences. It is a crucial consideration for any consumer goods or media company, but it is much less important for a cement or steel business. Each of these dimensions of distance encompasses many different factors, some of which are readily apparent, yet others are quite subtle. The current study borrowed the cage theory for an overview of the factors and the ways in which they affect particular industries (Ghemawat, 2013, Ghemawat, 2004). The cage theory by Ghemawat (2004) explains how distance, in the institutional environments of two countries (both home and host countries), plays an important role in terms of choosing modes of entry into the host-country. This study reviews the four principal dimensions of distance for the SSA BoP institutional environments, starting with the two most overlooked ones - cultural distance and political distance in particular, for the SSA BoP markets. It should be noted that this study adapted this cage theory to help determine the MNEs influence when choosing the modes of entry for the BoP markets in SSA countries.

2.6.1. Cultural dimension

The BoP markets are mostly informal in nature and, are characterised by social norms. This means that the general institutions of societies set the "rules of the game" and make them mandatory, either because these rules are enforced by a coercive, last resort power (i.e. the State), or because they represent the beliefs and conventions forming the identity of a society (nation, language, etc.). It includes, therefore, both its formal and informal components (Brousseau & Raynaud, 2006). A country's cultural attributes determine how people interact with one another and with companies and institutions. Differences in religious beliefs, race, social norms, and language are all capable of creating distance between two countries (Popova, 2007; Davis & North, 1971). This difference can have a huge impact on trade: All other things being equal, trade between countries that share a language, for example, will be three times greater than between countries without a common language (Ghemawat, 2013).

Some cultural attributes, like language, are easily perceived and understood while others are much quite subtle. Social norms, the deeply rooted system of unspoken principles that guide individuals in their everyday choices and interactions, are often nearly invisible, even to the people who abide by them (Ghemawat, 2004). Social norms are defined as rules based on implicit understandings, being in most part socially derived and, therefore, not accessible through written documents or necessarily sanctioned through formal position (Zenger et al, 2001). Most often, cultural attributes or social norms create distance by influencing the choices that consumers make between substitute products because of their preferences for specific features. Consumer durable industries are particularly sensitive to differences in consumer taste at this level. Sometimes products can touch a deeper nerve, triggering associations related to the consumer's identity as a member of a particular community. In these cases, cultural distance affects entire categories of products, thus effecting the choice of modes of entry for MNEs offering these products to the BoP consumers.

2.6.2. Administrative and Political dimension

Institutional environment is characterised by the elaboration of rules and regulations to which MNEs must conform in order to receive legitimacy and support. The degree of match between the objectives of institutional constraints and choices that firms make in the specific institutional environment depends on the effectiveness of enforcement mechanisms. Enforcement is carried out by three different parties – self-imposed codes of conduct; retaliation and/or societal sanctions or coercive enforcement by the state (Nord, 1990). Generally institutions can be either formal or informal in nature.

Zenger et al. (2001) define formal institutions as rules that are readily observable through written documents or rules that are determined and executed through formal position, such as authority or ownership. Formal institutions, thus, include explicit incentives, contractual terms, and enterprise boundaries as defined by equity positions. The informal institutions, in turn, are defined as rules based on implicit understandings, being in most part socially derived and therefore not accessible through written documents or necessarily sanctioned through formal position. Thus, informal institutions include social norms, routines and customs.

According to Ghecham (2006), the link between formal and informal institutions is historically close. Their interconnection is clear; on one hand norms and customs are the basis from which laws and constitutions derive their legitimacy. On the other hand new laws would lead, in the long run, to shaping potential norms and customs that command the society. In other words, the informal institutions are either embodied in formal institutions or emerge as a result of adopting formal institutions for long periods of time. As the author notes, this interaction can be a cooperative or a conflictual process. If formal rules are in harmony with the prevailing informal rules, the interaction of their incentives tends to reduce the level of transaction costs. However, their interaction tends to raise transaction costs when the two forms of rules conflict with each other.

Although formal institutions are weak at the BoP, informal institutions tend to be quite strong. De Soto (2000) uses the powerful metaphor of a barking dog protecting his master's plot of land. That dog very effectively enforces informal social boundaries, which may not coincide with formally registered property lines. Those limits will not appear anywhere in writing but will be very relevant for any newcomer to that neighbourhood (De Soto, 2000). Understanding the uniqueness of the BoP's institutional environment is, therefore, a necessary step to MNEs before choosing modes of entry.

Institutional theorists distinguish between three main (sub) types or pillars of institutions which are as follows: i) regulative -"which comprises rule-setting, monitoring, and sanctioning activities" (Scott, 2001:52); ii) normative - which introduces a prescriptive, evaluative, and obligatory dimension (Scott, 2001); and iii) cognitive, which is defined as the shared conceptions that constitute the nature of social reality and the frames through which meaning is made (ibid).

Regulative institutions largely correspond to what other scholars have called formal institutions, while normative and cognitive institutions are closely associated with informal institutions (De Soto, 2000; North, 1990). Normative and cognitive institutions prevail at the BoP markets (Rivera-Santos & Rufín, 2010; London & Hart, 2004; Prahalad, 2004; Prahalad & Hammond, 2002; De Soto, 2000), while regulative institutions play a much smaller, albeit negligible role, which typically grows as part of the process of economic and political development from the BoP markets to more developed markets (Cheater, 2003; Mair, 1962). This prevalence of normative and cognitive institutions at the BoP results from a combination of weak regulative institutions and strong normative and cognitive institutions.

Severe institutional gaps, defined as the lack of regulative institutions to support economic activities (Khanna & Palepu, 1997), low enforceability of formal laws and regulations (Viswanathan et al., 2010; Ricart, Enright, Ghemawat, Hart, & Khanna, 2004) and little legal protection (World Bank, 2000), characterise the BOP markets (Arnould & Mohr, 2005; Johnson, 2007; Scott, 2005).

These normative and cognitive institutions are significantly stronger within the community than between communities, leading to localised structures with few bridges across communities (Arnould & Mohr, 2005). The prevalence of normative and cognitive institutions leads to business transactions governed by informal mechanisms, rather than formal ones, and business ecosystems characterised by a higher prevalence of structural holes, as regulative institutional gaps prevent the development of supporting industries, such as finance or distribution (Rivera-Santos & Rufín, 2010; Viswanathan et al., 2010; Wheeler, McKague, Thomson, Davies, Medalye, & Prada, 2005). In turn, the government, NGOs, and community sectors take on a particular importance in business ecosystems, as they replace missing actors or supporting industries at the BoP markets.

In the BoP market framework, governments can take both primary and secondary roles. In a market development strategy, the government would be an external factor that might have an influence over the efficiency of transactions in forms of laws and regulations. For a company in the consumer goods industry this would not constitute a major problem and, therefore, it takes on a secondary role. But for a company looking at changing the infrastructure, the government's role is primary. For the government, this means that it does not receive taxes. Prahalad (2005) suggests that the government's role is to increase what he calls the countries Transaction Governance Capacity (TGC), by setting the right prerequisites that ease transactions.

The main goal with TGC is to fight corruption within the public sector as well as increase the transparency of transactions within the market. This is done by setting laws that give incentives towards market development and continuously enforce them. Some countries, like India, have the right laws but cannot enforce them, thus making the laws useless. In the same vein, countries such as China do not have consistency in the legal framework. However, in spite of lack of consistency they enforce the existing laws, thus making the market work. In the end it is the government's role to convince the citizens that the cost of being inside the system is less than that of being outside the system (Prahalad, 2005).

BoP markets do not exist in a vacuum and are affected, at least to a certain extent, by the broader set of regulative institutions prevailing outside BoP, particularly at the national level. The coexistence of BoP-specific normative and cognitive institutions and external regulative institutions, thus, characterises BoP institutional environments. In turn, the degree of institutional distance, defined as the extent of similarity or dissimilarity between the regulatory, cognitive, and normative institutions (Xu & Shenkar, 2002), between BoP-specific and external institutions determines the potential for conflict that may arise between these two sets of institutions (Rivera-Santos & Rufín, 2010; Arnould & Mohr, 2005; Scott, 2005). Each country and economy needs different emphasis on each component of TGC model. However, the main goal is still to create a governance capacity that helps MNEs to enter the BoP markets successfully, with the aim of developing these BoP markets.

2.6.3. Geographic dimension

In general, the farther you are from a country, the harder it will be to conduct business in that country. On the other hand, geographic distance is not simply a spatial. There are other attributes, including; the physical size of the country, average within-country distances to borders, access to waterways and the ocean, and topography that need to be considered (Ghemawat, 2013). Man-made geographic attributes - most notably, a country's transportation and communications infrastructure – must also be taken into account. Such geographic attributes influence the costs of transportation.

The BoP markets exist in a hostile infrastructure. Infrastructure includes government institutions, roads and transportation, power connections, schools, health facilities, and public health infrastructure (mostly water and sanitation). These can all determine a company's interactions with BoP consumers (Fay & Morrison, 2005; Fay & Yepes, 2003). While governments play differing roles in the supply of such infrastructure, all elements of infrastructure are usefully thought of as part of the environment in which people live, with some characteristics of a local public good, rather than something that can be purchased piecemeal by individuals. The availability of infrastructure like electricity, tap water, and even basic sanitation (like access to a latrine) to the poor varies enormously across the SSA BoP markets; (Johnson et al., 2007; Ndulu et al., 2007; Nwanko, 2000; UNCTAD, 2008).

In most dimensions of infrastructure performance, SSA ranks at the bottom of all emerging markets, so the strategic emphasis on infrastructure is hardly surprising.

Surveyed literature generally suggests that some intrinsic features of Africa's economies may enhance the potential role of infrastructure for the region's economic development - in particular, the large number of SSA's landlocked countries, home to a major proportion (about 40 percent) of the region's overall population, and the remoteness of most of the region's economies from global market centres (Rupf et al., 2015).

Beyond physical products, intangible goods and services are affected by geographic distance as well. One recent study indicates that cross-border equity flows between two countries fall off significantly as the geographic distance between them rises. This phenomenon clearly cannot be explained by transportation costs. After all, capital is not a physical good. Instead, the level of information infrastructure (crudely measured by telephone traffic and the number of branches of multinational banks) accounts for much of the effect of physical distance on cross-border equity flows (Ghemawat, 2004). Interestingly, MNEs that find geography as a barrier to trade are often expected to switch to wholly-owned subsidiary as an alternative way to access target markets. On the other hand, current research suggests that this approach may be flawed: geographic distance has a dampening effect, overall, on investment flows as well as on trade flows (Ghemawat, 2013).

2.6.4. Economic dimension

The poor are said to be neglected by MNEs due to the widespread, albeit erroneous belief that there is no profit to be made by serving this market (Prahalad, 2005). The population at the BoP has a lot of unmet needs as well as latent purchasing power, which represents potentially large business revenue possibilities by dint of the vast numbers of people living at these markets (Arora & Romijn, 2009; London 2007). Some contemporary sources like the World Bank estimated the population of this market at 2.7 billion as of 2001. However, other researchers characterise the World Bank projection as an over-estimation, with some experts estimating the poor at 600 million (The Economist, 2004). The differences range from 600 million to four billion, a large enough gap to cause concern (Kanani, 2007, Kravets & Sandikci, 2014).

An ethical concern is whether MNEs should give credit only for goods that are utilitarian in nature or also for those providing more hedonic pleasures. For example, if credit is given for durables like sewing or washing machines, then a poor customer may start a small business of stitching clothes or washing clothes and can earn some money. In contrast, if video games or DVD players are sold on credit, then a poor person's income may be exploited (Agnihotri, 2012; Davidson 2009). In principle, it is clear that the mass of poor customers do collectively hold wealth. However, an additional problem is that they do not hold it in the right concentrations (Pitta et al., 2008). A common image of the BoP is that consumers at these markets have few real choices to make. Indeed, some people surely work as hard as they can - which may not be particularly hard, because they are underfed and weak. They also earn barely enough to cover their basic needs, which they always try to fulfil in the least expensive way (Banerjee & Duflo, 2007).

Prahalad (2005) indicates that poor people have latent purchasing power because they live in a high-cost ecosystem. They pay a poverty premium for goods and services of social importance. For example, in countries like India, the poverty premium in slum areas like Dharavi in Mumbai ranges from five to twenty-five times above the normal retail prices. Similarly, the interest rate local lenders charge on credit in these areas ranges from 25 percent to 600 percent. Even though scholars agree with Prahalad (2005) that there is money to be made at the BoP market, MNEs do not. They feel that charging above market interest rates is essential because of heavy transaction costs incurred maintaining the accounts of poor customers. Hence, even if poor customers are more trustworthy to give credit to, this does not help MNEs cover their costs and as a result interest rates have to be raised (Agnihotri, 2012; Hall et al, 2012). Bank facilities are not available to the poor (Prahalad 2005). Thus, if such services can be provided at an affordable rate, the premium can be reduced and enterprises can also make a profit. One such success story has been seen in the case of microfinance companies operating in emerging markets. Similarly, Aravind Eye Hospital and Essilor Ophthalmic Products are important health care sector enterprises that have contributed to the enhancement of the living standards of poor people (Agnihotri, 2012).

Indeed, Karnani (2007) argues that there is not a fortune to be made at the BoP markets. Consumers in these markets are costly to serve because they are often geographically dispersed and culturally heterogeneous. Moreover, these consumers are, by necessity, very price-sensitive. This combination of low price and high cost to serve typically makes these markets unprofitable. It can be further argued that people in these markets can viably function as producers from whom consumers in developed markets should purchase authentic and indigenous goods, rather than being viewed as consumers of products and services provided by large enterprises (Koul et al., 2014, Mohr et al., 2012b, Arnould & Mohr, 2005).

Prahalad (2005) states that there are about four billion people with per capita income below $1,500 per annum (less than $2 per day). Indeed, three billion of them live on $1-$3 a day, and another 1.3bn live in extreme poverty, on less than $1.25 a day (Koul et al., 2014). The poorest members of the BoP are concentrated in Africa, where 35 percent live on $1 a day or less. Most members of the BoP population (68 percent) in SSA live in rural areas (TO, 2009). These markets are characterised by informal economic sectors that are unprotected by established institutional rules (de Soto, 2000) and therefore represent significant challenges to MNEs (Mohr et al., 2012a, London & Hart, 2004) The wealth or income of consumers is the most important economic attribute that creates distance between countries, and it has a marked effect on the levels of trade and the types of partners a country trades with (Ghemawat, 2004). Hammond et al, (2007) estimate the total size of the BoP markets to be US$5 trillion.

It is evident that there is money to be made at the BoP markets (Prahalad, 2005). In Asia and the Mid-East, there are 2.86 billion people with total income of US$3.47 trillion; in Eastern Europe, 254 million people with a total income of $458 billion; in Latin America, 360 million people with a total income of US$509 billion, and in Africa, 486 million people with a total income of US$429 billion – a combined total income of

US$5 trillion (Hammond et al., 2007; Prahalad, 2005; Prahalad & Hammond, 2002). Even a one percent penetration of four billion people results in a market of 40 million customers. If per capita income can be raised even marginally – say, if one billion people make one dollar more per day – it is a US$365 billion market (Hudnut, 2008). Hence, some MNEs have pursued initiatives at the BoP with the aim of generating revenue while, at the same time, meeting the needs of BoP people (Mohr et al, 2012; Pitta et al, 2008).

Prahalad (2005) argued that BoP market size makes at least US$13 trillion at PPP exchange rate per annum. However, critics counter that PPP should be used only when economies of various countries have to be compared (Reficco & Marquez, 2012). When MNEs sell their products in different economies, they set prices and expatriate profits at foreign exchange rates, not at PPP. After adjusting the price using the atlas method, Karnani (2007) finds that the actual BoP markets size is about US$3 trillion, not US$13 trillion, as Prahalad indicates. Furthermore, these markets are aggregated across all emerging markets. Not all of these countries are accessible or favourable for entry because of different economic, political, and socio-cultural risks. Thus, the actual total market size may even be less than US$3 trillion (Agnihotri, 2012). The wealthier mid-market population segment, the 1.4 billion people with a per capita income of between US$3,000 and US$20,000, represents a US$12.5 trillion market globally. This market is largely urban and already relatively well-served, and extremely competitive (Hammond et al, 2007).

MNEs that expand to BoP markets searching for economies of experience, scale, and standardisation should focus more on countries that have similar economic profiles (Ghemawat, 2004). That is because these MNEs have to replicate their existing business models to exploit their competitive advantage, which is hard to pull off in a country where customer incomes - not to mention the cost and quality of resources - are very different (Rivera-Santos et al., 2012). The majority of people in SSA BoP markets (63 percent) live in rural areas and 37 percent in urban areas (World Economic Forum, 2009; World Trade Organisation, 2010; World Bank, 2014b). Nevertheless, a massive wave of urbanisation is propelling growth across the BoP markets. This wave of urbanisation in SSA is estimated to create an over-four-billion-strong global consumer class by 2025 (Banerjee & Duflo, 2007, Kravets & Sandikci, 2014). Consequently, the anticipated urban expansion is expected to inject nearly US$25 trillion into the global economy through a combination of consumption and investment in physical capital – tangible assets that are created by humans and somehow used in production. This would be a significant shot in the arm for a global economy that continues to suffer from pockets of acute fragility (Banerjee & Duflo, 2007).

2.7. Summary

In this chapter, the business and institutional environments of SSA were discussed. Analysis of these two environments clearly show that the Sub-Saharan BoP markets are different. SSA BoP markets offer different challenges to MNEs. The SSA business environment is incorporated within the institutional environment. MNEs need to familiarise themselves with the four dimensions of the SSA institutional environment because knowledge of these dimensions would assist them in positioning themselves and/or their products at the right place and time for the right customers. Correct positioning strategies would influence the choice of suitable entry modes for the SSA BoP markets.

The next chapter reviews the modes of entry which are commonly used for developed markets. The chapter subsequently examines the extent to which these modes of entry are suitable for the BoP markets in SSA region.

CHAPTER THREE

LITERATURE REVIEW: THE FOREIGN MODES OF ENTRY

3.1. Introduction

The purpose of this study was to investigate the rationale for MNEs for choosing modes of entry into the SSA BoP markets. The previous chapter provided the context of the BoP markets in SSA. This chapter presents literature on; key drivers of the MNEs' growth in foreign markets, the reasons for MNEs' choice of the modes of entry into BoP markets, the challenges faced when expanding in the BoP markets and the strategies used by MNEs to enter the BoP markets.

3.2. MNEs growth in foreign markets

The growth of MNEs through expansion to foreign markets has been observed as an increasing trend (Lu and Beamish, 2001, Oviatt & McDougall, 1994, Oviatt & McDougall, 1999). Growth in foreign markets is defined as expansion of business operations to new geographic locations (Matanda, 2012). Using the network approach, foreign market expansion can be defined as a cumulative process in which an MNE's objective is achieved and international relationships between firms are continuously established, maintained, developed, broken and dissolved (Ruzzier et al., 2006). During the process of foreign market expansion, firms are able to exploit their existing potential to exploit new business opportunities in external markets (Matanda, 2012, Narayanan, 2015). However, to enjoy ease of entry, MNEs need to choose modes of entry that are suitable for that particular market. Choosing effective modes of entry is arguably one of the most critical international business decisions (Brouthers and Hennart, 2007). It is against this background that this chapter attempted to shed some light on the MNEs' modes of entry into the BoP markets. This is done with the aim of providing the background need for critical analysis of these modes of entry and whether the same modes of entry for developed markets can be used for the BoP markets.

The eclectic paradigm developed by Dunning (1977; 1993) provides a holistic approach to explain MNEs' activities. It elaborates that firms' FDI behaviour is determined by ownership, location and internalisation advantages. Location advantages can be investigated through host country specific variables, while both ownership and internalisation advantages are examined by firm specific factors. Arising from an institutional environment associated with a particular geographical dimension, these location specific advantages define the degree of attractiveness of a host economy to the investing MNEs (Dunning, 1995; Dunning, 1998; Dunning & Lundan, 2008). Focusing on the rationale of economic efficiency, the eclectic paradigm suggests that MNEs are motivated to exploit location specific advantages provided by the host country through internalising their firm specific advantages. Firms with different motivations choose locations with different sets of location advantages (Kang & Jiang, 2012).

The mainstream theory on location issue identified four primary motivations for MNEs, namely market-seeking, nature resource-seeking, efficiency-seeking and strategic asset-seeking (Dunning, 1977; 1993). Even though the current study focuses only on market-seeking MNEs, economic efficiency, however, can provide only a partial explanation of how and why MNEs choose certain locations, as MNEs also require institutional legitimacy in order to survive and succeed in a challenging foreign environment (Kostova & Zaheer, 1999).

The crucial difference between the eclectic paradigm and the institutional approach in addressing the issue of an MNE's location is that the eclectic paradigm focuses on economic efficiency as the ultimate determinant of location choice. From this perspective, the intersection of MNE modes of entry and the institutional environment is an analysis of the ability of institutions to reduce the transaction costs associated with MNEs that result from an uncertain environment (Hoskisson et al., 2000).

On the other hand, the institutional approach regards institutional legitimacy as the primary criterion. The central premise of the institutional theory is that organisations are embedded in, and must adapt to their institutional environment to attain legitimacy (Zukin & DiMaggio, 1990). MNEs are, therefore, motivated to enhance their legitimacy in relation to the host country's environment, even in the absence of evidence that such actions increase efficiency (Yiu & Makino, 2002). It is even argued that the need to integrate institutional factors into modes of entry theory can hardly be over-emphasised (Sethi et al., 2002).

Dunning (2008) notes a lack of institutional content in the eclectic paradigm and points out that it is important to incorporate institutional factors in an extension of the model. More recently, it was further suggested that institutions affect all three components of the paradigm (Dunning & Lundan, 2008). Incorporating an institution based view into modes of entry theory is comparatively as important, if not more, as any other BoP markets factors. The traditional modes of entry theory was established on the experience of MNEs from affluent countries, where fully developed market-based institutions provide background conditions for business activities, although these institutions are almost invisible (Kang & Jiang, 2012). On the contrary, the absence of formal market-based institutions is conspicuous at the BoP markets (Peng et al., 2008) and, thus, firms are constrained by institutional context which is characterised by highly visible state interference (Kang & Jiang, 2012). The institutional dimensions which are embedded within the organisations' BoP markets play a vital role in influencing the choice of modes of entry.

Therefore, to enjoy the ease of entry, MNEs need to choose modes of entry that are suitable for that particular market. Choosing suitable modes of entry is arguably one of the most critical international business decisions (Brouthers & Hennart, 2007). It is against this background that this chapter attempted to shed some light on the MNEs' modes of entry into the BoP markets. This is done with the aim of providing the background for critical analysis of these modes of entry and whether the same modes of entry for developed markets can be used for the BoP markets.

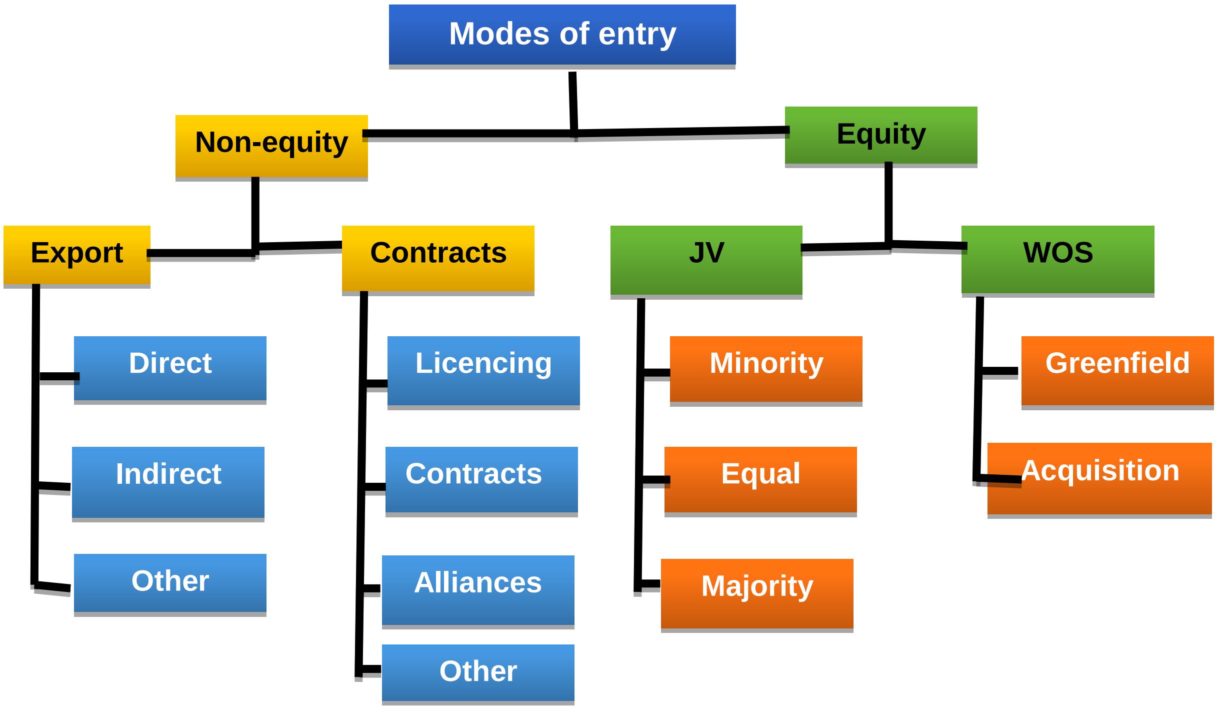
Literature review identified four types of modes of entry which are commonly used by MNEs when entering foreign markets. These are: wholly-owned subsidiary, joint venture, exporting and licencing (De Villa et al., 2015, Estrin & Meyer, 2011, Stadtler, 2014, Brouthers & Hennart, 2007). Before one can discuss these modes of entry in full, one needs to understand the drivers for MNEs to venture to foreign markets. This is followed by a discussion on the rationale for the MNEs' choice of modes of entry into the BoP markets of the host country using the same modes of entry.

3.3. Classification of modes of entry

Scholars have investigated a large number of modes of entry, but there is no consensus regarding the estimates of the size of the said numbers. To name a few, Anderson and Gatignon (1986) list seventeen (17), Pan and Tse (2000) suggest ten (10), Erramilli and Rao (1990) identify eleven (11) while Brouthers and Hennart (2007) find sixteen (16). Of the twenty-six (26), Brouthers and Hennart, (2007) identify the four (4) most common modes of entry used by the MNEs when entering foreign markets. This current study's main focus is on these four commonly used modes of entry. This is done to determine if these four modes of entry can also be used for entering the BoP markets. A detailed discussion on the four most commonly used modes of entry is provided. These four modes are: wholly-owned subsidiary, joint venture, exporting, and contracts. Contracts include licencing, franchising or other contractual non-equity agreements.

The four modes of entry are discussed in detail below.

Figure 3: Modes of entry



Adapted from Pan and Tse (2000) and Root (1987)

3.4.1 Wholly-owned subsidiary (WOS)

Foreign direct investment (FDI) is defined as direct investment in equipment, structures, and organisations in a foreign market at a level that is sufficient to obtain significant management control (Ball, et al, 2012). FDI has been playing an increasing role in the global market and has become the main strategic instrument for international expansion of MNEs (Park, 2012). It is reported that the average yearly outflow of FDI rose from US$247 billion in 1993 to US$1150 billion in 2000, before declining to US$877 billion in 2004. Despite the decrease in 2001–2004, the flow of FDI not only sped up international transactions in the global market but also accelerated faster than the growth in world trade. According to the estimates, the strong FDI flow contributed to the worldwide stock value of FDI to exceed US$12.0 trillion in 2006 (UNCTAD, 2007).

Within Asia alone, the stock value of FDI reached U$1.9 trillion in 2006, a 55 percent increase from the year 2000. In addition, a wave of FDI has been sweeping through all different industrial sectors (UNCTAD, 1999, UNCTAD, 2001; UNCTAD, 2007). SSA, on the other hand, continues to record strong economic growth, despite the weaker global economic environment. It has been noted that the FDI inflow prospects for Africa as a whole have improved since 2010, particularly in the SSA region, where FDI inflows grew from US$29.5 billion in 2010 to US$36.9 billion in 2011 (UNCTAD, 2012, World Bank, 2015). While this is still just 2.5 percent of total global flows, it represents an unprecedented size of investment capital in most SSA countries, much larger than remittances or official aid (World Bank, 2015). A Wholly Owned Subsidiary (WOS) is one of the FDIs identified in the literature review as one of the most well-known international expansion for MNEs (Park, 2012).

WOS is regarded as the choice mode of entry for MNEs intending to start up or acquire subsidiaries. This is, in part, determined by a foreign firm's competitive capabilities. The WOS mode simultaneously offers MNEs both bright and seamy sides. Thus, WOS results in minimal control costs, because MNEs do not need to integrate different corporate cultures within organisations, strategic directions and organisational goals (Park, 2012). The mode provides an opportunity to preserve and replicate valuable corporate resources and capabilities in the host-country, even though it requires a longer period to become operational, compared to joint ventures. With WOS, more corporate attention may be required to set up the mechanisms for efficient knowledge transfer (Hennart & Slangen, 2015). In this situation, MNEs transfer their firm-specific knowledge to the new plants, which are then combined with local resources to leverage competitive advantage (Park, 2012).

Because of knowledge transfer combined with local resources to leverage competitive advantage (Park, 2012), choosing the best modes of entry requires consideration of parent firm specific advantage of the potential to access complementary resources in the host-country. In other words, WOSs are excellent tools for MNEs to exploit proprietary technology in the host-country (Cheng, 2006, Dikova & Brouthers, 2015). However, MNEs often face high investment risk and high resource commitment when they have sole responsibility for the management of the operation (White et al, 2015). This is especially true when MNEs lack knowledge of the market or do not understand the host-country’s institutional environment (Wöcke & Moodley, 2015).

It should be noted that BoP markets are characterised by informal institutions that are ambiguous, underdeveloped, inconsistently implemented (de Soto, 2000); and unprotected by established institutional rules (Mohr et al., 2012b, Rivera-Santos & Rufín, 2010; Rivera-Santos & Rufín, 2014; Reficco & Marquez, 2009; London et al., 2010). These uncertainties represent significant challenges for WOS, due to their being structurally integrated and having greater control over operations than other forms of MNE modes of entry (White III et al., 2014). To overcome such a challenge, MNEs should possess some particular firm-specific assets such as unique knowledge and technology that can be exploited in foreign markets at low cost. WOS is therefore particularly vulnerable to institutional environment uncertainty because arbitrary application of laws and regulations that govern commercial transactions will materially affect their operations (White III et al., 2015). MNEs wishing to establish a WOS at the SSA BoP markets should have a clear understanding of the institutional environments (North, 1990).

Accordingly, a host-country’s institutional environment plays a vital role in the determination of non-market strategic initiatives undertaken by a WOS. For instance, Kobrin (1980; 1978), has long argued that FDI decisions are primarily driven by a manager’s ability to subjectively interpret risk in potential host-country environments. Hence, once invested in a host country, managerial perceptions associated with uncertain legal systems on modes of entry will often encourage WOS to find ways to strategically minimise the influence of host-country risk in order to safeguard their investments and enhance operational effectiveness (Li, 2003).

One way to mitigate institutional environment uncertainty is for a WOS to strategically develop informal political ties with key host country government actors, such as with administrative agencies and regulatory authorities (Acquah-Sam, 2014). The development of informal political ties with government actors can help WOS align its operations with its host country legal environment by providing critical access to information, resources, and favours that can be called upon during times of unpredictability (Pearce & Tavares, 2000, Luo et al., 2010).

When MNEs lack knowledge of a host country's institutional environment (Wöcke & Moodley, 2015), they opt for WOS, and they often face high investment risk and resource commitment (White III et al., 2015). These informal institutions pose significant challenges (Mohr et al., 2012b, Reficco and Marquez, 2009, London et al., 2010) for WOS, due to their being structurally integrated and having greater control over operations than other forms of modes of entry (White III et al., 2014). However, MNEs opting for WOS as a modes of entry, often fail to invest the optimal amount of resources necessary to develop intensive political ties with key government actors because managers may not always accurately assess the level of uncertainty in a host-country's institutional environment (Meyer & Su, 2015; White, 2015). With WOS, more attention may be required to set up the mechanisms for efficient knowledge transfer (Hennart and Slangen, 2015).

On the main, MNEs opt for a WOS mode of entry into the BOP markets in order to minimise control costs and preserve and replicate their valuable corporate culture.

3.4.2 Joint Venture

Sometimes it is not possible to employ WOS in the foreign market, owing to several reasons. The host government may not permit this to happen, or the company may lack either capital or expertise to undertake the investment alone; or there may be tax or other advantages that may favour another form of investment such as Joint Venture (JV) (Ball et al., 2012). JV is a form of business in which two firms of different nationalities come forward and join hands to create a new firm whose identity is separate from the parent firms, for some specific purposes such as; expanding geographic market, achieving economies of scale, using resources effectively and so on (Saha and Chattopadhyay, 2015).These two firms share capabilities, expertise and resources with joint ownership and control (Morschett et al., 2010). JV has also been defined as a corporate entity formed by an MNE and local owners or a corporate entity formed by two MNEs for the purpose of doing business in a third host country. It is also known as a corporate entity formed by a host country's government agency and an MNE (Bal et al, 2012).

There are several factors that make a joint venture attractive. The first and foremost is the access to new markets (Dikova and Brouthers, 2015). More often than not, one player provides the core competency of a certain technology while the other contributes by allowing the JV to leverage on its existing supply chain and other infrastructure (Park, 2012). A major contribution of the domestic firm is usually the market insight and a deep understanding of the regulatory norms of the nation (Wöcke and Moodley, 2015). Moreover, a JV allows cost sharing and risk pooling (Saha and Chattopadhyay, 2015). Through a JV, an existing business can diversify and develop new markets.

Due to lack of familiarity with the host country's market, the BoP markets in particular, literature suggests that MNEs should form a JV with local partners who understand the functionalities that are most important to BoP consumers (Rahman et al., 2014; Simanis and Hart, 2008b; Ansari et al., 2012). A joint venture with local or host country stakeholders, is regarded as an additional mode of entry into the BoP markets. Through JV, MNEs could innovatively facilitate access to external resources and competencies as well as coordinate with the local stakeholders such as the government, private enterprises and/or non-governmental organisations (NGOs) (Heidenreich, 2012; Anderson and Markides, 2006; Dawar and Chattipadhyay, 2002).

When the emergence of the four billion people at the BoP was introduced to the business world about two decades ago, it was heralded as a radical idea. The concept transformed the world's poor from charity cases to be served by NGOs into an enormous, untapped consumer market for MNEs (Hart & Christensen, 2002; Gollakota et. al., 2010; Prahalad, 2005). For MNEs to establish a presence and have a positive impact at the BoP market, literature emphasises the importance of cross-sector JV, defined as JV between MNEs, traditional (e.g. national governments) and non-traditional (e.g. NGOs) partners (Chelekis & Mudambi, 2010; Reffico & Marquez, 2012; Seelos & Mair, 2006). Stiglitz, (2002), London and Hart (2004) and Prahalad & Hammond (2002), however, argue that it is not always advisable to form a JV with the national government in the host country. Most MNEs that fail at the BoP market level are ones that would have gone into joint ventures with national governments and solely rely on the host governments' limited views of what is appropriate and effective. The main cause of failure stems from the fact that a national government's primary business experience is centred on dealing with the local, mainly urban elite market niche (Ibid). National governments could be fractionised by jealousy, rivalry and opportunistic behaviour. They may even use their role in the JV to pursue their own agenda (Reficco & Márquez, 2012; Rivera-Santos & Rufin, 2010; Van Turbegen, 2013).

NGOs, on the other hand, can play an important role in MNEs business development at the BoP markets (Hart & Sharma, 2004). NGOs have capabilities that can add value in various ways. They can add value by getting access to markets, leveraging credibility and reputation within local communities, increasing consumer patronage and investor appreciation. In addition, the NGOs can develop and test technology as well as improve recruitment and training (Heitapuro, 2011; Gollakota et al, 2010; Webb, Kistruck, Ireland, & Ketchen, 2010). Such JVs may often provide networks of local expertise, in addition to distribution channels that may help MNEs to "reduce operating costs and allow access to customers who would be difficult and expensive to reach" (Perez-Aleman, 2008:1). NGOs may also help in educating BoP customers about the products or services, thereby reducing marketing costs and increasing MNEs' acceptance in the community (Hart & Sharma, 2004; Reficco & Márquez, 2012; Rivera-Santos & Rufín, 2010; Simanis & Hart, 2008).

Simultaneously, NGOs benefit from JVs with the MNEs by gaining more resources, knowledge, technical and other expertise. Moreover, they would get better access to supply chains and increased name recognition. For instance, Aravid Eye Hospital was able to lower its costs by looking at its own and partners' capabilities of adding value in a holistic fashion. To keep costs down and scale up rapidly, Aravid Eye

Hospital formed JV with over 1000 NGOs such as religious organisations, Lion Clubs, Rotary Clubs, Youth clubs; and village governing bodies, trusts, and educational institutions. These partners sponsored eye camps at various locations (Gallakota, et al, 2010).

Due to the uniqueness of the institutional environment, some researchers have highlighted the importance of forming a JV with national governments in the host country (London & Hart, 2004; Rivera-Santos, Rufin & Kolk, 2012; Rivera-Santos & Rufín, 2010; Vögel, 2014; Webb et al, 2010). Through JVs with national governments, both governments and MNEs may innovate and achieve sustainable win-win scenarios in which the poor are actively engaged. At the same time, it can be posited that MNEs providing products and services to the poor are profitable (Prahalad, 2005; Vögel, 2014). In some cases, forming a JV with national government may be an essential condition for doing business at the BoP (Hietapuro, 2011).

Wilson et al (2009) argue that national government subsidy may assist MNEs to stimulate replication and adaptation of their business models for the BoP market while, according to Kolk, van Tulder, and Kostwinder (2008:3), national governments play a vital role in “reducing the investment risk through financial support and acting as brokers” given their extensive networks. Simanis and Hart (2008) argue that JVs with national government give MNEs a sense of belonging in that market.

Bonsu & Polsa, (2011), Gollakota, et al, (2010) and Schuster & Holtbrügge, (2012) highlight the benefits of entering into JVs with national governments:

- National government is open to learning new capabilities and using MNEs as a way to advance its mission.
- National government is socially embedded in the community
- National government is experienced in using participatory development practices.
- National government knows BoP circumstances and different functions, including design, manufacturing, delivery, and servicing.

The lack of resources and the underdeveloped nature of the infrastructure in most SSA countries may be extremely challenging. The continuous and active engagement of governments in this region is a key activity for the MNEs, as it is not considered good practice to go to government only when one is facing difficulties (Parker, 2009). Despite the recognised uniqueness of the BoP markets, and the established link between inter-organisational relationships and their institutional environment, very few studies have systematically explored the potential impact of the JV between MNEs and the national governments for the success of the MNEs in reaching consumers at the BoP (McMullen, 2010; Chatterjee, 2009; Rivera-Santos, Rufin & Kolk, 2012; Van Tubergen, 2013). Based on reviewed literature, there seems to be consensus concerning the need to form JVs with NGOs. However, there are mixed views regarding the value of forming a JV with national government (Vögel, 2014).

Some scholars argue that the competitive advantage of a firm is, to a large extent, created by organisational learning that connects, integrates and exploits this geographically dispersed knowledge (Meyer et al., 2014; Chang, Gong, & Peng, 2012; Johnson, Arya, & Mirchandani, 2013; Meyer et al., 2011; Tallman & Chacar, 2011). Thus, MNEs are not only recipients of knowledge from their parent firms, but an important source of knowledge that contributes to the resource-base and the competitiveness of the MNE (Mahnke et al., 2005; Yang et al., 2008). This local knowledge strengthens an MNE’s ability to assess and evaluate its current business activities, the extent of its existing market commitment, and opportunities for further investment (De Villa et al., 2015).

Companies come together to form a JV because they want to expand to different geographic markets (Dikova and Brouthers, 2015), achieve economies of scale, and use resources effectively (Saha and Chattopadhyay, 2015). Through JVs, firms share capabilities, expertise and resources with joint ownership and control (Morschett et al., 2010). A JV makes it easy for MNEs to access new markets. More often than not, one player provides the core competency of a certain technology while the other contributes by allowing the JV to leverage on its existing supply chain and other infrastructure (Park, 2012). Some of the countries in SSA are categorised as lower-middle income level. These countries have half the population at the BoP and another half in urban areas, with a lower GDP per capita per annum (World Bank, 2014b). The larger the size of the BoP market, the higher the market share and increased profitability for MNEs in the long-run.

However, the option of a JV is not without challenges. The process of integration requires an organisational change in the acquired enterprise, often in combining with redeployment and divestment of resources and organisational restructuring at a corporate level. The restructuring is, in some cases, so extensive that the acquired enterprise is hardly recognisable after restructuring (Estrin and Meyer, 2011). Contrary to the WOS, studies by Chung and Beamish, (2005) and Nitsch et al., (1996) argue that the benefits and costs of WOS depend on the efficiency of post integration. This is an inevitable problem in the JV, in that MNEs join a local firm with a different culture, strategic direction and organisational goals.

When entering the BoP markets, MNEs face the challenges of structural reform, poor market structures, poorly specified property rights and weak institutional environment (Cantwell et al., 2010). Luo (1998) and Chelekis and Mudambi (2010) classify the criteria for JV under three broad headings: strategic, organisational and financial. The strategic attributes include marketing competence, relationship building, market positioning, industrial experience, strategic orientation and corporate image. The organisational attributes include organisational leadership, organisational rank, and ownership type, learning ability, foreign experience and human resource skills. The financial attributes include profitability, liquidity, leverage, and asset efficiency.

In this regard, Nitsch et al. (1996) argue that the final destination of most JVs is grief, because of the integration. Despite the difficulties, JV is often considered as one of the international expansion strategies in the situation where MNEs do not possess sufficient resources to deploy in a new market and, thus, they are largely motivated by a desire to attain a set of firm-specific assets previously not owned by them

(Wooster et al., 2014). JV is formed only when its benefits outweigh the additional costs associated with forming and sustaining it. These benefits are believed to be accrued only when a partner can provide the four Cs, which are: compatible goals, complementary skills, cooperative culture and commensurate risk (Brouthers and Hennart, 2007).

When it comes to JV with multiple partners, Gong et al. (2007) argue that performance deteriorates with the increase in the number of partners. While a larger number of partners may imply more and possibly complementary resources, they pose the difficulty of poor coordination and collaboration and more interference. Even in a two-partner case, it is generally a challenge to balance collaboration and competition, and researchers hold conflicting opinions regarding the same. Scholars shed much light on this confusion by theorising that partner commitment, partner knowledge contribution and sharing of risks are governed by the ownership structure and that JV performance initially increases, flattens out and then declines with the increase of foreign ownership (Saha and Chattopadhyay, 2015; Li et al., 2009).

In a nutshell, this section provided an insight into the rationale for the MNEs to choose JV as a mode of entry into the BoP markets. The shortcomings of this mode of entry were also discussed. However, of significance were the reasons for a JV as choice of mode of entry into BoP markets. These reasons indicate that JVs are helpful in the following instances:

- when the host government does not permit a WOS,
- when the company has limited capital to establish a WOS,
- When the company has no expertise to undertake investment in a foreign nation,
- When a firm needs to gain market insight from a domestic firm,
- When an MNE needs to gain an understanding of the regulatory norms of the host nation,
- When there is need for cost sharing and risk pooling, and promotion of cost saving and reduction of operating costs.

Moreover, the option of a JV allows companies to increase consumer patronage and enhance consumer acceptance in the community, to have access to consumers who are difficult and expensive to reach, to reduce marketing costs, to benefit from government subsidies, and to leverage on the existing supply chain and other infrastructure.

3.4.3 Exporting

Exporting involves a firm continuing with its present business model except for the fact that the firm's distribution reaches beyond its country's boundaries. It entails minimum risk with limited benefits (Saha and Chattopadhyay, 2015). Exporting refers to an enterprise's direct or indirect transfer of tangible goods to a foreign market with or without middlemen, and with the receipt of a corresponding payment. Exporting also refers to the selling of some of the MNEs regular products/services into the foreign market. With this approach, little investment is required; and it is less risky for MNEs (Ball et al., 2012).

MNEs can either export directly or indirectly. By indirect exporting, an MNE uses various home country-based exporters to export their products to the foreign market. However, this kind of exporting has negative consequences for the MNEs. MNEs pay commission to their products exporters; they can also lose their foreign business if their exporters decide to change their source of supply and, in such cases, the MNEs would have gained little or no experience of the foreign market. Direct export means that MNEs are exporting products/services by themselves without involving a middleman (Bal et al, 2012). A firm utilises the assistance of its own foreign agents, distributors and branch offices in order to manage the export process. Cooperative exporting is implemented via export consortiums, clustering and piggybacking. Piggyback exporting is a practice when one company gets access to an export market using the distribution channels of another company.

Emerging markets are still lagging behind developed economies and there is need to use a high control mode to acquire strategic assets to compensate for competitive disadvantages, as exporting cannot fulfil the need of upgrading their capabilities, but is more likely to facilitate learning through extensive involvement in the international operations (Buckley and Ghauri, 2004). This implies that firms get involved in exporting in order to acquire strategic assets and capabilities to improve their future profitability and maximize global synergy effects, but their productivity levels may not be as high as those firms that are confident enough to focus on exports only (Wei et al., 2014). Exporting, therefore, is a means to tap into strategic know-how in the host country (Wooster et al., 2014). This shows that resource exploration is dominant over resource exploitation in the outward internationalisation process of exporting firms (Wei et al., 2014). When a firm has insufficient knowledge of the market and limited to no partners operating in it, it chooses a simple form of appearance in the market such as exporting. Later, due to its accumulated experience, the company then sets up a representative office.

This model cannot be applied to large companies, since they have easy access to all types of resources (including managerial experience and knowledge) (Wooster et al., 2014, Karajz and Gubik, 2014). An MNE representative office serves the purpose of marketing and selling the parent company's products and services in that particular market in local currency. Through this representative office, MNEs may employ some distribution channels to reach consumers in rural areas, permitting more profitable arrangements. This way, the representative office has potential to grow larger, thus increasing market share and profitability (Rivera-Santos et al., 2012).

Due to perceived risks, MNEs start with low-risk modes of entry such as exports (Forsgren, 2002) to limit the risk in case of failure. The initial commitment allows MNEs to acquire new knowledge about the market, which in turn leads to riskier, but also more rewarding modes of entry (Schuster and Holtbrügge, 2012). Interest in a market is gained through four descriptors such as: (1) the rising GDP per capita per annum, (2) rate of urbanisation, (3) size of the BoP market and (4) An MNE also tries to determine if the economy of a BoP market they are interested in is growing at a pace faster than their home country's economy. Based on the four descriptors, the market might be too small to invest more assets in (Ball, Geringer, Mcnett, & Minor, 2012; Saha & Chattopadhyay, 2015). This could be due to low GDP per capita and small market size, even though there might be a potential for the MNE to increase its market share.

3.4.4 Contracts

Research identifies four commonly used modes of entry into foreign markets that are used by MNEs (De Villa et al., 2015, Estrin and Meyer, 2011, Stadtler, 2014, Brouthers and Hennart, 2007). Three modes have already been discussed. This section discusses the fourth mode of entry, that is, contracts. A contract is divided into licencing and franchising, which are discussed in detail below, starting off with licencing.

3.4.4.1 Licensing

Licensing is defined as a contract between an enterprise and a foreign producer/distributor to produce and/or distribute the MNEs products inside the foreign market (De Villa et al., 2015, Estrin and Meyer, 2011). Licensing is motivated by some of the following monetary and non-monetary drivers: generating revenues, fulfilling legal conditions, selling additional products, setting standards, freedom to operate, knowledge access, ensuring technical leadership, learning effects, enhancing reputation, strengthening networks and realising market entry. One of the motives for external exploitation of knowledge is the reduction of entry costs when accessing a market (Sikimic et al., 2012).

WOS is associated with financial risks, yet it develops the production capabilities of a firm in distant markets, while licensing minimises the firm's international exposure from an operational standpoint, but increases the potential loss of control over the technology being licensed (Dickson et al., 2006). Strategically, licensing can be considered an initial trial of a foreign market before a firm commits fully to the market (Wooster et al., 2014). Nevertheless, not all firms deal with licensing successfully, especially when they intend to use it as a market entry mode because it requires more coordination, management, organisation and detailed structuring (Sikimic et al., 2012).

MNEs often issue operating licenses in foreign countries because they have no prior intention of entering these markets directly, finding it more profitable to extract rents from licensees with local downstream is more advantageous than to enter such (often geographically remote) markets directly (Oke et al., 2014). Strategically, licensing can be considered an initial trial of a foreign market before a firm commits fully to it (Wooster et al., 2014). Licensing also involves another firm manufacturing and/or distributing goods and services using the brand of the parent firm. Its impact on the business is more than just exporting: it requires constant monitoring (Saha and Chattopadhyay, 2015).

3.4.4.2 Franchising and distribution networks

Franchising is a form of strategic alliance where the owners (franchisor) of a product, service or method obtain distribution rights through affiliated dealers (franchisees). If buying an existing business is not an option, but starting from scratch sounds or looks a bit intimidating, one could be suited for franchise ownership (Preble & Hofman, 1994). Franchising consists of a contractual agreement between the franchisor and franchisee. In this agreement, the franchisee buys the rights to market goods or services under the franchisor's brand name. In this format, the franchisee also receives support, such as an operations manual, training and on-site guidance (Nijmeijer, Fabbrocotti & Huijsman, 2013). At the BoP markets, this kind of contract is the mostly used, especially in distributing the MNE's products and/or services to rural areas, where it is not easy for the MNE to reach. This current study acknowledges franchising as a mode of entry.

However, since for the BoP markets franchising is used as a means to distribute products/services to host country consumers, this current study shifts its focus from franchising to distribution networks as another or additional mode of entry into the

BoP markets. For this reason, distribution networks, instead of franchising, are discussed throughout this section.

In a study by Miller and Besser (2005), it was found that networking is associated with an organisation’s ability to manage aspects of the internal and external environment. It was also found that enterprises involved in distribution networks place more emphasis on employees, customers and community strategies. Moreover, enterprises can reach a better understanding of industry trends and access information and new ideas by interacting with other enterprises or partners (Mawala, 2011; Peng & Love, 2008). However, inadequate attention has been given to the specific strategies and business models for effective distribution networks at the BOP (Vachani & Smith, 2008).

Reviewed literature widely recognises the need for MNEs to create new distribution networks when entering the BoP markets (Reficco & Márquez, 2012; Rivera-Rivera-Santos, Rufin & Kolk, 2012). The argument behind establishing new distribution networks is that they create synergies among the MNEs and the host country stakeholders in the creation of wealth and social development (Seelos & Mair, 2007). Although there are large numbers of customers at the BoP, they are often scattered over rural areas, and it is difficult for enterprises to access these customers. Distribution networks serve as a convenient means to reach these consumers.

However, distribution networks built for middle class and high-income customers do not reach the poor. Extending these distribution networks can be prohibitively expensive (London & Hart, 2004). Building dedicated new distribution networks for the BoP markets can solve this problem (Dawar & Chattopadyay, 2002; Rivera-Rivera-Santos, et al., 2012; Simanis & Hart, 2008; Seelos & Mair, 2007). It should be noted that the word “distribution” in this context does not refer only to distribution of products, but rather to a broad spectrum of various functions at the BoP customer interface level. Distribution networks are the routes leading to customers and the associated marketing management considerations ranging from gathering information and providing product/service to the customer, up to the physical distribution of the products/services (Kotler, 2000; Vachani & Smith 2008). With an in-depth understanding of the context of the BoP markets, new distribution networks could solve infrastructural problems and set up informal market regulations (Reficco & Márquez, 2012; Rivera-Rivera-Santos, et al., 2012).

Prahalad (2005), however, argues that MNEs must occupy a centralised position in the new distribution network at the BoP. A centralised position is one where a few enterprises have direct ties to most other network partners, while the majority of enterprises have few ties to other network partners (London & Hart, 2004; Dawar & Chattopadyay, 2002) The more centralised an MNE is in a network, the more it can benefit from the network, by bringing traditional and non-traditional partners together in a value creation process (Prahalad, 2005). Rivera-Santo and Ruffin, (2010) depart from Prahalad's view that MNEs may need to play a centralised role in the construction of new distribution networks that create profitable opportunities at the BoP. They contend that MNEs will have to share major roles and decision power with the host country governments, NGOs and the society at large in order for the new distribution networks to be effective at the BoP (ibid).

An NGO's distribution network, for instance, is likely to include local community members and donors. On the other hand, a government's official distribution network is likely to include local decision makers and members of their political parties. As they become members in the BoPs' new distribution networks, host country stakeholders contribute their specific connections to the new distribution network, resulting in a network in which no member has connections to a very large proportion of the network due to the limited overlap between the connections that they each contribute (Rivera-Santo & Ruffin, 2010). As a result, the BoPs' new distribution networks will have at least several centres, such as the MNEs, with ties to suppliers and international markets, a local NGO with ties to other NGOs and local community members, and the local government officials with ties to regional decision-makers, rather than one or very few centres (Li & Li, 2010; London & Hart, 2004; London, Anupindi & Sheth, 2010; Rivera-Santo & Ruffin, 2010).

3.4.4.2.1 Social embeddedness

Some of the drivers of the entry for MNEs into the BoP markets include doing social good towards the poor communities, the changes in cultural dynamics that present new tastes and preferences, favourable duty structures, economic conditions and proximity to the base country and other markets.

It is essential for MNEs (when entering the BoP markets) to fundamentally rethink their existing strategies and business models (Gollakota et al., 2010:358; London & Hart, 2004; 352; Prahalad & Hammond, 2002:54). In this instance, two stages that can be implemented by MNEs to break the barriers are suggested. In the first stage, MNEs have the critical role of creating pathways around relational blockages, thus, overcoming the system failures already identified. This would create the platform for stage two, which is the development of a market-based, adaptive system of economic and social growth (Krichgeorg & Winn, 2006:5).

Stage two is when and where business relationships are embedded in ethnic and gender relationships that increase trust and reduce moral hazards, thereby eliminating or reducing reliance on formal institutions (Arnould & Mohr, 2005, Akula, 2008, Rivera-Santos & Rufín, 2014). As Rufin and Rivera-Santos (2008) note, the weakness of the formal institutional environment and the strong intra-community bonds lead to transactions that are governed by relationships and networks rather than by contracts, which would be difficult to enforce. Strong intra-community bonds are paralleled by mistrust and deep-rooted divisions between communities, as well as toward MNEs. Reficco and Marquez (2010) confirm that depiction, with communities showing a prior skepticism and mistrust vis-à-vis MNEs. This combination creates strong incentives for any MNE to build legitimacy and become a player inside those social networks, through the development of embedded, personalised relations (Reficco & Marquez, 2010:524; Kirchgeorg & Winn, 2006:2).

Strong social relations at the BoP markets create interdependency among members, thus elevating the role of powerful group influences and word of mouth communication (Weidner et al., 2010). MNEs should be able to navigate these intricate networks to succeed at the BoP markets. BoP people and companies often share information about products and services through face to face interaction. An organisation entering these markets should confront opportunities and challenges in negotiating these well-established social networks (Gollakota,et al, 2010; London, 2007; Prahalad, 2005). If MNEs wish to succeed at the BoP, it is imperative that they consider an embedded process of co-creation and business co-invention that will bring the MNEs in close, personal business collaborations with the BoP communities (Simanis & Hart, 2008). This involves acquiring and building new resources and capabilities and forging a multitude of new distribution networks and collaborations (Seelos & Mair, 2007).

London and Hart (2004) suggest that MNEs interested in reaching consumers at the BoP should consider both societal performance and the sharing of resources outside the enterprise boundaries – local capacity building – in order to succeed. At the BoP, most successful ventures address societal performance by incorporating local capacity-building directly into their business model rather than through the more conventional approach of corporate philanthropy as an activity separate from the business. The approach is referred to as “social embeddedness” or the ability to create competitive advantage based on a deep understanding of and integration with the local environment (Anupindi & Sheth, 2010:583; Heidenreich, 2012:549; London & Hart, 2004:363). Social embeddedness contributes to the innovativeness of MNEs by facilitating access to external resources and competencies as well as coordinating with the host-country partners at the BoP (Heidenreich, 2012; Anderson & Markides, 2006; Dawar & Chatopadhyay, 2002). The social embeddedness concept also suggests that MNEs should co-design a product from bottom up (as opposed to top down) with local partners who understand the functionalities that are most important to BoP consumers (Simanis & Hart, 2008; Anderson & Billou, 2007; London & Hart, 2004).

Gollakota et al (2010) identifies a two-stage business strategy MNEs can use when entering the BoP markets. This two-stage business strategy is: a deep cost management strategy and a deep benefit management strategy. A deep cost management strategy is based on two elements. Firstly, MNEs need to identify the core value that must be offered and strip out all other elements that add costs. To eliminate the cost bearing elements from a product or service will make a product affordable and accessible to the BoP consumers (Arora & Romijn, 2012; Dawar & Chatopadhyay, 2002; Gollakota et al, 2010).

Secondly, MNEs need to re-engineer the operations of the enterprises using a holistic approach. Reaching BoP consumers requires minimising costs at all stages of the value chain. Taking a sequential view of the value chain results in enhancements that primarily affect adjacent activities – for instance, in order to reduce costs, MNEs may manufacture a product in a country/region where the product will be sold. Even greater cost savings might come about if an organisation takes a broader and holistic view, an enterprise may be able to identify and exploit linkages between the design stage and other stages of the value chain. This means creating a sturdy design that reduces the need for service. This is important when serving BoP consumers who often have no reliable transportation and find it very difficult to make a repeat visit to the shops. Furthermore, the boundaries of potential value-adding opportunities need to be broader than the industry. They should involve BoP partners such as local governments and/or NGOs to assist MNEs in reducing the cost of production, while serving quality products to the BoP consumers profitably (Ansari, Munir, & Gregg, 2012; Gollakota et al, 2010).

The second strategy, suggested by Gollakota et al, (2010) for entering the BoP markets is a deep benefit management strategy. A deep benefit management strategy requires MNEs to look beyond cost reduction and find creative ways to add value for BoP consumers at no additional costs (Mohr, Sengupta & Slater, 2012; Gollakota et al, 2010). Value creation can be achieved through MNEs partnering with non-traditional (non-governmental organisations (NGOs), philanthropic organisations, community organisations, among others, as well as traditional partners (national governments, local suppliers, and local distributors) and creating inclusive channels by incorporating BoP consumers into the value-adding process

(Gollakota et al, 2010; London & Hart, 2004; Simanis & Hart, 2008; Williams & Hayes, 2013).

This view of a two-stage business strategy is in line with London and Hart's (2004) and Vögel's (2014) views that a transnational strategy should be used by MNEs to successfully reach consumers at the BoP. A transnational strategy tends to be used when an enterprise confronts simultaneous pressures for cost effectiveness and local adaptation and when there is a potential for competitive advantage from responding to both of these two divergent forces. The location of an enterprise's assets and the capabilities will be based on where it would be most beneficial for each specific activity, neither highly centralised as with a global strategy nor widely dispersed as with a multi-domestic strategy (Ball et al, 2012). MNEs must contribute actively to the development of the enterprise capabilities, as well as develop and share knowledge with the enterprise operations at the BoP. When a transnational strategy is used, the more upstream value chain activities such as product development, raw material sourcing, and manufacturing, should be more centralised, while the more downstream activities, such as marketing, sales, and services, are more decentralised and located closer to the consumer (Ball et al, 2012). However, MNEs are faced with the challenge of achieving an optimal balance in locating activities, as well as maintaining this balance over time as competition, customer needs and regulations at the BoP are not the same as the ones in the developed world (Ball et al, 2012; London & Hart, 2004; Prahalad, 2005). Though cost effectiveness and local adaptation may allow MNEs to enter the BoP market, not even global cost leaders always have sufficient low-cost structures to be able to serve the BoP consumers if they do not rethink their business strategies (Golakota et al, 2010; London & Hart, 2004).

3.5 Theoretical framework for the study

Table 3: Theoretical framework: modes of entry into the BoP markets

Commonly used modes of entry	Conditions of BoP markets influencing the choice of modes of entry	Modes of entry into the BoP markets
Wholly-owned subsidiary	• When the country has a high risk of political uncertainty • When the country is highly urbanised	• Wholly-owned subsidiary
Joint venture	• When the country has lack of resources and underdeveloped infrastructure • When the country is govern by informal institutions (adhere to social norms)	JV with the governments JV with the local big company JV with the local small enterprises.
Exporting	• When the host country's business and institutional environments are different from the home country's environment	Exporting (direct and indirect)
Contracts	• When the population of the country are mostly situated in rural areas • When the population size is huge	Distribution networks Franchising

Source: self-compilation

Based on the reviewed literature, the researcher developed a conceptual framework guide into the investigation of the rationale of MNEs in choosing certain modes of entry into BoP markets in SSA and to identify the BoP markets conditions that influence the choice of modes of entry. Therefore, the conceptual framework depicted in Figure 3 provides a holistic view that should be taken when assessing the rationale of MNEs' choice of modes of entry into BoP markets. Thus, the assessment should begin by looking at commonly used modes of entry and see if these are most used at the BoP markets.

Table 3 clearly shows that BoP markets are different from affluent markets in the sense that, the BoP markets have expanded one of the entry modes to suit the conditions of the BoP markets. For instance, literature shows that, certain conditions of the BoP markets determine and/or influence the choice of entry mode for that particular market. Depending on the conditions of the BoP markets, joint venture is expanded to: JV with the governments, JV with the local big company, JV with the local small enterprises, JV with the local NGOs, and JV with the local community. Table 3 also shows that WOS is applicable to the BoP markets where there is a high risk of political uncertainty and whenever the country is highly urbanised. At the same time, reviewed literature suggests that, where most people in the country are situated in rural areas, and if that particular country has a huge population size, exporting is the trusted mode of entry. Exporting is only applicable when the host country's business and institutional environments are different from those of the home country of the MNE. However, these findings are critically compared and contrasted with the findings in Chapter five. The final conclusions are discussed in Chapter six. The modes of entry that a company may adapt in a given BoP market are provided in Chapter 6. Therefore, this all-encompassing conceptual framework provides a true reflection of the conditions of the BoP that influence the choice of modes of entry and the suitable modes of entry into the BoP markets.

3.6 Summary

In this chapter, MNEs' modes of entry into the SSA BoP markets are reviewed. This chapter proves that there are different modes of entry for different BoP markets. The chapter shows that for certain modes of entry are appropriate for the certain BoP markets. For instance, if there is a cultural distance between the MNEs' home country and the host country, for instance, if MNEs are not familiar with the host country's institutional environment, they should use exporting as suitable modes of entry into the market. SSA, with its diverse institutional environments may moderate this proposed framework (Bagire & Namada, 2011; Gupta *et al.*, 2009; World Bank, 2014a).

Due to BoP informal institutions being structurally integrated and having greater control over operations than other forms of MNEs foreign market entry modes (White III *et al.*, 2014), some modes of entry such as wholly owned subsidiary are therefore particularly vulnerable to institutional environment uncertainty because arbitrary application of laws and regulations that govern commercial transactions might materially affect their operations (White III *et al.*, 2015). MNEs wishing to enter the BoP market should have a clear understanding of respective institutional environment. They (MNEs) should know and understand the four dimensions of the BoP market's institutional environment. Knowledge of the institutional environment would assist MNEs in positioning themselves and/or their products directly into the right BoP market, at the right time, for the right consumers. Knowledge of the BoP institutional environment also assists MNEs in choosing the most suitable modes of entry.

The next chapter discusses the methodology used to answer the research question, the selection of the multiple cases and the data collection.

CHAPTER FOUR

RESEARCH DESIGN AND METHODOLOGY

4.1. Introduction

The aim of this study was to investigate the rationale for MNEs in choosing certain modes of entry into BoP markets in the SSA. The investigation entailed identifying the factors that influence the MNEs' choices. This chapter presents the methodology that was undertaken to conduct the study and, thus, present a detailed description of the research design and methodology used.

4.2. Research paradigm

A research paradigm refers to a research community, basic philosophical assumptions or beliefs about the nature of reality (ontology), the nature of knowledge and how it can best be produced (epistemology), the role and place of values in the research process (axiology) and the most appropriate ways of investigating what can be known (methodology) (Creswell 2008).

4.2.1. Research community

The research community for this study was South African MNEs that expanded their enterprises to other countries in the SSA region. Ontology is the branch of philosophy that focuses on the nature of reality and being. It addresses the following question: "What is the form and nature of reality and what can be known about that reality?" According to Ponterotto (2005), ontology is found in literature where scholars, over the years, have been focusing their attention on the MNEs operating at the BoP markets of countries such as Asia and Latin America. Very few studies have given much attention on the MNEs operating at the BoP markets of the SSA.

There is limited evidence when it comes to studies that focus on the foreign entry modes for MNEs in the BoP markets, in particular, the SSA BoP market. The study attempt to address this gap.

4.2.2. Research philosophy

As far as research philosophy is concerned, there is no consensus on which philosophy best suits a research methodology (qualitative, quantitative or mixed methodology (Zachariadis et al., 2010; Denscombe, 2007; Guba and Lincoln, 1994; Denzin and Lincoln, 2005; Steen and Roberts, 2011; Becker, 1996). Mkansi and Acheampong (2012) summarise some of these debates, as highlighted in Figure 4. Therefore, given that the nature of this study is purely qualitative, the researcher concentrated on related philosophies, which are positivism, post-positivism, critical theory, constructivism, and interpretivism. However, the interpretivist philosophical stance is considered as the most suitable standpoint for this study.

Figure 2: Philosophical debates for mixed methods, qualitative and quantitative approach

Philosophical debates for: Mixed methods, Qualitative and Quantitative approach

Research approaches	**Philosophical debates for the approaches**
Mixed Methods	Mixed method is believed to be rooted in pragmatism (Denscombe, 2007; Johnson and Onwuegbuzie, 2004); but Barrett (2010) asserts the opposite and considers critical realism to be the theoretical foundation of mixed method research.
Qualitative approach	Guba and Lincoln (1994) identified four paradigms that compete in qualitative research, namely; positivism, post-positivism, critical theory and constructivism. However, other scholars (McNabb, 2008; Denzin and Lincoln, 2005) assert that interpretive and critical paradigms are central to qualitative approach. A detailed analysis of these debates is fully discussed amongst other scholars (Guba and Lincoln, 1994; Denzin and Lincoln, 2005).
Quantitative aapproach	Scholars (Polit and Beck, 2008; Steen and Roberts, 2011) assert that positivist and naturalist are philosophies for quantitative approach. Furthermore, Alvesson and Skoldberg (2009) add post-postivism, social constructionism, and critical realism as other philosophical stances.
Qualitative vs. Quantitative approach	The debates stretch further from which different philosophies is best for a single research approach (i.e. pragmatism against critical realism for mixed methods); to whether a particular philosophy is for qualitative or quantitative approach (i.e. positivism for qualitative vis-à-vis quantitative). This is best demonstrated in research findings by amongst other scholars (Bryman, 1984; Becker, 1996).

Source: Mkansi and Acheampong (2012)

4.2.2.1 Interpretivist Philosophy

Interpretivists maintain that research designs continuously change and, as such, perceived knowledge is based on specific context at a particular point in time (Hudson and Ozanne, 1988). According to Hudson and Ozanne (1988), an interpretivist approaches a research study with some prior knowledge about the research methodology but this knowledge is deemed inadequate. Willis (1995) postulates that interpretivists believe that there is no single and correct approach or method of research. Thus, they derive their methodology from their in-depth examination of the phenomenon of interest (Thomas, 2010). In this line of argument, interpretivist philosophy is underpinned by observation and interpretation, where the researcher collects data about events and interprets it to make inferences (Thomas, 2010).

In this regard, while the researcher had some prior knowledge of the envisaged research methodology deemed appropriate for the study, she was flexible and open to new ideas, especially those observed during the interview process. For example, initially the researcher wanted to make BoP countries as unit of analysis but this later changed upon realisation of the complexities associated with that methodology. Doing this provided the researcher with the best approach to understand the research phenomenon.

4.3. Description of inquiry strategy and broad research design

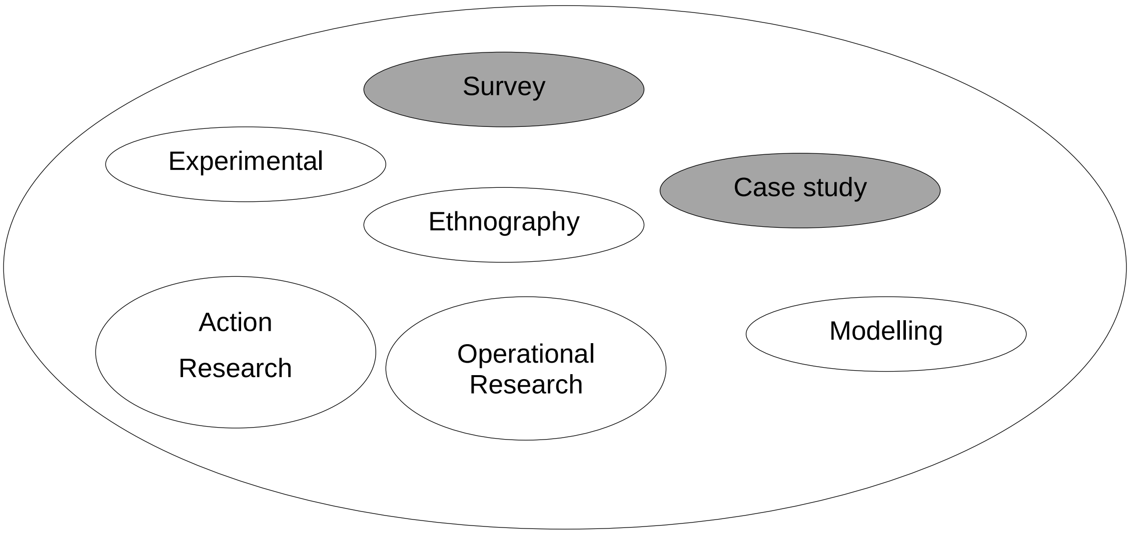
An inquiry strategy refers to the general strategy or approach that a researcher will use to solve the research problem identified for a specific study. According to Mouton (2008), the inquiry strategy provides the answer to the question: “What type of research one will be conducting?” This study was qualitative in nature and it utilised a case study design to collect data.

4.3.1. Research design

A research design offers an overall plan for the study in terms of how the respondents will be selected and how the data will be selected (Welman et al., 2009). Vosloo (2014) states that a research design should be viewed to offer alternatives and options which allow a researcher to clarify the research purpose and perspective. In this line of argument, Tobin (2006), highlights that there are many design alternatives but the most common ones are illustrated in Figure 5 below.

Thus, experimental research designs are used mainly for scientific research and are lauded for preserving internal validity (Ross and Morrison, 2004). A survey research design is concerned with asking the respondents information about their attitudes, behaviours, opinions and beliefs (Polland, 2005) and is used to gather quantitative data from large samples (Glasow, 2005). A case study research design allows the examination of data within a specific context and is usually used when a holistic, in-depth investigation is required. Case studies allow the exploration and understanding of complex issues (Zainal, 2007). An ethnography research design is used when a researcher is concerned about the social interactions, behaviours and perceptions of a group of people in an organisation or community (Reeves et al., 2008).

Figure 3: Design alternatives



Source: (Tobin, 2006)

Action research is inquiry into practice undertaken by those who are involved in the practice in order to improve it (Power et al., 2005) and its aim is to find solutions to the immediate problem at hand (Stringer, 2007). Operational research design is concerned about the application of scientific methods and techniques in order to provide optimal solutions to the operation of an existing system or operations (Rajgopal, 2004). Modelling research is when the researcher is more interested in developing a mathematical representation, a construct or a model of a real world phenomenon (Busha and Harter, 1980).

Despite this array of research design alternatives, it is important that a researcher choose a research design that is most suited to the research inquiry at hand. Thus, a research design should be scientifically grounded in order to be able to provide truthful and reliable results (Cooper and Schindler, 2011). In this line of argument, a number of scholars have identified factors that affect the choice of a research design. For example, Opie (2004) opines that a research design is determined by the methodological approach to be adopted, the type of data to be collected, the manner in which the data will be collected, data analysis methods and reporting of findings. Furthermore, Vosloo (2014) adds that the complexity of the research problem, research questions and objectives are key determinants to the research design choice.

Therefore, given the research question for the study, an empirical investigation comprising case study and survey research design was used. This was conducted in an exploratory manner by reviewing an array scholarly literature on the subject matter. The limited number of South African MNEs operating in the SSA motivated the choice of this design.

An exploratory study has a loose structure and is primarily concerned with discovering future research tasks and questions for future research (Cooper and Schindler, 2014; Zikmund, 2003). A formal study is different from an exploratory study, as the former begins where the latter ends. A formal study begins with the hypotheses or research question and involves precise procedures and data source specifications, with the goal of answering the hypotheses or propositions (Cooper and Schindler, 2014). After conducting a comprehensive literature study, the study developed some propositions that were then used as a base. During the interviews with the respondents, the researcher formulated other propositions based on the new information that was gathered, suggesting that this proposed study will be exploratory in nature.

According to Cooper and Schindler (2008) the main purpose of a study may be classified as: reporting, descriptive, causal-explanatory or causal-predictive. Reporting involves the summation of data to achieve a deeper, more comprehensive understanding of the issue under investigation, or to generate statistics for comparison. A descriptive study is concerned with investigating the "*who, what, where, when and/or how"* aspects of the study (Cooper & Schindler, 2008:144), and it involves describing the characteristics of a population or phenomenon (Zikmund, 2003). Causal-explanatory studies are concerned with finding out *why*, and more specifically*, how* one variable produces change in another, thereby explaining relationships among variables. Finally, a causal-predictive study attempts to predict an effect on one variable by manipulating another variable. This is done whilst holding all other variables constant (Cooper & Schindler, 2014).

In order to answer the research question of 'what influences the MNEs choice of modes of entry at the BOP markets in SSA", the study employ a descriptive method.

4.3.1.1 The rationale of a case study design

There is a lack of data on MNEs pursuing BoP markets in the SSA (Adwera, 2011; Ongweso, 2009; Richards and Nwankwo, 2005). This lack of data could be due to a limited number of MNEs operating in this market, as mentioned earlier in the study. In this instance, case study design plays a significant role as it emphasises full contextual analysis of fewer events or conditions and their interrelations (Cooper and Schindler, 2014). It also provides a broader range of information and perspectives on the subject of study (Yin, 2011a). A case study design is quite appropriate for examining new relationships, exploring new conceptual frameworks and describing new phenomena (Barki and Parente, 2010, Kolk and van Tulder, 2010). Despite growing interest in the topic, BoP research is still open and novel, justifying the use of a case study design (Schrader et al., 2012).

Case studies are suitable for revealing and encompassing relationships and logic among constructs. These case studies are used for the likelihood that they will offer theoretical insight for theoretical reasons, such as the revelation of an unusual phenomenon, replication of findings from other cases, contrary replication, elimination of alternative explanations, and elaboration of the emergent theory (Eisenhart and Graebner, 2007, Schrader et al., 2012). For instance, through a case study, the participants will have enough time to reconstruct their own experiences and reality regarding the topic in their own words (Yin, 2011a). In the process, this gives the researcher an opportunity to create managerially relevant knowledge (Gibbert et al., 2008) and have a deeper understanding of the topic of study among different participants of the various MNEs. However, one may not use any case that they come across. There should be specific criteria to follow when choosing the case for the study topic.

4.3.2. Methods of data collection

Research methods/techniques are the various procedures, schemes, algorithms, etc. used in research. All the methods used by a researcher during a research study are termed as research methods. They are essentially planned, scientific and value neutral. They include theoretical procedures, experimental studies, numerical schemes, statistical approaches, etc. Research methods help us collect data samples, and find solutions to a problem. Particularly, scientific research methods call for explanations based on collected facts, measurements and observations and not on reasoning alone (Rajasekar et al. 2006: p.6). Although it is important to know the research methodology, a researcher must also to know which method is suitable for the chosen problem; the order of accuracy of the results of the method; and the efficiency of the method (Rajasekar et al. 2006). Thus, based on this argument, with the aim of reaching the research objectives, a mixed method research approach, in which quantitative and qualitative data collection techniques were used, was followed. Data collection may also be conducted through a process of monitoring or a communication study.

Monitoring involves a process whereby the researcher inspects the activities of a subject or the nature of some material, without attempting to elicit a response from the subject. In contrast, a communication study requires the researcher to question the subjects and collect their responses by personal or impersonal means. Such means include interview or telephone conversation responses, self-administered or self-reported instruments sent through the mail, left in convenient locations, transmitted electronically or by other such means. Communication studies may also be conducted through instruments presented before and/or after a treatment or stimulus condition in an experiment (Bryman, 2013; Cooper & Schindler, 2014).

The data collection techniques used for this study included documentary reviews and semi-structured interviews with three cases as discussed in the sub-sections that follow.

4.3.2.1 Documentary reviews

According to Creswell et al (2007), documentary reviews focus on all types of written communications that may shed light on the incident being investigated. Written communications comprise both primary and secondary sources such as: published and unpublished documents, company reports, letters, memoranda, agendas, faxes and newspaper articles. Moreover for Trochim & Donnelly (2007) documentary reviews are instruments of data collection involving a critical assessment and summary of the range of past and contemporary literature in a given area of knowledge. Documentary reviews help researchers sharpen and reformulate the problem. In addition, documentary reviews define other closely related problems, provide for proper understanding of the problem chosen, help one acquire proper theoretical and practical knowledge to investigate the problem. All in all critical analysis and summary of literature shows the researcher how the problem under study relates to previous research studies (Morrel 2013; Welman, Kruger and Mitchell 2005).

For the purpose of this research, documentary reviews were used as both primary and secondary sources to obtain past and contemporary literature on the modes of entry and the BoP markets. The primary sources consulted for this study include selected company documentations such as company financial statements, documents pertaining company growth and expansion strategies, and published reports. While the secondary sources involved academic journals, articles, and books on market entry, modes of entry, institutional environments and base of the pyramid. Given the pitfalls associated with the use of documentary reviews – like retrieval problems, the failure to display authors subjectively as well as accessibility issues, the documents used in this research were read hermeneutically, i.e. critically and contextually.

Documentary reviews for this study provided a foundation for the context of the research, especially in Chapters 1, 2, and 3. In Chapter 2, with the use of this technique, the researcher presented a conceptual and practical inference of the BoP markets. The researcher drew a conclusion that due to lack of uniformity of the BoP markets, modes of entry into these markets vary as well.

In Chapter 3, using the same qualitative technique, the researcher introduced the four commonly used modes of entry in the affluent markets of the developing countries. Literature on the BoP markets was used as a basis for determining and arguing the suitability of modes of entry for different BoP markets.

4.3.2.2 Interviews

According to Creswell (2007: p.89), interviews are two-way conversations in which the interviewer asks the interviewees questions to gather information and learn about their ideas, beliefs, views, opinions and behaviours regarding the question in point.

Kumar (2005) defines an interview as any person-to-person interaction between two or more individuals with a specific purpose in mind. According to Lephoto (2011), interviews can be categorised into two main types: structured and unstructured. The former refers to interviews where one person asks another person a list of predetermined questions about a selected topic. The latter refers to a scenario where one asks the other questions as they come to mind.

This research was carried out using semi-structured interviews, that is, a combination of structured and unstructured questions that involve a face-to-face interaction between the informant and the researcher. By using this technique, this researcher sought to understand the informants' perspectives – especially those who have actively participated in the focus area, with an aim of obtaining rich, descriptive data in order to understand the participants' construction of knowledge and social reality of the subject matter.

The reason for the choice of this research technique was largely that interviews cover a wider population, irrespective of the location, disability or gender. The use of semi-structured interviews allows room for the formulation of questions on the research problem as they come to mind. Interviewees are less likely to be misunderstood because of repetition. Lastly, more information can be extracted because interviews give room for probing responses, which, in turn, can lead the researcher into gaining more information that may have been left out while designing the interview schedule (Kumar 2005).

Moreover, by using semi-structured interviews, the interviewer was able to adapt questions according to each respondent's level of comprehension, and to understand that when respondents replied to a certain question, they also provided answers to a question that would be asked later. Also very often, the free conversation between the researcher and the respondent permitted the former to lead the conversation and probe further into the matter. To avoid loss of information in this study, the researcher recorded the interviews to ensure that information is captured fully and could be replayed during the data analysis phase.

4.3.2.3 Case selection

Case selection is one of the frequent challenges to theory building. Some scholars argue that in order to generalise, some researchers make the assumption that case studies should be representative of the population, as is the case with data when testing hypotheses (Eisenhart and Graebner, 2007). Cooper and Schindler (2008) argue that when using the case study design, the sample size does not need to be large to be representative nor does it need to bear some proportional relationship to the size of the population from which it is drawn. Since the purpose of case study research is to develop theory, and not to test it, representativeness is not appropriate (Siggelkow, 2007). Theoretical insight can be obtained through a single case or by means of multiple cases.

A single case may be a field setting, organisation or other entity. The rationale for selecting a single case includes studying a rare, extreme, or conversely typical site, in relation to a phenomenon. For instance, Weick (1993) used an extreme case of lost sense making in the wilderness fire-fighting disaster at Mann Gulch, while Galunic and Eisenhardt (1996, 2001), in Eisenhart and Graebner (2007) examined organisational adaptation in an exemplar enterprise that was the highest performing technology-based corporation in the world for several decades. Based on the literature, it is evident that, single-case research typically exploits opportunities to explore a significant phenomenon under rare or extreme circumstances (Eisenhart and Graebner, 2007).

Though single-case studies can richly describe the existence of a phenomenon, multiple-case studies, on the other hand, provide a stronger base for theory building (Siggelkow, 2007). Again, the theory is better grounded, more accurate, and more generalisable when it is based on multiple cases. Multiple cases enable comparisons that clarify whether an emergent finding is simply distinctive to a single case or consistently replicated by several cases (Eisenhart and Graebner, 2007). Multiple cases also create theory that is more robust because the propositions are more deeply grounded in different empirical evidence. Constructs and relationships are more precisely delineated since it is easier to determine accurate definitions and appropriate levels of construct abstraction from multiple cases.

Moreover, multiple cases enable broader exploration of research questions and theoretical elaboration. As a result, a few additional cases can significantly affect the quality of the emergent theory. They can offer four times the analytic power and yield more robust, generalisable, and testable theory than single-case research (Kolk and van Tulder, 2010, Eisenhart and Graebner, 2007, Flyvbjerg, 2006). Through multiple cases, the researcher was able to explore differences within and between cases, with the aim of replicating findings across cases. Because comparisons are drawn, it is imperative that the cases be chosen carefully so that the researcher could predict similar results across cases, or predict contrasting results based on a theory (Baxter and Jack, 2008).

Analysis across cases requires the researcher to choose whether to apply holistic case or a case with embedded units. A case with embedded units allows the researcher to understand one unique/extreme/critical case, while a holistic case allows the researcher to analyse within each case and across cases (Baxter and Jack, 2008, Eisenhart and Graebner, 2007). In order to have a deeper understanding of the MNEs' entry modes at the BoP markets in SSA, and to be able to generalise the findings; this study applied a multiple holistic case study design.

Because qualitative research is more concerned with the richness of information, the number of cases depends on the topic of study and the availability of resources (O'Reilly and Parker, 2012). When selecting cases, the researcher considers whether these cases are appropriate and adequate in providing sufficient answers to the research question (Marshall, 1996). Bowen argues that case adequacy relates to the demonstration that saturation has been reached, which means that depth as well as breadth of information is achieved (O'Reilly and Parker, 2012, Bowen, 2008).Bowen (2008) agrees with Guest et al., (2008) that data saturation occurs at twelve (12) interviews. Based on the theoretical evidence that data saturation occurs at twelve (12) interviews, this study focused on three (3) cases. However, these three (3) cases can only be used if the group is homogeneous to get reliable findings and variability of the cases to be able to generalise the findings of the study (Guest et al., 2006).

Based on the case studies investigated in the BoP literature that focused on FMCG, Telecommunication, Health/Hygiene and Financial industries (Akula, 2008; Anderson & Markides, 2006; Dolan et al, 2012; Esposito et al, 2012; Gollakota et al, 2010; Guesalaga & Marshall, 2008; Kolk & van Tulder, 2006; Macke et al, 2003; Mckee, 2013; Subramanyan & Gomez-Arias, 2008), and due to the limited number of MNEs operating the SSA, it was deemed important to select the FMCG industry, as very limited related literature is available in the region. The three (3) representative cases were selected based on the time frame and their representativeness across the SSA region (Schrader et al., 2012). For instance, the researcher considered the following questions:

- How many countries are they operating in?
- How many years have they been operating in the SSA?
- How long did they take before expanding to another market?
- Are they serving the BoP markets within these countries?

More questions will be stated in the research protocol.

Access to the case companies was based on making contact with the South African MNEs that have expanded to other SSA countries (Shrander et. al., 2012).

4.3.2.4 MNE selection

This study used information-oriented sampling to select cases which provide valuable insights into business activities of MNEs at the BoP markets. This is because diverse cases reveal more information than average or similar cases (Eisenhart and Graebner, 2007). When selecting the sample for the study, the researcher found that there were no companies that entered the SSA countries with the sole purpose of serving the Bop markets. Therefore, the researcher chose South

African MNEs that operate in the same industry of fast moving consumer goods (FMCG) in the urban areas of the Sub-Saharan Africa countries. These MNEs were found to be serving both wealthy consumers and the BoP consumers within these countries simultaneously. The researcher focused on the MNEs, which had more than 10 years' experience operating on these BoP markets. This was done in order to determine and to track the success of the modes of entry choices in these BoP markets. All these companies were operating in five or more countries of the SSA region. This selection was done in order to see in which conditions of the BoP markets certain modes of entry are suitable and which conditions of the BoP markets drive or influence the choice of modes of entry. Table 2 below summarises the MNEs selection.

Table 4: Comparison of the case companies (2017)

Characteristic	**Company A**	**Company B**	**Company C**
Product offering	Consumers goods	Consumers goods	Consumers goods
Number of employees	52 900	18 500	14 180
Turnover	R77.5 billion	R43 billion	R31.7 billion
Home country	South Africa	South Africa	South Africa
Serving BoP markets	Namibia, Botswana, Lesotho, Swaziland, Zimbabwe and Zambia.	Kenya, Angola, Zambia, Botswana and Ethiopia	Zimbabwe, Cameroon, Ethiopia, Kenya, Nigeria, Zambia, Mozambique, Malawi, Tanzania, Uganda, Ghana, Chad, Guinea, Gabon and CAR

Source: Self-compilation

These companies were selected because they have different focuses on BoP markets, a factor which guaranteed a high heterogeneity of the sample. The use of such ''polar types'' enabled the study to focus on multiple cases and, at the same time, narrow complexities as much as possible (Eisenhart and Graebner, 2007; Gibbert et al., 2008). Furthermore, the study assumed that market diversity is useful when it comes to the transferability of the findings, as constraining conditions of BoP markets may be perceived differently and affect business activities.

4.3.2.5 Data collection instrument

Data was collected from three South African multinational companies. This entailed conducting semi-structured interviews. According to Cooper and Schindler (2014), an interview may be conducted in the form of an unstructured interview with no specific questions or order topics to be discussed, with each interview customised to each participant. The interview may also be semi-structured, whereby it generally starts with a few specific questions and then follows the interviewee's tangents of thought, with interviewer probes. Finally, the structured interview may be used where the researcher often uses a detailed interview guide similar to a questionnaire to guide the question order and the specific way the questions are asked. The questions generally remain open-ended.

The first set of data collection was a pilot study with one company to test the research protocol. Interviews were conducted with the heads of a company in the SSA region. The outcome of this pilot study assisted in refining the questionnaire. However, since the company was not a South African MNE, the data was not included for analysis. The second set of data collection was conducted with the three South African MNEs. This was done after the protocol had been tested and changes made, where necessary.

Face-to-face interviews were conducted to provide a platform for the researcher to probe for more information and get the reactions of the interviewees first hand. After obtaining the permission of the interviewees, the interviews were recorded and transcribed individually. These interviews took place between April 2016 and November 2016.

4.3.3. *Research focus area*

The focus of this current study is on the SSA (the entire dark grey area on the map). This region offers a consumer base of about 853 600 million, of which an estimated 50.9 percent live on less than US$ 2 per day (PPP) (World Bank, n.d.). The statistics point to the fact the number of poor people in the SSA is still rising, despite huge investments in programmes to eradicate poverty (Adwera, 2011). See the map of the SSA below.

Figure 4: Map of Africa showing the two regions belonging to the SSA

Adapted from: Abu-Aisha & Elamin, 2010:23)

Certainly, there are a number of complex factors that contribute to poverty. This current study does not attempt to discuss these factors. However, this context is important in order to understand the business motive that drives several MNEs to identify opportunities and address social challenges while simultaneously exploiting this market (Gollakota, Gupta, & Bork, 2010; Hudnut, 2008; Prahalad, 2005). Poverty in the SSA has been attributed to a number of factors, including unemployment, lack of assets, lack of credit, inaccessible markets, corruption, poor health, illiteracy, insecurity and economic shocks (Asiedu, 20006; Imoudu, 2012). This means that it is a multi-dimensional phenomenon that goes beyond the general lack of income. It has also led to high vulnerability, arising from the interactions of economic, political and social processes (Adwera, 2011; Bagire, 2011; World Bank, n.d.). Among emerging markets, the SSA has the least favourable health indicators and the majority of its countries are unlikely to achieve any of the Millennium Development Goals. In SSA, life expectancy, at 47 years, is the lowest among developing countries; prevalence of child malnutrition is highest, at 30 percent; under 5 years mortality rate is highest, at 163 per 1000; and prevalence of HIV among adults aged 15 – 49 years is highest, at 5.8 percent (Aisha & Elamin, 2010).

The BoP market in the SSA is large. However, lack of uniformity amongst different governments offers variety challenges to MNEs serving this market, as each country has its own political, economic and legal systems. Cultural practices can also vary dramatically, as can the education and skills levels of the populations (Hills, 2009). Adding to the complexity, SSA's population figures range from as much as 173,611,131 in Nigeria (Nigeria National Bureau of Statistics, 2012; UNECA, 2010:34), of which 84.5 percent live on less than US$2 per day (PPP) (World Bank, n.d.) to as little as 90,945 thousand for Seychelles (Seychelles National Bureau of Statistics, 2010; UNECA, 2010), of which 0.3 percent live on less than US$2 per day (PPP) (World Bank, n.d.). This means that there is real opportunity for MNEs to capture this untapped market share while maintaining attractive margins (Jin, 2012; Cherrire & Jayanth, 2009; Prahalad, 2004; Prahald & Hammond, 2002).

Though the SSA region remains predominantly rural, business reforms in many countries reflect a sustained commitment to improving competitiveness, and three of the top ten business reformers for 2007 – 2008 (Senegal, Burkina-Faso and Botswana) are in the SSA region (WDI 2009). Moreover, Mauritius, which is one of the countries in the SSA region, has the most favourable business regulations, and it is among the top 25 countries in the world with regard to ease of doing business. About 28 of the countries in the SSA implemented 58 reforms in 2007 – 2008, continuing an uptrend (WDI, 2009). The SSA has the highest population growth of 900 million. The urban population of the SSA doubled between 1990 and 2007 to 290 million (World Development Institute 2009). As pointed out before, the SSA offers the highest return on foreign direct investments (FDIs) in the world, far exceeding all other regions, yet it is not as competitive as the BRICs countries (UNCTAD, 2006).

The SSA continues to record strong economic growth, despite the weaker global economic environment. It has been noted that the FDI inflow prospects for Africa as a whole have improved since 2010, particularly in the SSA region where FDI inflows grew from US$29.5 billion in 2010 to $36.9 billion in 2011 (UNCTAD, 2012). Regional output rose by 5 percent in 2011. The increase was triggered by still-strong commodity prices, new resource utilisation and improved domestic conditions that have underpinned several years of solid trend growth in the region's low-income countries (Richards & Nwankwo, 2005). However, there is variation in performance across the region, with output in middle-income countries tracking more closely the global slowdown and with some sub-regions adversely affected, at least temporarily, by drought. Threats to the outlook include the risk of intensified financial stresses in the euro area, spilling over into a further slowing of the global economy and the possibility of an oil price surge triggered by rising geopolitical tensions (IMF, 2012). Therefore, when developing and/or revamping their business strategies, MNEs have to consider these challenges succeed at the BOP market in the SSA.

4.3.3 Data analysis

The collected qualitative data was analysed using content analysis and the data analysis tools provided in ATLAS.ti®. The transcribed interviews were uploaded into ATLAS.ti® qualitative analysis software for textual analysis. With ATLAS.ti®, the researcher managed to code the data, which was a process of deriving meanings from selected quotations across the three interview transcripts. At this stage, the researcher engaged in an extensive iterative process that involved comparing and contrasting each of the codes, subthemes and quotations in an attempt to make sense of the data. To this end, Figure 6 shows "quotation manager" with various quotations.

Figure 4: Preliminary coding in ATLAS.ti® qualitative analysis software

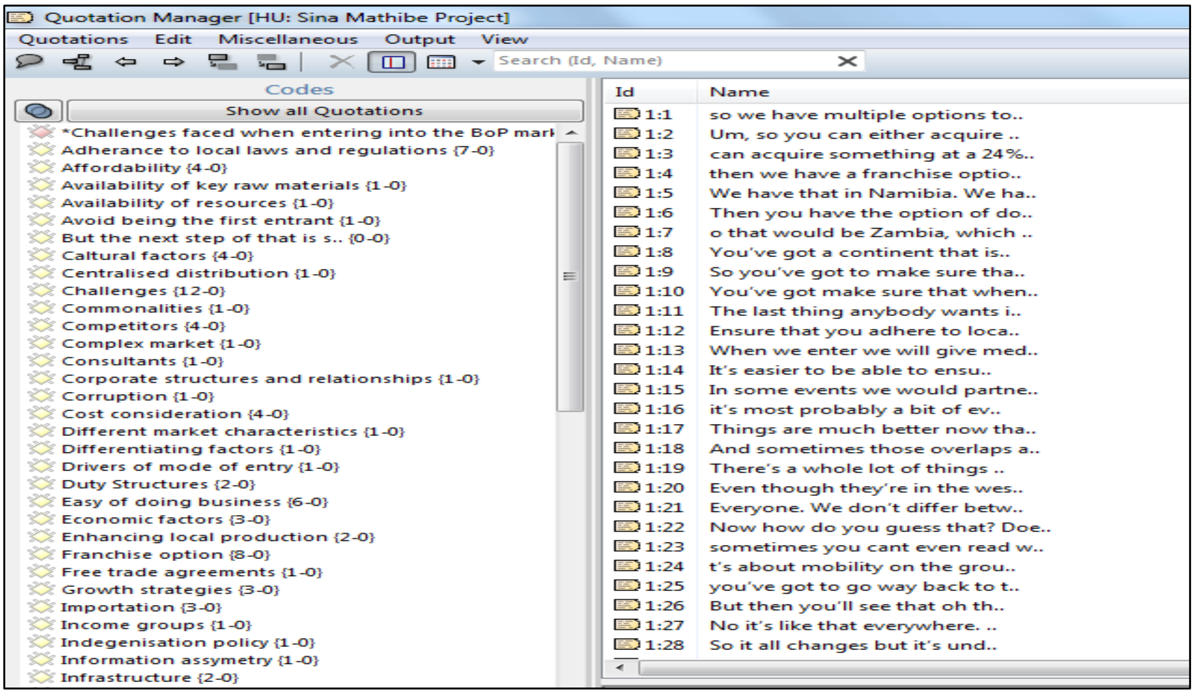
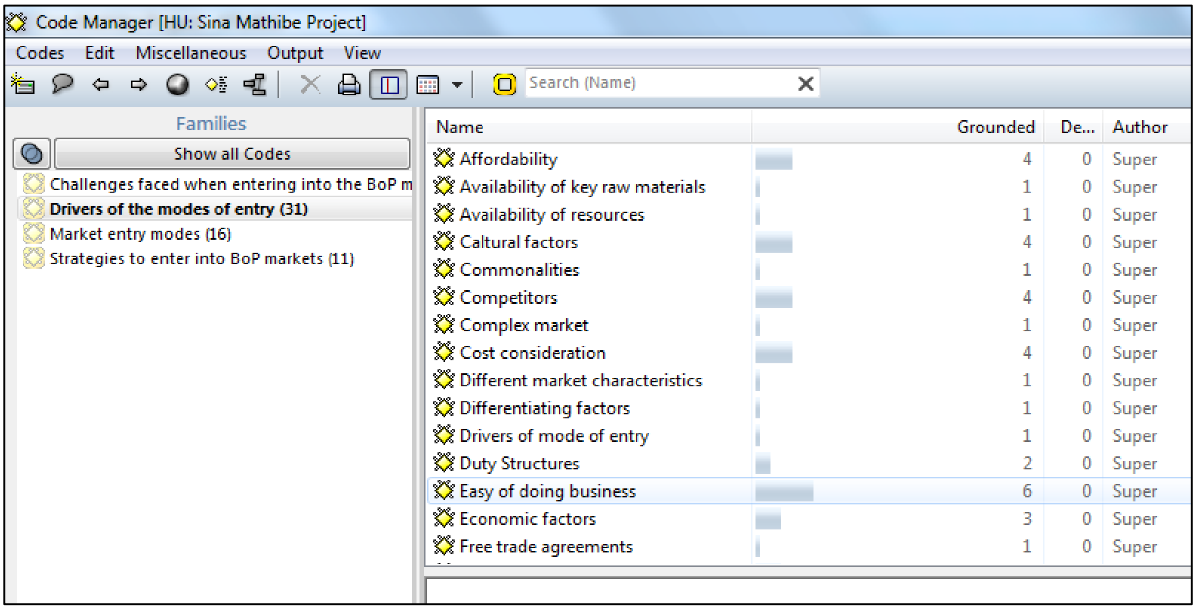


Figure 5 shows an excerpt of the final coding template using ATLAS.ti® qualitative analysis software. The quotations were analysed and four final codes were developed after a careful reading and re-reading of the transcripts. Thus, quotations aligned to a particular code were then grouped into that code. These quotations were further analysed to get a better understanding of their meanings. An in-depth iterative process continued as the researcher attempted to link these codes to the research questions.

Figure 5: Excerpt of final coding template using ATLAS.ti® qualitative analysis software



As highlighted above, context analysis was used as a guiding principle in analysing the coded data. According to Stemler (2001:1), content analysis can be defined "as a systematic, replicable technique for compressing many words of text into fewer content categories based on explicit rules of coding." In this regard, content analysis is one of the qualitative methods that have been widely used to analyse textual data (Forman & Damschroder, 2008). Thus, content analysis in qualitative research examines data that is gathered through detailed and in-depth open ended data collection techniques such as interviews and focus groups (Forman & Damschroder, 2008). Also, content analysis is useful for examining trends and patterns in documents (Stemler, 2001). Therefore, content analysis involves a systematic analysis of textual information through coding, in order to gain an in-depth understanding of a research problem.

Based on the foregoing discussions, this study used content analysis to analyse the collected data. As highlighted above, content analysis is a detailed and systematic way of analysing data. According to Leedy and Ormrod (2010), content analysis allows the researcher to organise data according to themes and patterns. Moreover, content analysis allows a relational approach to text analysis, which involves defining which word-relations are to be encoded (Roberts, 2015). Thus, the researcher used content analysis because it allows identification of the relationships among themes, through manual codification of documents and interview transcripts (Butnaru, 2015). In this respect, the researcher followed the following sequence as highlighted by Leedy and Ormrod (2010):

- Identification of specific body of material to be studied,
- Identification of characteristics or qualities to be examined in precise, consistent and concrete terms,
- Breaking down of information from interview transcripts into themes, and
- Scrutinising the material for each characteristic or quality.

Following these steps aided the researcher to maintain reliability and validity of the research results, as discussed in the next section.

4.4. Reliability and validity

This section discusses the reliability and validity issues surrounding the research study.

4.4.1. Reliability (Dependability)

Reliability refers to the absence of random error, enabling the researcher to arrive at the same insights if they conduct the study along the same steps again (Gibbert et al., 2008). The key words here are transparency and replication. Transparency can be enhanced through measures such as careful documentation and clarification of the research procedures, by producing a case study protocol. The case study protocol is an effective way of increasing the reliability of case study research and guides the researcher in carrying out the data collection when using a multiple-case holistic design. More importantly, the case study protocol is more than a questionnaire or instrument - it is a report, which specifies how the entire case study will be, conducted (Gibbert et al., 2008). The protocol contains the instrument, the general rules and the procedures to be followed. In addition, the protocol is directed at an entirely different party than that of the instrument. Having a case study protocol is considered desirable under all circumstances, but it is essential when conducting multiple-case studies (Yin, 2012). Generally, as Yin (2011b) states, a case study protocol should consist of the following sections:

- An overview of the case study protocol (substantive issues being investigated, propositions being studied).
- Field procedures (name of sites to be visited, contact persons, ensuring sufficient resources whilst in the field, preparation prior to, and after the interview, letter of confidentiality, explanation of interview procedure to interviewee).
- Case study questions (these are questions that the interviewer must ensure are addressed during the analysis of the case, and are not the questions asked of the interviewee.
- A guide for the case study report (case evaluation design, expected outcomes, theoretical support).

Although having a case study protocol may undermine a major strength of qualitative research, which is the ability to capture real life as others live and see it, not as the researcher hypothesises or expects it to be; the researcher's values, expectations, and perspectives are implicitly contained in any case study protocol. The case study protocol assists in guiding the study and all of its data collection in a productive manner (Yin, 2011a). Even though a research protocol was used for this study, the researcher retained an open mind in order to properly capture a field perspective and manage to attend to emerging and unexpected information. Retaining an open mind justifies the researcher to conduct semi-structured interviews. The case study protocol only worked as a tool or a guide to remind the researcher about the original topic and questions (Yin, 2011a).

Replication, on the other hand, was accomplished by putting together a case study database (Yin, 2011). In order for the case study database to enforce the reliability of the study, it should consist of the following components (Gibbert et al*.,* 2008:1468):

- Case study notes: These may take a variety of forms, such as interview transcripts, observations or document analysis, and audio tapes.
- Tabular Materials: This material may include any survey or quantitative data that was collected through the case interviews.
- Narratives: These may be generated upon collection of all the data, and include open-ended answers, generated by the researcher, to the questions in the case study protocol. This is especially useful in multiple case analyses since it represents the researcher’s attempt to integrate the available evidence. The main purpose of such narratives is to document the connection between specific pieces of evidence and the various issues highlighted during the interviews.

All components of the case study database can then be utilised to compile the actual case study report, and/or to officially analyse and interpret the findings of the study (Schander et al., 2012). For the purpose of this study, both comprehensive interview protocol and a case study database were compiled during the data collection phase of the study, therefore ensuring the reliability of the study.

4.4.2. Validity (Trustworthiness)

A valid study is one that has properly collected and interpreted its data, so that the conclusions accurately reflect and represent the real world (or laboratory) that was studied (Yin, 2011). There are numerous criteria that are used to assess the rigor of field research, including case studies. However, there are four commonly used criteria. These are: internal validity, construct validity, external validity and reliability (Gibbert et al, 2008). Internal validity is also called logical validity and refers to the causal relationships between variables and results. Here, the issue is whether the researcher provides a plausible causal argument, logical reasoning that is powerful and compelling enough to defend the research conclusions. Internal validity refers to the data analysis phase (Yin, 2011).

4.4.3. Construct validity (Operationalisation)

Construct validity refers to the extent to which a study investigates what it claims to investigate, that is, the extent to which a procedure leads to an accurate observation of reality (Gibbert et al., 2008). It has been said that case study researchers sometimes do not develop a well-considered set of measures and that subjective judgments are used instead (Yin, 2003). In order to enhance construct validity in case studies, the researcher established a clear chain of evidence to allow readers to reconstruct how the researcher went from the initial research question to stating the protocols and to reaching the final conclusions (Yin, 2003).

Mexwell (2009) provides at least seven tools that can be used to ensure construct validity and these are: involvement by the researcher in the fieldwork, sourcing respondent validation and perspective, identifying and analysing discrepant data and negative cases, applying triangulation throughout the study. Therefore, this study ensured triangulation by collecting information from a diverse range of individuals and settings, using a variety of methods such as reviewing the literature, interviewing the informants (Heads of SSA operations), interviewing the respondents and recording, transcribing and documenting the results. Thus, this strategy reduces the risk of chance associations and of systematic biases due to a specific method and allows a better assessment of the generality of the explanations that one develops (Mexwell, 2009).

4.4.4 External validity (Generalisability)

External validity, also known as generalisability, is grounded in the intuitive belief that theories must be shown to account for phenomena, not only in the setting in which they are studied, but also in other settings (Calder, Phillips, & Tybout, 1982; McGrath & Brinberg, 1983 in Gibbert et al., 2008). Neither single nor multiple case studies allow for statistical generalisation of the conclusions about a population (Yin, 2003). This does not mean, however, that case studies are devoid of generalisation. A study can be generalised in two ways. These comprise statistical generalisation and analytical generalisation. Analytical generalisation is a process separate from statistical generalisation in that it refers to the generalisation from empirical observations to theory, rather than a population (Yin, 1994 in Gibbert et al., 2008; Yin, 2011).

Analytic generalisation may be defined as a two-step process. The first involves a conceptual claim whereby the researcher shows how the findings of her study are likely to inform a particular set of concepts: theoretical constructs, or hypothesised sequence of events. The second involves applying the same theory to implicate other similar situations where similar concepts might be relevant. Instead of trying to generalise to the population of other countries, such a study should seek to develop and then discuss how its findings might have implications for an improved understanding of particular concepts in the same context (Yin, 2011). This study applied both steps and ensured external validity of the three (3) cases of South African FMCG MNEs operating at the BoP markets in SSA. This research design supports a systematic analysis of market entries and business activities of the selected South African MNEs in BoP markets. Moreover, the procedure enabled the researcher to analyse the theory that provides valuable insights to enhance the explanation of the observed phenomena.

Concerning data analysis, transcribed interviews were captured and coded with the aid of Atlas TI software. The usage of Atlas TI was especially suitable because it allowed the analysis of data from multiple sources, supported segmenting, sorting, classifying, and analysing qualitative and unstructured data and facilitating the exposure of complex relationships (Gibbs, 2002).

4.5 Research ethics

According to De Vos *et al* (2005), protecting respondents against harm goes beyond mere efforts to repair, or attempt to minimise harm afterwards. Ascertaining which subjects may be harmed both physically and emotionally is difficult to predict and determine. For this reason and, given the sensitivity of the research topic, to protect the respondents, approval was obtained from the university's research committee as well as from the respondents. In addition, ethical considerations were taken care of during the research. This was done by informing the respondents in writing about the objectives of the study and requesting them to participate as interviewees. In addition, the identities of the respondents were not disclosed and, for those who wish to verify the correctness of their input/citations, the particular sections where the respondents are quoted will be forwarded to them for their perusal.

Aspects that relate to ethical behaviour during this study are listed below:

- Informed consent – Each participant was informed of the context as well as the purpose of the study before taking part in the interview. Annexure A contains a draft of the informed consent that was used for this study. Respondents were assured that they were under no obligation to participate and that participation was voluntary.
- No financial incentives were offered to the respondents.
- Anonymity - In the letter of consent the respondent is assured that his or her identity will be protected. This is ensured by only assigning a number to the respondent on the recording device. No personal information of the respondent will be published.
- Internal Review Board - Annexure B contains a complete version of the application for ethical clearance required by the Faculty of Economic and Management Sciences' Research Committee. A designed research questionnaire was reviewed by the Ethics Committee before it could be administered to the respondents, thus ensuring that the study would conform to ethical guidelines.

4.6 Summary

The aim of this study was to determine the MNEs' modes of entry into the BoP markets in the SSA. This chapter presented the methodology that was undertaken to conduct the study. The study adopted an interpretivist reasoning and employed a multiple case study research methodology. The next chapter analyses and interprets the results.

CHAPTER FIVE

ANALYSIS AND INTERPRETATION OF FINDINGS ON THE MODES OF ENTRY INTO THE BOP MARKETS IN SSA

5.1. Introduction

The previous chapter discussed the research design and methodology adopted by the study. In this chapter, the findings emanating from the collected data are presented. The findings indicate that there is, indeed, a variation on the modes of entry for different countries within the SSA. Results from three cases, with each being discussed separately, are presented. The chapter begins by giving an overall comparison of the case companies from which the qualitative data was gathered. A comparison of the data from the three companies is provided below:

Table 5: Companies comparison (2017)

Characteristic	**Company A**	**Company B**	**Company C**
Product offering	Consumer goods	Consumer goods	Consumer goods
Number of employees	52 900	18 500	14 180
Turnover	R77.5 billion	R43 billion	R31.7 billion
Home country	South Africa	South Africa	South Africa
Serving the BoP markets	Namibia, Botswana, Lesotho, Swaziland, Zimbabwe and Zambia.	Kenya, Angola, Zambia, Botswana and Ethiopia	Zimbabwe, Cameroon, Ethiopia, Kenya, Nigeria, Zambia, Mozambique, Malawi, Tanzania, Uganda, Ghana, Chad, Guinea, Gabon and CAR

Table 5 compares data from the three surveyed companies. It shows that all three companies are selected within the FMCG industry and are all South African companies, which entered the BoP markets of the other countries within the SSA region. These companies had employee numbers ranging from fourteen thousands to more than fifty two thousand, with a turnover ranging from nearly thirty two billion rand to more than seventy seven billion rand per annum. The three companies were operating in all parts of the SSA, thus giving the researcher enough data to work with in terms of identifying the different conditions of the BoP markets and being able to find suitable modes of entry for these different markets.

5.2. Case Study 1: Company A

This section presents the results from the qualitative data collected from Company A.

5.2.1. Description of the company

Company A has over 50000 employees and more than 1 400 operations in seven countries within the Sub-Saharan region. The company is a South African firm and its operations are in; Namibia, Botswana, Lesotho, Swaziland, Zimbabwe and Zambia. At time this study was being conducted, the company was planning to open more operations in Nigeria and Ghana. The company's secret to market expansion is that it ensures that its core base, located in in the home country (South Africa) is consistently strong. The company's first expansion took place in 1995 when it entered the Namibian market. In 1996, the company made inroads into Zimbabwe, then towards the end of 1996, it further expanded into Botswana and Swaziland. In 2010, the company broke into Zambia, which, hitherto, is the last country of entry.

5.2.2 Characteristics the BoP markets in the SSA

5.2.2.1 Market size

Company A indicated that the size of the BoP market is not the main criteria for venturing into the other countries. This is because in some SSA countries, different segments of the markets are cluttered in one area or within cities. In light of the above, our respondent had this to say:

"Everything north of Limpopo, you can't say I'm only going to target the affluent, or I'm only going to target the middle or I'm only going to target the lower end market because the areas are so intertwined with one another……. So you make the biggest mistake that you can make if you find a good site and you say 'I'm going to pitch my product here on the upper level.. Actually it makes it very much more difficult because your store is only the size it can be…So you identify that this is a good area to be in and so you walk those streets and you drive those suburbs and you think embassy –because it tells you it's an embassy… But then you'll see that oh that's middle, but hold on there's a whole compound down here that's lower end. …I have to capture all segments"

5.2.2.2 Urbanisation

Excluding South Africa, different segments of the markets in Sub Saharan Africa are cluttered within one area or within cities. Therefore, Company A focuses on urban areas. There is no need to decide whether the firm has to focus only on the BoP market or the affluent market. The respondent said:

"…because you have this big migration on the continent with, most people moving to the urban cities, to the capital cities and so you have this swelling of population in capital cities…"

Company A's mode of entry into the BoP markets is also driven by the target market they want to serve. While the company mostly chooses capital cities due to the swelling population and established infrastructure, they also target rural areas. Furthermore, the characteristics of the target market play a significant role as a driver of the mode of entry. For example, if the market is dominated by a product such as sunflower oil, when entering that market, Company A would have to come with a different product offering such as olive oil. The demand in a particular target market also determines the mode of entry to be used by Company A where, sometimes, in the lower income segment the company only concentrates on a few product lines. This ensures that the company saves on costs related to space, refrigeration and storage, thus getting higher returns. The opposite is true when the company targets the middle to upper income segments. The respondent summed it up as follows:

> *"I may only need, say instead of 10 000 lines of what your average store would have inside it – may be only need 2000 lines. Two thousand products might satisfy that market, which means I need less refrigeration, less back up refrigeration, less shelving, less, less, less. ...Maybe my start-up cost on that store is maybe now 40% less than a middle to upper income store that wants all of the refrigeration, all of the ovens, all of the sushi bars, the pizza bars, the whatever"*

5.2.2.3 Opportunity for growth

The mode of entry into a particular market within the SSA used by Company A is determined by the market size of the respective country. In addition, knowledge of the target market is of essence to the company, as it will help in determining the store layout and the product offering. Company A strives to make an impression that it is from within the target market. Thus, the company should not be viewed as a foreign entity. In addition, the products it offers must have reference to the local community the company intends to serve. In essence, the company endeavours to satisfy the local demand in the targeted BoP markets. In this regard, the respondent had the following to say:

> *"You've got make sure that when you are in that market you are seen as a local entity because you want to ensure that whatever you are selling has relevance to the local community. The last thing anybody wants in any African country is a South African company to be South African in another country."*

5.2.2.4 Favourable business conditions

The ease of doing business has been identified by Company A as a determinant to its mode of entry into the BoP markets in the SSA. Ease of doing business is characterised by factors such as corruption, infrastructure, logistics and repatriation of funds, which have a bearing on the ability of the company to run a business with legitimacy. Therefore, Company A is of the view that it is easier to do business in Ghana compared to Nigeria, simply because of the processes involved. For example, it will take approximately 45 days to transport goods from the South African Cape Town port to be received at store level in Ghana compared to approximately between 90 and 120 days for the same goods to reach stores in Nigeria. In this regard, the respondent had the following to say:

> *"So it's easier to determine which country you're going to go in, not only is it about who is already trading there - it's about the ease of doing business, corruption, infrastructure, logistics [and] repatriation of funds."*

Mostly, the information about the ease of doing business is published in articles and international magazines such as the International Transparency. However, Company A's experience indicates that some of this information is not always true. For example, while Mauritius is reported as number one in terms of ease of doing business, on entry into that country, Company A actually found out that it was the most difficult country to do business in. To this end, the respondent had the following to say:

> *"But you know what, even those reports, because we used to work in Mauritius and to this day the latest report that comes out gives Mauritius number 1 status in ease of doing business….. Mauritius was the hardest place we had to do business in and yet every year Mauritius is number 1……As long as there are frameworks within the banking sector, within the tax sector, with the ability to bring money in and to take money out –you can operate"*

5.2.2.4 Social embeddedness

Sometimes the need to contribute to local development in the host country requires that Company A employ a substantial percentage (about 99%) of its employees from within the local communities. The company believes that doing this is part of good corporate citizenship. For example, when entering the Angolan market, the company is given a five-year exemption to bring foreign employees, who will serve to transfer skills during that period. Thus, having local people running the business is less expensive for Company A. The respondent had the following to say in this regard:

> *"So you open in a country with about 99% of your employee base being local because that's part of corporate citizenship - employing local people, not just at a junior level but also at a senior level."*

5.2.2.5 Favourable political and administrative environment

The political environment of the BoP market in which the company intends to operate plays a major role in determining the mode of entry. According to Company A, the political environment has implications on rules, regulations, processes and procedures. Despite these, Company A stated that of essence to them is that the financial sector allows them to transfer money between countries freely. Furthermore, the decision to expand further in a host country is determined by the evolving politics. For example, the political changes that took place in Zimbabwe over the past years led the company to suspend its future expansion plans in that country. In this situation, Company A would go to a country that is easy to conduct business in and observe the situation, while waiting for a conducive political environment to develop. The respondent was quoted, ad verbatim:

> *"Politics is a challenge but as long as there are rules, regulations, processes and procedures - even though the minority sometimes exploits those, you can work within that."*

5.2.2.6 Language barrier

Language barrier was one of the challenges identified by Company A as an impediment for companies entering the BoP markets. For example, in Mozambique, despite it being in close proximity to the company's base operations in South Africa, language has proved to be a challenge to a certain extent. Despite Portuguese being the official language in Mozambique, oftentimes Mozambicans do business in English. However, the situation is totally different when it comes to Angola, where the majority of business transactions are done in Portuguese, with only a few in the middle to upper classes being able to communicate in English. The issue of language barrier has limited the ability of the company to set up business in these countries, as it becomes difficult to understand the indigenous laws and regulations. In this case, the company would require the assistance of local agencies, which would be more costly. The respondent had the following to say in this regard:

> "*Mozambique and Angola [are] very much Portuguese-oriented. [They use] Portuguese laws [and] Portuguese language but … they differ from each other. So Mozambique - although very much Portuguese - because of its proximity to SA, does a lot of its business in English. But Angola, which sits above Namibia, therefore further away from SA, is just [predominantly] Portuguese and only your middle to upper class would have the ability to speak two different languages."*

Company A is of the view that it is easier to do business in Ghana compared to Nigeria, simply because of the processes involved. For example, it takes approximately 45 days to transport goods from the South African Cape Town port to be received at store level in Ghana compared to approximately between 90 and 120 days for goods to reach stores in Nigeria. In this regard, the respondent observed:

> *"So it's easier to determine which country you're going to go in, not only is it about who is already trading there - it's about the ease of doing business, corruption, infrastructure, logistics [and] repatriation of funds."*

5.2.2.7 Information asymmetry about BoP markets

Company A finds it difficult to understand the targeted BoP markets. This happens despite the intensive research/intelligence gathering being conducted. Often, the company finds inconsistencies in what they have acquired during intelligence gathering and what actually happens after they have opened outlets in the BoP markets. The respondent summed it up:

"*Sometimes you can't even read what's going to happen in the market, no matter how much research you do… It's about mobility on the ground, through research with consumers, but even after you've done all of that, there are these anomalies that you will find out only once you open your outlet."*

5.2.2.8 Higher transaction costs

Company A stated that, because they initially have to dispatch a team to assess the BoP markets, they normally incur accommodation costs, which become more exorbitant in Angola and Mozambique where they make use of agencies and even local drivers, due to the language barrier.

According to the respondent:

"*These countries are massively expensive. So if you're sending a team to Angola, you're talking about providing accommodation, which is in dollars. It could be anything [from] $3 000 - $5 000 a month just for accommodation. [You would also need] a car [and] a driver for that car, because generally you don't want some of your employees driving in some of these countries*."

5.2.3 Positioning strategies to enter into BoP markets in the SSA

5.2.3.1 Ensure that the product is acceptable in the targeted market

Company A ensures that it first understands the market in which it intends to operate. The main reason why the company needs to understand the market is to enable it to offer products that have relevance to the local community. In an effort to better understand the target market, Company A invested in intelligence gathering to help it to generate relevant and up-to-date information about the market. This information pertains to consumer preferences, purchasing behaviour and business ethics. In essence, the company significantly invests in intelligence gathering in terms of money and time. The company can even spend up to four or five years studying the market.

Furthermore, Company A strongly believes that investing in intelligence gathering eventually pays off since it cannot solely rely on publically available information. This has been demonstrated within the Mauritian market, which has been reported by international agencies as one of the countries that is easy to do business in. Unfortunately, Company A discovered that the opposite was actually true. Therefore, in order to survive, Company A does not only rely on international reports and advice, provided by companies such as Price Waterhouse Coopers (PwC), but will dig deeper to get a first-hand understanding of the market, asthe respondent pointed out:

> *"So to give you an example, potentially we would open our first door in Nigeria by, or let's take Ghana, we will open our first door for sure by next year. By the time it opens we would've spent 4-5 years investigating Ghana, so it takes a long time. Nigeria, we've been on the ground visiting Nigeria since 2009 - it takes a long time."*

Extensive market intelligence gathering, company A admits, does not entirely give a company real information about markets. To close this gap, Company A engages in market testing so that they gauge consumer preferences, tastes and buying behaviour in practice. Thus, the respondent had the following to say:

> *"It's about mobility on the ground through research with consumers, but even after you've done all of that, there are these anomalies that you will find out only once you open your outlet…and then it's how quickly do you react."*

Furthermore, Company A ensures that it adheres to local taxation and labour laws and regulations, as dictated by the relevant authorities. Other than meeting the minimum prescribed laws, in some instances, the company provides additional benefits beyond what is required by the law. For example, the company ensures that its staff members have medical aid and pension benefits even though it is not required by law. In addition, Company A pays remuneration way above the minimum wage. The company believes doing this goodwill within a society will significantly reduce its commercial advertising costs, as the community will do that through word of mouth. The respondent had the following to say in this regard:

> *"So you've got to adhere to it but you've also got to apply to your mind as to what's fair because if you can get your employees endeared to you as the new brand they're working for. Word of mouth is, I suppose, ten times [cheaper] as opposed to spending a huge heap of money advertising on TV or radio or whatever it may be, because you've got your own disciples that can spread the message about the new entry and then you could start getting into product."*

5.2.3.2 Ensure that the product is accessible to target consumers

The growth strategy followed by Company A is to start in the capital city of the targeted BoP market before expanding to other towns across the country. In doing this, Company A will be cognisant of the physical infrastructure required for its distribution channels. Thus, the stores could be open in those towns along the main highways. Another growth strategy adopted by Company A is that of halting expansion in those countries that have been adversely affected by political situations that make it difficult to do business there, as said by the respondent:

> *"Let's take Zambia again - Lusaka is the capital, you say alright we would like to start off our operations in Lusaka and have our head office in Lusaka and we know here at the bottom of the border, closer towards SA, or Zimbabwe, there is Livingstone. So you almost follow the highway I suppose."*

5.2.4 Rationale for the choice of mode of entry into the BoP markets in the SSA

5.2.4.1 Wholly owned subsidiary

Company A has entered into BoP markets in the SSA through a complete acquisition where it buys out a company at 100%. However, according to the company, this can only happen in those BoP markets where the legislation is relaxed. The company used this mode to enter into Zambia and intends to replicate it in Ghana. In this regard, the respondent stated:

> *"…so that would be Zambia, which we own a 100% and we run it as well… Next year we will open Ghana as a 100% entity, so it depends on the country because one thing you can't do is take one paintbrush and paint the entire continent with [it]."*

5.2.4.2 Joint venture

Company A sometimes engages in joint ventures with local entities, as dictated by local policies of the targeted market. For example, in Zimbabwe, because of the restrictive indigenisation policy, Company A entered the country through a joint venture with a local company. In this joint venture, Company A progressively acquired only 49% stake in the local company, a threshold required of the foreign company by the Zimbabwean government. Company A alluded that if they had their way, they could have acquired majority ownership in the company, as said by the respondent:

> *"We legitimately and legally own 49% in Zimbabwe and, as per their local indigenisation laws, a foreign investor can only own 49%. So we're at the threshold. If we were allowed to own more, we would've taken the majority stakeholder in that company."*

Company A also uses collaboration as a mode of entry, depending on the nature of the BoP market. These partners can also be identified within the company's supply chain. For example, the company can enter into a collaboration with a local farmer, who would constantly supply produce, either directly to the various business outlets or to the central distribution centre. The respondent painted a picture of how such collaboration can be negotiated:

"We could identify a cabbage farmer and say: 'What are you planting? When are you planting? When is it due to be picked?' And we would say: 'Tell you what –we'll buy your entire crop, deliver it to us.' "

5.2.4.3 Franchise option

Company A also has the franchise option at its disposal. With this option, it finds the right partner who adheres to its values and ethos. The partner is given territorial rights to use the company's brand while the company manages the brand with them. This is how the company's business model is replicated, either in South Africa or in another country. The company used this option to enter into BoP markets in Namibia, Botswana, Lesotho and Swaziland, as summed up by respondent:

"… then we have a franchise option where we would find the right partner who adheres to our values our ethos and what we want the brand to represent, whether it be in SA or replicated in another country. So when we find that partner we would have the territorial rights to have our brand and we would manage our brand with them."

5.3. Case Study 2: Company B

This section presents results from the data collected from Company B.

5.3.1. Description of the company

Company B is a South African company, based in South Africa, and has representation in most of the African countries such as Kenya, Angola, Zambia, Botswana and Ethiopia. The company also has some business interests in Dubai and London.

5.3 Characteristics of the BoP markets in the SSA

5.3.2.1 Market Size

Company B preferred to target those BoP markets that are small and easy to enter and this is the reason it chose to enter the Ghanaian market. However, the mode of entry is hugely determined by the targeted market size. For example, because Company B considered the Nigerian market too big and difficult to enter and, as a result, the company used the joint venture mode of entry. The mode of entry is further determined by demand for the company's products in the targeted market. Thus, product acceptability plays a major role in determining which market to enter. In the words of the respondent:

> *"…whereas Nigeria is a big market, difficult to enter, and so they formed a JV and they bought into an existing Nigerian chain which offers local products, and then they are growing their own products within there."*

Apart from the market size, Company B further segments its target market according to income categories such as middle-upper income category. However, in Nigeria, Company B also targets the lower income group. When targeting the lower income group, Company B enters the BoP market through collaboration with local dealers and distributors. However, the company acknowledges that its competitors, such as USE foods and Tiger Brands use the Joint Venture mode of entry to establish a base company in the target market and collaboration with local distributors for distribution purposes. Local distributors are engaged because they have vast stretches of geographical regions to cover on a lower-end income, where normally the product is sold on the street. Most of the products that satisfy the low-income group are sold on the streets. However, the categorisation of the lower class differs from country to country. Consequently, the respondent stated the following:

> *"…if you [are] going [into] the lower income group categories, then the distributor model seems to be one of the stronger models [which is] used where you set up a host company and … use your distributor models into the market."*

5.3.2.2 Urbanisation

Furthermore, Company B stated that it is necessary to make a determination in terms of the consumer classification. Thus, when entering BoP markets, they have to choose between the lower income group and the higher income group as they cannot serve both market segments as the buying behaviours of these segments are totally different. For example, while the lower income consumers only purchase one product for a day's consumption, the high-income consumers buy a variety of product lines in cartons. However, the joint venture option used in Nigeria targets the lower to middle-income group. As such, Company B has devised a strategy of providing differentiated products that can meet different consumer preferences across these income groups. Here is what the respondent had to say:

> *"For example, they buy for the day, they buy smaller packs, they buy one, and they don't want a box of 20. They will buy for what they need for that day… whereas your high-income category will buy a box and they will keep the full range of the products. So, you've got to look at where you [want to] play and in my opinion, make a decisive decision on where that is."*

From a brand perspective, Company B indicated that it is possible to develop a brand that appeals to the upper market but still make it available to the lower income market through packaging and pricing. Thus, packaging and pricing ensure that both classes of consumers enjoy the same product, although obtaining them at differentiated package sizes and prices. A typical example is when washing powder is sold in smaller sachets to the lower income group and in large packets to the upper market. However, Company B does not attempt to serve all consumer categories where the product offering cannot be adapted accordingly. For such kinds of products, Company B targets a specific income group, for example, a lower income category. In this regard, the respondent observed:

> *"…so you allow choice within the category because you've got a customer who wants 1000 Naira product, but can't buy into it, but will still purchase a lower form of that or a small portion of that to remain within the category. [These are] very needs-driven … categories."*

5.3.2.3 Competition

Company B indicated that it normally faces stiff competition from local businesses that easily copy their business model and apply it within the lower income market segment, offering the product at lower prices. This is how the respondent sums it up:

> "*So, entering those lower income markets, your market will adjust to the volumes that they need. But, remembering, there's a local company [that] would have copied the bigger upper market brand so that they can offer cheaper options to the lower income [market].*"

Apart from local competition, Company B stated that it also faces competition from international suppliers, especially from China, who offer products at significantly lower prices. These products thrive in these markets, despite the fact that they are of poor quality and shorter life span. What is of essence is that they meet the demands of the target BoP market. The respondent depicted the situation as follows:

> "*And you've got huge Chinese in-flow, where you've got your Chinese products that you've never heard of before [entering into the] main market streams... So if I want a toaster, there's a copy of a toaster or kettle on the market. So, I can buy one. But it would be a brand that you've never heard of and it has no durability. Or you would have a kettle with no electricity connections at all, because that works for that market. But there is a lot at play and rip offs of brand names*."

One of the drivers of the mode of entry into the BoP market for Company B is the culture that exists in the targeted market. Thus, because Nigerian culture is different from South African culture, Company B has to change its business model to adapt to the Nigerian market conditions. Business culture is another dimension that dictates the market entry mode, as the company has to understand how local businesses operate. Thus, because of the cultural differences, Company B had to make sure that there was a compromise with the company it had a joint venture with. The respondent sums up the situation as follows:

“I think my learnings, and I’m talking from my direct experience, from those entering into Nigeria. [T]he difficulty is that … in South Africa [Company B] has a very strong blueprint of how they operate...and that [falls] apart when you start interacting [at] a cultural level… so, while the business model is sound, [there is need] to [overcome] cultural differences and ways of doing business.”

5.3.2.4 Changing tastes and preferences

Taste and preferences play a major role as a driving force of the mode of entry into the BoP market. For example, there is a growing demand for a coffee brand, Lagarden, in Nigeria. Other emerging consumer preferences in Nigeria are in favour of fast food franchises such as KFC. Nigeria is also becoming a lucrative market for pizza franchises. Thus, because Company B wanted to appeal to the local community, they had to enter into a joint venture with a local company. Consequently, Company B believes that this strategy allows them easy penetration into the Nigerian market. As the respondent put it:

“…coffee [consumption] is becoming a trend in Nigeria, but it’s a Lagarden. So [it makes sense] to roll-out your coffee chain in Nigeria. But there is lot of fancy for things like KFC, Pizza’s and stuff like that. So see, you would have to know where the country was with regards to what trends they were picking up on different products.”

Company B stated that the Nigerian market is difficult to enter and do business in due to restrictive policies that seek to protect local businesses. Apart from that, the Nigerian government applies punitive measures on non-compliance in the form of fines. Even if one wants to comply, the paperwork process can be regarded as complex and cumbersome. Thus, a lot of time is invested in trying to be compliant, whereas that time could have been spent on doing the actual business of selling products. This is how the respondent describes the situation:

"…doing business within Nigeria, there's lot of protection to locality. So, to gain ground and credibility within the market, it makes better sense to have a local partner who understands the market, who understands the difficulties, the trading transactions, and different policies within Nigeria… [There is] a lot of paperwork, it's a lot of hours of your time invested in compliance rather than getting on with your day job of selling your products."

5.3.2.5 Existing support structures

It is also possible that the mode of entry into a BoP market is determined by the existing support structures. For example, in some BoP markets, they strongly support franchising and, as a result, they have a strong support system available for those that are willing to invest in a business.

Company B alluded to the fact that despite the complexity of the Nigerian market, there is an established retail infrastructure. Thus, the existence of the retail infrastructure in the Nigerian market enhances mobility. Generally, the existence of the retail infrastructure has a bearing on the company's mode of entry into the BoP market. In those markets where Company B had used the franchise option, the company provides a central distribution centre. With this kind of arrangement, the role of Company B is to source products from within the community and then distribute them via the centralised distribution system. The respondent summed it up as:

"Supply chain infrastructures are the hardest things. Because we use a franchise models, [we] source products within that community, and then we centralise, we've got central distribution across … Nigeria, across the four regions."

5.3.2.6 Infrastructural challenges

Company B faces logistical challenges emanating from the fact that there are no established logistics companies that they can outsource the respective role to. Poor road infrastructure further complicates the distribution system. As the respondent saw it:

> *"….logistics is a big problem. There are not established logistics companies. You are not always dealing with an established one. Especially when it comes to outsourcing, you do not have [any] established company. Secondly, you have a lot of the roads that are not tarred."*

Apart from lack of physical infrastructure, Company B faces administrative hurdles when it comes to its distribution systems. There are constant roadblocks along the way and, often, the goods are stolen by government officials. Furthermore, the drivers they contract are not trustworthy as they have a tendency of removing new truck tyres and replacing them with the worn out ones. These drivers tamper with the vehicle tracker systems and turn off the refrigerators. Such challenges make it cost ineffective to distribute products, especially to the low-income group target market. Below is how the respondent viewed the logistical challenges:

> "*The [re] [are] roadblocks on the roads. So the movement of your trucks and the safety of your trucks [are huge risks]… we send out a truck and we do not have a product that is not a luxury product but you can send an escort truck with it as well, just in case. It's more about being stopped and the product being removed from the truck…And then you also have problems with drivers…there was an instance where we put new tyres and the truck came back but it didn't have the four new tyres anymore, and these guys have learned how to gip(cheat) the tracking systems*…"

Despite the complexity of some markets such as Nigeria, the company has learnt that it is of paramount importance to comply with all the legal and regulatory requirements. The company noted that the Nigerian government has resorted to imposing high taxes and levies as a way of raising revenue. Failure to comply with these taxes and levy regulations is met with heavy fines. To avoid these squabbles with government authorities, the company decided to work with the officials every step of the way to ensure total compliance.

Company B's market entry mode is also driven by the prevailing economic conditions. For example, the Nigerian market is currently undergoing a recession. These adverse economic conditions have an impact on affordability since the customers' income levels cannot permit them to buy premium products. Furthermore, costs and prices in Nigeria are volatile as they are highly responsive to changes in exchange rates and oil/fuel prices. This has led to a situation where the company has variable prices, thus, making it difficult to project revenue and returns. Therefore, due to high inflation levels in Nigeria, the return on investment is generally low compared to other BoP markets such as Kenya and Botswana. The respondent encapsulates the volatility of the Nigerian BoP market as follows:

> *"You know, in Nigeria at the moment, with the cost of all material, inflation [and] petrol, you have to make 18% of growth on last year before you even make in 1 cent profit on last year. So, you know, that's a lot of hard work, in a recession, so, in Nigeria, you [are not guaranteed to] get your return the way you could get it in a country like Kenya or Botswana that [experience] double digit growth and inflation is lower."*

5.3.2.7 Higher transactions costs

In order to survive in the BoP markets, one has to comply with the relevant local legislation. Failure to comply with the legislation will attract substantial costs in terms of fines. However, according to Company B, it is also costly to comply as they have to incur costs, referred to as a fast-track fee (bribe) in order to meet the required compliance levels. In the respondent's words:

> *"You get the MTN who chose to ignore government warnings and got huge fines and then you get small guys like us who contact the government officials. I ask them to help me make sure I am compliant. And we sometimes pay what we call a fast-track fee, but I can invoice for it, because without the invoice it is just as good as a bribe."*

Furthermore, Company B stated that it would have to make a determination in terms of the consumer classification. Thus, when entering BoP markets, they have to choose between the lower income group and the higher income group as they cannot serve both market segments because the buying behaviours of these segments are totally different. For example, while the lower income consumers only purchase one product for a day's consumption, the high-income consumers buy a variety of product lines in cartons. However, the joint venture in Nigeria targets the lower to middle-income group. As such, Company B has devised a strategy of providing differentiated products that can meet different consumer preferences across these income groups. Here is what the respondent had to say:

> *"For example, they buy for the day, they buy smaller packs, they buy one, and they don't want a box of 20. They will buy for what they need for that day… whereas your high-income category will buy a box and they will keep the full range of the products. So, you've got to look at where you [want to] play and in my opinion, make a decisive decision on where that is."*

5.3.3 Positioning strategies to enter into BoP markets in the SSA

This section discusses the positioning strategies that MNEs needs to implement for a particular BoP markets so these positioning strategies can direct the MNEs' choice of suitable modes of entry.

5.3.3.1 Ensure that the product is acceptable in the target market

Company B conducts due diligence as part of its business intelligence gathering. This is meant to ensure that their product offering is acceptable in the intended target market. Thus, when conducting due diligence, Company B focuses on issues such as existing corporate structures and business models. Regarding acceptability, the respondent was quoted as saying:

“The decision making would be if there is an acceptable market for your product. And then if there is an acceptable market for your product, and then you’ve done a due diligence on the acceptability of your product, then you would have a look at the corporate structures, and business models.”

Despite the need to segment the target market and provide products that satisfy that particular market, Company B devised innovative strategies to increase its sales volumes. Thus, the company introduced convenient products that cater for those consumers that buy on a daily basis as part of its product lines.

5.3.3.2 Ensure that the product is accessible to the target market

Company B stated that the main reason they chose to enter the Ghanaian market was the fact that it was small, accessible and easy to manage. In such situations, Company B believes in starting small and gradually growing within the market. The respondent stated the following:

“...the Ghanaian market was a lot easier to manage, accessible [and] a lot smaller. So, they thought of starting small and … [growing from there].”

5.3.3.3 Ensure that the product is affordable to the target market

According to Company B, the ability to differentiate the market according to income levels has helped it to provide their branded products accordingly. Thus, the company targets the middle to upper class for its branded products. However, the company admitted that they made a costly mistake when they had a joint venture with a Nigerian company whose target market was a low-income group. Furthermore, the bulk of Company B’s products satisfies the middle to upper income groups and do not even attempt to cater for low-income groups since they cannot compete with the street vendors. However, the company sells range of products to the lower income group in small packaging. Below is how the respondent sums up how the company handles the affordability factor:

"So, often that product [is] sold on the street. You've got to look at your retail infrastructure. And [in] a lot of African countries your formal retail structure will never dominate because your local market and your local vendors … are established [and] there is a pattern to it… [T]here are [also] affordability issues."

Therefore, for those product ranges that cater for both the lower and higher income groups, the company ensures that the markets are geographically separated to the extent that upper class customers cannot travel to buy goods from the lower income market segment. For example, urban consumers cannot be expected to travel to rural areas to buy goods.

The unstable economic conditions, which prevail in the Nigerian market, where the company operates, dictate that there is need to adopt a good pricing strategy. Accordingly Company B has adopted a variable pricing strategy that is closely aligned to the changing economic variables such as fuel prices. The respondent explains:

"So, the economic situation is what is driving that. That is where you got different variables. For example, petrol went up 62% overnight. 62% has a huge impact on your market and your overheads. They floated the Naira, so, where you were trading in dollars, you were trading at 250 to the dollar, and we projected 320 and it hit 500 last week. So, again, I don't even have fixed variable costs anymore."

Company B has realised the importance of adapting to the volatile economic conditions that exist within the Nigerian market. As such, in the face of high inflation, the company embarked on a cost containment drive. In order to achieve this, the company significantly reduced its head count, restructured and revised its product packaging, as summed up by the respondent:

"… given that there's a high inflation at 17%, we are holding at the moment. That is, we have cut costs out of the business, we have restructured, we have removed head count, we have revised products packaging. Wherever we could [we] cut costs, so that we could hold against 62% petrol increase."

5.3.4 Rationale for the MNE's choice of Modes of Entry

5.3.4.1 Joint venture

Company B entered the Nigerian market through a joint venture with a Nigerian based company, consequently acquiring a 49% stake of the business. The company used a joint venture mode to break into Nigeria, which is a big market, although it is considered rather difficult to enter. Thus, Company B bought into an existing Nigerian chain that offers and produces its own products locally. The respondent pictured the situation as follows:

"…whereas Nigeria is a big market, difficult to enter, and so they formed a JV and the bought into an existing Nigerian chain which offers local products, and then they are growing their own products within there."

Furthermore, Company B believes that in order to gain ground and credibility within the market, it makes better sense to have a local partner who understands the market in terms of the difficulties, the trading transactions and the different existing policies. The company targets different individuals who have financial resources and are able to invest in the business. In some instances, these individuals already own one or more stores. The respondent's view concerning the JV mode of entry into the Nigerian market is:

"So, to gain ground and credibility within the market, it makes better sense to have a local partner who understands the market, who understands the difficulties, the trading transactions, and different policies within Nigeria."

5.3.4.2 Franchise option

Company B can also use the franchise mode to enter the BoP markets. It also has systems in place to support those individuals who want to invest in the company. As a result, the company has utilised the franchise mode of entry into the Ghanaian Market. Furthermore, Company B has 140 franchise stores in Nigeria.

5.4. Case Study 3: Company C

This section presents the results from the data collected from Company C.

5.4.1 Description of the company

In 2015, Company C made a turnover in excess of R30 billion. The company has international investments in Zimbabwe, Cameroon, Ethiopia, Kenya, Nigeria and South America. It has more than 10 000 employees across the African continent. The firm also exports to Zambia, Mozambique, Malawi, Tanzania, Uganda, Ghana, Chad, Guinea, Gabon, CAR, and far West African countries such as Senegal.

5.4.2 Characteristics of the BoP markets in the SSA

This section discuss the drivers of modes of entry for the MNEs into the BoP markets of the SSA countries. The drivers are discussed based on the two environments of the countries, which are business, and the institutional environments.

5.4.2.1. Market size

Before entering a market, it is imperative for Company C to assess the target market in terms of various factors. From a demographic perspective, the company looks into the size of the population and from an economic perspective; the variables of interest are average GDP, economic stability and the macroeconomic growth. The company is also concerned about the number of competitors, the likely position in the market, availability of key raw materials and packaging, competitiveness of the manufacturing base, existing infrastructure (roads) and utilities such as electricity and water. Another important factor is the availability of forex. Consequently, the respondent had the following to say:

> *"So as I was saying to you, we don't start with income segmentation, we start with need segmentation and then it's about affordability. So we don't start with this mythical concept called the balance of the pyramid, we start with what the country's population size is, what's its average GDP, how stable is it economically, what's been the macro economic growth, what's the number of competitors in position in the market, what's the availability of key raw materials and packaging, how competitive is the manufacturing base, what's the infrastructure like the electricity, water [and] roads [and if we can] actually distribute the product."*

As can be seen in the above, another key driver of the mode of entry considered by Company C is the availability of key raw materials and packaging in the target market. The company is also driven by the availability of skilled workforce. For example, Kenya is considered to have the most educated workforce.

5.4.2.2 Opportunities for market growth

Company C however applies a different approach when it comes to other markets such as Ethiopia, Kenya, Cameroon and Nigeria. The company has strategically chosen these markets to establish manufacturing bases so that it would be able to easily export to neighbouring countries such as Equatorial Guinea, Gabon, Chad and the Democratic Republic of Congo. These countries collectively absorb 33% of the company's export volumes.

Furthermore, of essence to Company C is the affordability of products to all consumers in the target market. The company does not believe in the BoP market concept and, as such, it focuses on the mass consumer market. With this approach, the company applies a concept that is known as “Price Pack Architecture” (PPA). This is whereby a product is made available to all income groups with the same quality but with differentiated packaging and pricing. This way, the product offering appeals to all market segments. The respondent’s comment aptly sums up the entry strategy:

> *“So it’s less about what’s the balance of the pyramid you know and the bottom of the pyramid mentality and it’s more [about] how … we make our brands more aspirational and affordable to the mass market consumer. That’s why I keep coming back to this concept called PPA, (Price Pack Architecture).”*

The entry into the BoP markets in the SSA for Company C is also driven by the locality of, and proximity to, the base country and other markets in which the company operates. For example, despite the deteriorating political and economic environment in Zimbabwe, Company C is still operating in that country simply because it is strategically positioned. Thus, operating in Zimbabwe is advantageous for Company C because it gains access to neighbouring states such as Zambia and Mozambique. Zimbabwe provides Company C with strong logistical and procurement networks, giving it a cost competitive advantage. To this end, the respondent stated the following:

> *“Okay so one is historical that we’ve owned a big chunk of the Zimbabwean entity but I think the strategic discussion is more around which countries are of significance to us and why. Therefore, the Zimbabwean entity, I suppose, is an anomaly because of the history [but] that does not mean to say that it will remain forever, because given the locality route to South Africa, it would make sense to source from here and then continue to export into those neighbouring states. One imagines of course that Zambia, Zimbabwe, Mozambique, because of the proximity of their borders, there’s a logistics network and a procurement network which [means] it’s cost competitive … to produce here and export to those countries.”*

5.4.2.3 *Favourable business conditions*

Before entering a market, it is imperative for Company C to assess the target market in terms of various factors. From a demographic perspective, the company looks into the size of the population and from an economic perspective; the variables of interest are average GDP, economic stability and the macroeconomic growth. The company is also concerned about the number of competitors, the likely position in the market, availability of key raw materials and packaging, competitiveness of the manufacturing base, existing infrastructure (roads) and utilities such as electricity and water. Another important factor is the availability of forex. Consequently, the respondent had the following to say:

> *"So as I was saying to you, we don't start with income segmentation, we start with need segmentation and then it's about affordability. Therefore, we do not start with this mythical concept called the balance of the pyramid. We start with what the country's population size is, what is its average GDP, how stable is it economically. What's been the macro economic growth, what's the number of competitors in position in the market, what's the availability of key raw materials and packaging, how competitive is the manufacturing base, what's the infrastructure like the electricity, water [and] roads [and if we can] actually distribute the product."*

As can be seen above, another key driver of the mode of entry considered by Company C is the availability of key raw materials and packaging in the target market. The company is also driven by the availability of skilled workforce. For example, Kenya is a favourable market because it is regarded as boasting the most educated workforce in SSA.

5.4.2.4 Language barrier

Company C opined that language is a major challenge when entering the BoP markets. Thus, to counteract this challenge, the company often engages agencies who are dual linguists (those individuals who can speak both English and a local language). For example, in Cameroon, Company C had to engage a managing director from Senegal who could speak both English and French. The respondent's own words provide more illumination:

> *"With difficulty, this is why we employ typically French speaking individuals. The gentleman who is the managing director of our Cameroon business is a Senegalese… French is his first language but he's very fluent in his English."*

Company C stated that among other challenges, such as culture and ethnicity, the company also faces a challenge concerning compliance with legislation. These legislative requirements act as blockages, especially at the ports of entry. This is how the respondent sums up:

> *"[T]here's always ethnicity and consequent localisation challenges. There are always rooted market challenges, where the market is different and the structure of the market is different. Invariably, there are governmental regulation requirements so, for example, if there's a blockage at the port, you need to be able to be in contact to help us unblock those."*

5.4.2.5 Institutional challenges

Company C stated that among other challenges, such as culture and ethnicity, the company also faces a challenge about compliance with legislation. These legislative requirements act as blockages, especially at the ports of entry. This is how the respondent summed it all up:

"[T]here's always ethnicity and consequent localisation challenges. There are always rooted market challenges, where the market is different and the structure of the market is different. Invariably, there are governmental regulation requirements so, for example, if there's a blockage at the port, you need to be able to be in contact to help us unblock those."

Apart from logistical costs considerations, Company C's mode of entry into a particular market is driven by the existing duty structures. Those markets with free trade agreement are more attractive for Company C. Thus, the company's manufacturing bases are aligned to particular free trade zones. The respondent stated the following in this regard:

"The other aspect that I was referring to earlier is about a Central African hub, an East African hub, a Southern African hub and a West African hub which help to understand the concept in the economic communities. [I]t makes sense for us to be manufacturing in South Africa, … then exporting to neighbouring countries like Zimbabwe and Mozambique, [because of] our proximity and, in part, … the duty structure, which help us to compete effectively against local markets."

5.4.3 Positioning strategies to enter into BoP markets in the SSA

5.4.3.1 Ensure that the product is acceptable in the target market

Before entering a market, Company C first conducts extensive research in order to gain a deeper understating of the functional and emotional needs within the BoP market they intend to enter.

Company C does not only segment its market by income levels, it also categorises the market bases according to functional and emotional needs. While a functional need is when customers buy products for survival, an emotional need is when customers purchase a product because it is supposedly commensurate with the social status of that person. The respondent explains thus:

> *"[T]he starting point is needs based and there are very elaborate models that we use to segment the market on functional needs and emotional needs… We typically segment the market by functional needs and emotional needs."*

5.4.3.2 Ensure that the product is affordable in the target market

Company C does not segment its target market by income from the onset but will first segment the market according to affordability. Thus, given the varying levels of affordability across various income groups, Company C ensures that for some products, their pricing strategies accommodate all the income groups. The company achieves all this through packaging and pricing, a phenomenon known as the Price Pack size Architecture (PPA), as highlighted above. For instance, large packaging is served to the middle to higher income groups, while smaller packages are provided to the lower income groups.

Instead of adopting the BoP concept only, the company considers other factors such as the country's population size, economic growth, economic stability, competitors' positions in the market, availability of key raw materials and packaging, the competitiveness of the manufacturing base and the infrastructure, such as availability of electricity, water and good roads. The company has not been able to adopt the BoP concept, because, while the concept states that the bottom of the pyramid is where the bulk of the consumers are, it does not necessarily mean that is where the buying power and the consumption opportunity lie. Thus, for Company C affordability is the main differentiating factor. In relation to the company's rationale for choosing affordability as its entry mode, the respondent had the following to say:

> *"We don't start with income segmentation, we start with needs segmentation and then it's about affordability. So then income, affordability and the ability to*

pay then become part of that discussion, so typically a lot of the markets in which we operate are relatively speaking quite poor, compared to first world standards…in other words you can really start to manipulate your price and what we call our PPA, Price Pack size Architecture, to make it affordable to the average consumer in that particular market."

5.4.4 Rationale for the choice of mode of entry into the BoP markets in the SSA

This section discusses the rational for MNEs to choose a certain modes of entry for a particular BoP markets.

5.4.4.1 Joint venture

Company C also uses the joint venture as the mode of entry into the BoP markets in the SSA. Through joint ventures, Company C buys into existing businesses and takes a majority equity stake in those entities.

The company also utilises the collaboration route as a mode of entry into the BoP markets. Company C chooses to enter into business with partners who already have distribution systems and good infrastructure and are well established in the market. The prospective partners should, in addition, have systems that allow proper distribution of the company's products. The company emphasises that for local dealers to qualify as partners, they should be considerably big in size, with appropriate infrastructure, existing logistical systems and financially sound. The respondent encapsulates the requirements:

"You have in-country distributors and we have in-country partners …we utilize partners who have distribution and can say that they have the infrastructure and they're good in the market with their capability [and] systems that give us transparency on which products sell and where and why."

In those markets where the company does not have physical assets, Company C employs the distributor model. However, Company C admits that there is no equity with this model as the relationship is purely transactional. Thus, the company has adopted a concept called “Router Market Thinking” where it involves the communities for the distribution of its products to the respective markets (thousands of small kiosks) through various means such as bicycles, wheelbarrows and foot, on a daily basis. In respondent’s own words:

> *“In those markets where we don’t have physical assets … we use the distributor model and clearly there’s no equity in that it’s just a transactional relationship that we employ.”*

5.4.4.2 Direct exports

Company C, with its manufacturing and distribution capabilities in South Africa, also uses direct exports as a mode of entry into BoP countries such as in Zimbabwe, Ethiopia, Kenya, Cameroon, Nigeria, Chile and Peru. The respondent sums it up in these words:

> *“…it makes sense for us to be manufacturing in South Africa but then exporting to neighbouring countries like Zimbabwe and Mozambique. Why? [Because of] our proximity, and in part … the duty structure which helps us to compete effectively against local markets.”*

5.5. OVERALL ANALYSIS AND DISCUSION OF THE FINDINGS

This section provides an overall analysis of the findings from the study.

5.5.1. Characteristics of the BoP markets in the SSA

Table 6 shows the characteristics that drives the modes of entry into the BoP markets in the SSA for the three case companies. Thus, twenty-one drivers of the modes of entry were identified. These drivers are shown table 5 below:

Table 6: Drivers of the modes of entry into the BoP markets in SSA

Characteristics of the BoP markets in the SSA	Drivers of entry into the BoP markets	Company		
		A	B	C
Opportunities for market growth	1. Target market characteristics	✓	✓	
	2. The need to meet local demand	✓		
	3. Tastes and preferences		✓	
	4. Demographic			✓
	5. Affordability of the target market			✓
Favourable political environment	1. The political environment	✓		
	2. Local development in the host country	✓		
Favourable business conditions	1. Ease of doing business	✓		
	2. Existence of retail infrastructure		✓	
	3. Business environment		✓	
	4. Existing support structures		✓	
	5. Availability of key resources			✓

Characteristics of the BoP markets in the SSA	Drivers of entry into the BoP markets	Company		
		A	B	C
Economic factors	1. Duty structures			✓
	2. Economic conditions		✓	
	3. Proximity to the base country and other markets			✓
Cultural dynamics	1. Cultural dynamics		✓	

Although these drivers varied from company to company, the target market characteristics have been found to be a common driver amongst the three case companies. Company C topped the chart (with nine drivers) in terms of the number of drivers of its mode of entry at the BoP markets in the SSA, followed by company B with eight drivers. The table shows that modes of entry into the BoP markets in the SSA were mainly driven by business factors, followed by market, political and international factors, among others.

This section discusses the findings regarding the influence of the institutional environment on the choice of modes of entry into the BoP markets of the SSA countries. The section starts by discussing how cultural dimension influences the choice of entry modes. This is followed by the administrative influence, then comes the geographic influence. This section conclude by discussion on the influence of the economic dimension on the choice of entry modes by the MNEs when entering the BoP markets in the SSA.

Different markets have different characteristics. The MNEs sees these characteristics as challenges. The challenges (institutional dimensions) that are faced when entering the BoP markets in the SSA also differ across the case companies, as shown in Table 7.

Table 7: Characteristics of the BoP market

Characteristics	**Institutional dimensions**	**Company**		
		A	**B**	**C**
Limited market information	Understanding the BoP markets	✓		
Language barrier	Language barrier	✓		✓
Higher costs	High costs involved	✓		
	Compliance costs		✓	✓
Competition	Competition from local suppliers		✓	
	Competition from international suppliers		✓	
Infrastructural challenges	Lack of retail infrastructure		✓	
Administrative	Administrative challenges		✓	

Language barrier was found to be the most challenging factor for the MNEs entering the BoP market of SSA countries. Company A and C both experienced it, while company B and C experienced the challenge of compliance costs. Of the three companies, company B experienced the most challenges and it is operating mostly in the Southern African Development Community (SADC) region. When looking at the broader findings, one can conclude that the SADC region is the most difficult region to enter compared to the rest of the continent. The surprising factor is that, these were South African MNEs, whose home country falls under SADC region. It can be inferred that most of these countries,if not all, have significant similarities, yet they were found to be the most challenging in terms of BoP markets entry.

5.5.2. Rationale for MNEs' choice of modes of entry into BoP markets in the SSA

Table 8 shows that the circumstances or the conditions of the BoP markets when certain modes of entry are required. The study found that BoP markets in the SSA have different characteristics. As a result, positioning strategies (which have been already been mentioned and discussed) are needed to position the products at the right time, for the right market. The study also found that, both the characteristics of the BoP markets, as well as the positioning strategy influence the MNE's decision to choose suitable modes of entry. The next section discusses different modes of entry for different BoP markets. The rationale behind choosing these modes of entry for different BoP markets in the SSA countries is also been discussed. See the discussion below.

Table 8: Rationale for MNEs' choice of modes of entry into the BoP markets in the SSA

Market entry mode	Rationale
Wholly-owned subsidiary	• When there are administrative challenges such as language barrier
Joint venture	• Local indigenisation policies of the targeted market • The difficulty of entrance into the target market
Franchise option	• Existence of a partner who adheres to the company's values and ethos • Rapid expansion is required
Collaboration	• Strategic positioning of the partner within the supply chain • Local development imperatives along the value chain • The existence of financial resources by the potential partner • The retail infrastructure own by the potential partners • The size of the businesses owned by the potential partner • Existing logistical infrastructure owned by the potential partner
Direct exports	• Availability of distribution networks

Of the four commonly used modes of entry for the affluent markets in developing countries, Table 8 shows that wholly owned subsidiary and joint venture are the most used modes of entry choices for the BoP markets in the SSA. The findings show that the conditions of each market determine or influence the choice of modes of entry. Based on data in Table 8, a new entry mode is being identified. This mode of entry is collaborations. This is one of the factors proves that BoP markets in the SSA are different from other BoP markets or affluent markets. The findings show that collaborations is chosen as a mode of entry when the MNE wants to position itself strategically within the market. However, the partner is chosen strategically as well in order to benefit the MNE. The MNE chooses a partner that is strategically positioned within the market, has financial resources and owns logistical infrastructure.

Direct exporting is chosen where there are distribution networks. The companies choose direct export when they want to reach consumers in rural areas where infrastructure is very poor. These MNEs use their distribution networks to get to these consumers.

Joint venture, on the other hand, is used when the local markets are more informal in nature, when the size of the market in that BoP is big and when the administrative dimensions are complicated, thus making it difficult for the MNE to enter that particular BoP market.

5.5.3. Positioning strategies to enter into BoP markets in the SSA

Based on the different characteristics of both the business, as well as the institutional environments within the BoP markets, it was found that there need to be positioning strategies for each market with different characteristics. A positioning strategy that will enable the MNEs to position their products at the BoP markets, while at the same time ensuring that suitable modes of entry are selected and implemented within that particular markets. The strategies in question are acceptability, accessibility, and affordability.

Overall, Table 9 shows that the case companies adopted various strategies to enter into BoP markets in the SSA. Thus, except for intelligence gathering which is common amongst the three case companies, these strategies differ greatly across all the case companies.

Table 9: Positioning strategies used to enter into BoP markets in Sub-Saharan

Positioning Strategies for the BoP markets in Sub-Saharan	
Company A	
Acceptability	• Offer products that have reference to the local community. • Engages in intelligence gathering in order to understand the market in terms of consumer preferences, purchasing behaviour and business ethics. • Engages in market testing before supplying a product on a full scale.
Accessibility	• The company targets capital cities, where there are established infrastructure and distribution systems, as points of initial entry.
Company B	
Acceptability	• Engages in intelligence gathering to ensure that the product offering is acceptable to the intended target market. • Based on the outcomes from intelligence gathering, the company is settled on offering convenient products, which they found acceptable in the poor communities.
Affordability	• To ensure that the company's products are affordable within the target markets, the company segments the market and ensures that there is a geographical separation between these market segments. • The company has also adopted a variable pricing strategy to keep in line with volatile economic conditions. • The company has embedded cost containment strategies in its operations to ensure that consumers are offered cheaper products.
Company C	
Acceptability	• The company engages in intelligence gathering in order to understand the emotional and functional needs of consumers in the BoP markets.
Affordability	• The company's pricing strategy is oriented towards accommodation of all income groups within the BoP

Positioning Strategies for the BoP markets in Sub-Saharan	
	markets. • The company's packaging strategy is more focused on smaller packages to cater for the low income groups.

The objective of this current study was to determine the most suitable and effective mode of entry for the non-unified BoP markets of the SSA countries. In search of these modes of entry, the current study found the most interesting factor that is influencing the MNEs' choice of entry mode. One of the most intriguing findings of this study was that it is not only the conditions of the markets that influence the choice of entry modes, but positioning strategies play a vital role as well. It has been found that the MNEs first identify the conditions of the BoP markets that they are interested in entering into. Based on the conditions, the MNEs then decide on the effective positioning strategy that will help the MNEs to position their companies and products effectively in the particular markets. Based on the conditions of the BoP market, and the positioning strategy chosen, the MNEs would then choose entry modes that best complement the positioning strategy and the BoP condition.

For instance, in a market where both affluent and BoP consumers are clustered together, a company would find it prudent to choose the affordability strategy. The company, as in the case of Company C, would also ensure that their packaging strategy is more focused on smaller packages to cater for the low income groups. This is done to ensure that there is a geographical separation between market segments.

5.6. Conclusion

The main objective of the study was to determine the differences among the modes of entry for MNEs into BoP the markets in the SSA. This chapter presented the findings emanating from the collected data. Concerning entry modes into the BoP markets in the SSA, the findings show that the most common amongst the three case companies was collaboration with local dealers. This was followed by joint ventures. Twenty-one drivers of the modes of entry were identified. Although these drivers varied from company to company, target market characteristics have been found to be a common driver amongst the three case companies.

Furthermore, the results show that the case companies adopted various strategies to enter into BoP markets in the SSA. Thus, with the exception of intelligence gathering, which is common amongst the three case companies, these strategies differed greatly across all the case companies. Apart from the administrative hurdles that were experienced by two of the case companies, the challenges faced when entering the BoP markets in the SSA also differ across the case companies. The next chapter discusses these findings in detail.

CHAPTER SIX

FINDINGS

6.1. Introduction

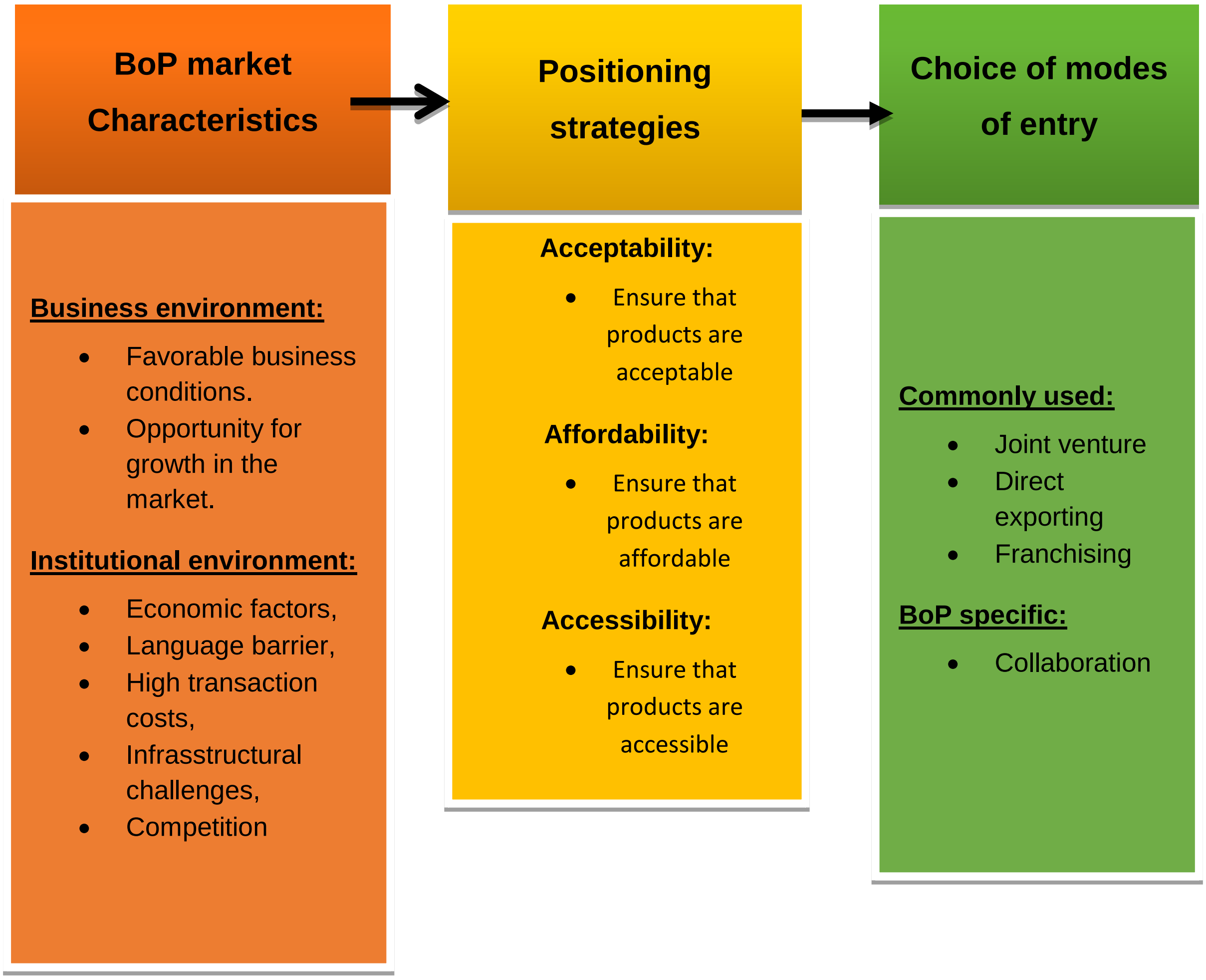
The research question for the study was; what are the suitable modes of entry into the BoP markets in SSA? In answering this question, this chapter presents the findings from both the reviewed literature and collected data. The study assumption was; BoP markets in SSA are different; therefore, modes of entry might also vary. The findings indicate that the lack of uniformity at the BoP markets in SSA countries influences the choice of modes of entry. Different characteristics of the BoP markets lead to preference for certain modes of entry. The findings show that the modes of entry into the BoP in SSA countries are not only influenced by the characteristics of the BoP markets, but rather the positioning strategies that MNEs have to adapt to within the different markets. Such characteristics also play a vital role in choosing suitable and effective modes of entry for different BoP markets within each host in the SSA country. Chapter 6 introduces a conceptual framework for summarising these findings. The three findings are also discussed in detail. However, it is imperative to start by looking at the proposed conceptual framework in Figure 6 below.

6.2. Summary of research findings

Based on the above research questions, the following are the discussions that emanate from the collected data.

The aforementioned conceptual framework serves as a guide in terms of the factors to be considered by MNEs when choosing modes of entry into BoP markets in the SSA and identifying the factors that influence their choices. An important aspect of this framework is that it has classified BoP markets into different categories. Based on these categories, positioning strategies are determined, leading to the choice of suitable modes of entry. This is the only study that has, hitherto, attempted to link positioning strategies to BoP market characteristics in order to choose suitable modes of entry for the same markets. See a detailed conceptual framework of these findings below. This framework would be followed by research propositions.

Figure 6: Proposed conceptual framework for the BoP markets in the SSA countries



Source: Self compilation

The study identified the 19 characteristics of the BoP markets within sub-Saharan African countries. These characteristics varied from company to company. These 19 characteristics were divided into two BoP environments, namely business and institutional. Within these BoP environments, the characteristics were grouped into seven themes. These themes were categorised thus:

i) Favorable business conditions in the host countries,
ii) Opportunities for growth in the new market,
iii) Economic factors,
iv) Language barriers,
v) High transaction costs,
vi) Administrative challenges within the market,
vii) Competition.

The study also identified positioning strategies, namely; acceptability, affordability and accessibility, which are linked to the BoP characteristics, which in turn, lead to the choice of suitable modes of entry. Finally, the modes of entry were also being identified. The study found that, three of the commonly used modes of entry for the BoP markets in other countries as well as the affluent markets in the SSA countries can be used for entering the BoP markets in the SSA market. These modes are; joint venture direct export and franchising. However, the study also found additional modes of entry for the SSA BoP markets. These modes include distribution networks and collaboration. The findings of this study are discussed fully in the following sections, starting with the BoP markets characteristics.

6.2.1. Findings Part 1: *Characteristics of the BoP markets for the SSA*

6.2.2.1. Favourable business conditions

The favourable business conditions were found to be the drivers of the modes of entry for MNEs into the BoP markets in the SSA. These conditions were:

i) Ease of doing business,

ii) Availability of infrastructure,

iii) Existing support structures,

iv) The need to create a manufacturing footprint and

vi) The availability of key resources.

This study found that business conditions in Sub-Saharan BoP markets are more favourable, leading to MNEs being interested in venturing into these markets. It is worth mentioning that the BoP markets that the BoPmarkets within the urban areas of the countries. Like in any other BoP markets elsewhere, there are attendant challenges when operating in the SSA markets, such as existence of infrastructure (Parmigiani & Rivera-Santos, 2015). However, the existing support structures such as government support, collaboration with the locals are helpful and make it relatively easier to do business within these BoP markets.

6.2.2.2. Opportunities for growth in the new market

The need to meet local demand, tastes and preferences, demographic profiles of customers and affordability of the target market were found to the attractive to the MNEs wishing to enter the BoP markets. In order for MNEs to grow in these markets, they had to take into consideration the market characteristics and adapt to them.

BoP ***market characteristics*** such as; non-existent individual buying power, illiteracy, high unemployment rate, poor infrastructure, and informal economies have locked BoP consumers into poverty, thus depriving them of the capacity to engage in economic transactions (Adwera, 2011; London & Hart, 2004; Prahalad & Hammond, 2002; Prahalad, 2005; Ruvinsky, 2011; Hammond et al, 2007). MNEs had to take these characteristics into account when developing strategies and choosing modes of entry.It was found that different BoP markets possessed different characteristics.

Some of the characteristics of the BoP markets include doing social good towards the poor communities, changes in cultural dynamics that present new tastes and preferences, favourable duty structures, economic conditions and proximity to the base country and other markets.

As Rufin and Rivera-Santos (2008) note, the weaknesses of the formal institutional environment and strong intra-community bonds lead to transactions that are governed by relationships and networks rather than by contracts, which would be difficult to enforce. Strong intra-community bonds are paralleled by mistrust and deep-rooted divisions between communities, as well as towards MNEs. Reficco and Marquez (2010) confirm that depiction, with communities showing a prior skepticism and mistrust vis-à-vis MNEs. This combination creates strong incentives for any MNE to build legitimacy and become a player inside those social networks, through the development of embedded personalised relations (Reficco & Marquez, 2010; Kirchgeorg & Winn, 2006).

Strong social relations at the BoP markets create interdependency among members, thus elevating the role of powerful group influences and word of mouth communications (Weidner et al., 2010). MNEs should be able to navigate these intricate networks to succeed at the BoP markets. BoP people and companies often share information about products and services through face to face interactions. An organisation entering these markets should confront opportunities and challenges in negotiating these well-established social networks (Gollakota,et al, 2010; London, 2007; Prahalad, 2005). If MNEs wish to succeed at the BoP, it is imperative that they consider an embedded process of co-creation and business co-invention that will bring the MNEs in close and personal business collaboration with the BoP communities (Simanis & Hart, 2008). This involves acquiring and building new resources and capabilities and forging a multitude of new distribution networks and collaboration (Seelos & Mair, 2007).

London and Hart (2004) suggest that MNEs interested in reaching consumers at the BoP should consider both societal performance and the sharing of resources outside the enterprise boundaries – local capacity building – in order to succeed. At the BoP, most successful ventures address societal performance by incorporating local capacity-building directly into their business model rather than through the more conventional approach of corporate philanthropy as an activity separate from the business. The authors refer to this approach as “social embeddedness” or the ability to create competitive advantage based on a deep understanding of, and, integration with the local environment (Anupindi & Sheth, 2010; Heidenreich, 2012; London & Hart, 2004). Social embeddedness contributes to the innovativeness of MNEs by facilitating access to external resources and competencies as well as coordinating with the host-country partners at the BoP (Heidenreich, 2012; Anderson & Markides, 2006; Dawar & Chatopadhyay, 2002). Social embeddedness also suggests that MNEs should co-design a product from bottom up (as opposed to top down) with local partners who understand the functionalities that are most important to BoP consumers (Simanis & Hart, 2008; Anderson & Billou, 2007; London & Hart, 2004).

Gollakota et al, (2010) introduce a two stage strategy for entering and breaking barriers in the BoP markets. This study found that, this strategy is generic and is not suitable for the BoP markets in the SSA countries, due to lack of uniformity in the region’s markets. This two stage strategy can only be applicable at the Sub-Saharan BoP market if it is implemented separately. For instance, if the first part of the strategy is implemented in the BoP markets with certain characteristics, and the second part of the strategy is implemented in another BoP market that has certain characteristics. The strategy cannot be used in its current two-part state for the BoP markets in the SSA. As pointed out earlier, it is only suitable when applied separately.

This two-stage business strategy involves, as the term implies, the following two strategies; deep cost management and deep benefit management. A deep cost management strategy is based on two elements. Firstly, MNEs need to identify the core value that must be offered and strip out all other elements that add costs. To eliminate the cost bearing elements from a product or service will make a product affordable and accessible to the BoP consumers (Arora & Romijn, 2012; Dawar & Chatopadhyay, 2002; Gollakota et al, 2010). MNEs need to re-engineer the operations of the enterprises using a holistic approach. Reaching BoP consumers requires minimising costs at all stages of the value chain. Taking a sequential view of the value chain results in enhancements that primarily affect adjacent activities – for instance, in order to reduce costs, MNEs may manufacture a product in a country/region where the product will be sold. Even greater cost savings might come about if an organisation takes a broader and more holistic view. An enterprise may be able to identify and exploit linkages between the design stage and other stages of the value chain. This means creating a sturdy design that reduces the need for service. This is important when serving BoP consumers who often have no reliable transportation and find it very difficult to make a repeat visit to the shops. Furthermore, the boundaries of potential value-adding opportunities need to be broader than the industry. They should involve BoP partners such as local governments and/or NGOs to assist MNEs in reducing the cost of production, while profitably serving quality products to the BoP consumers (Ansari, Munir, & Gregg, 2012; Gollakota et al, 2010).

In meeting the demand of the local consumers, MNEs were able to do thorough research of the target market long before they could enter it. The research took several years in order to find the needs of the local consumers. This is in line with what Gollakota et al, (2010) envisaged when they came up with strategies to meet consumer demand. In order to do so, the strategy recommends that companies should start by finding out about the tastes, preferences and affordability of the local consumers. Gollakota, et al (2010) then developed a two-way strategy to assist the MNE to meet the local demand while, at the same time, making profit. As a result, MNEs had to develop strategies that would help them to survive in such markets.

6.2.2.3. Economic conditions

Other characteristics that were found to be the drivers of the modes of entry for MNEs at the BoP markets in SSA were economic conditions and proximity to the base country and other markets. In order for the MNEs to meet the economic conditions of the local consumers and adhere to their tastes and as well as meet the administrative conditions of the BoP markets, the research applied the cage theory to be able to understand and argue how these BoP market characteristics influence the choice of modes of entry for these markets (Ghemawat,2001).

The second strategy suggested by Gollakota et al, (2010) for entering the BoP markets is a deep benefit management strategy which requires MNEs to look beyond cost reduction and find creative ways to add value for BoP consumers at no additional costs (Mohr, Sengupta & Slater, 2012; Gollakota et al, 2010). The value creation can be achieved through MNEs, partnering with non-traditional (non-governmental organisations (NGOs), philanthropic organisations, community organisations, among others, as well as traditional partners (national governments, local suppliers, and local distributors) and creating inclusive channels by incorporating BoP consumers into the value-adding process (Gollakota et al, 2010; London & Hart, 2004; Simanis & Hart, 2008; Williams & Hayes, 2013).

This view of a two-stage business strategy is in line with London and Hart (2004) and Vögel's (2014) view that a transnational strategy should be used by MNEs to successfully reach consumers at the BoP. A transnational strategy tends to be used when an enterprise confronts simultaneous pressures for cost effectiveness, local adaptation and potential for competitive advantage from responding to both of these two divergent forces. The location of an enterprise's assets and its capabilities will be based on where it would be most beneficial for each specific activity, neither highly centralised as with a global strategy nor widely dispersed as with a multi-domestic strategy (Ball et al, 2012). MNEs must contribute actively to the development of the enterprise capabilities, as well as to develop and share knowledge with the enterprise operations at the BoP. When a transnational strategy is used, the more upstream value chain activities such as product development, raw material sourcing and manufacturing, should be more centralised, while the more downstream activities, such as marketing, sales, and services are more decentralised, located closer to the consumer (Ball et al). However, MNEs are faced with the challenge of achieving an optimal balance in locating activities, as well as maintaining this balance over time, as competition, customer needs and regulations at the BoP are not the same as the ones in the developed world (Ball et al, 2012; London & Hart, 2004; Prahalad, 2005). Although cost effectiveness and local adaptation may allow MNEs to enter the BoP market, not even global cost leaders always have sufficient low-cost structures to be able to serve the BoP consumers if they do not rethink their business strategies (Golakota et al, 2010; London & Hart, 2004).

Taking from the cage theory, the researcher found that each one of the four dimensions of the institutional environment play a vital role in influencing the MNE's choice of suitable modes of entry. Economic factors such as a country's state of the economy, affordability of the local consumers and the state of local infrastructure, as well as the culture of the local consumers compelled the MNE to, once again develop a position strategy that would help it in choosing the mode of entry for that particular BoP market.

6.2.2.4 Language barrier

Reviewed literature shows that MNEs often face high investment risks and high resource commitment when they have sole responsibility for the management of an operation (White et al, 2015). This is especially true when MNEs lack knowledge of, or do not understand, the host-country's institutional environment (Wöcke & Moodley, 2015). This was the case with two of the case companies, which stated that language barrier was one of the challenges they faced when entering the BoP markets. This challenge was identified in non-English speaking countries such as Mozambique, Angola and Cameroon. The official languages in these three countries are Portuguese and French. This challenge was, however mitigated by proximity advantages in the BoP markets bordering South Africa, for example Mozambique. It was further found in the study that the language barrier problem could limit the ability of a company to set up business in these countries as it presented difficulties in understanding indigenous laws and regulations. In such cases, the company would require the assistance of local agencies, which proved rather costly. Company C opined that language is a major challenge when entering the BoP markets. Thus, to counteract this challenge, the company often engages agencies that are dual linguists (those individuals who can speak both English and a local language). In this instance, the respondent indicated that it was difficult for them to operate, as they could not understand rules and regulations of the country.

As a result, in Cameroon, Company C had to engage a Senegalese managing director who could speak both English and French. In this instance, instead of adopting a joint venture strategy, company C hired a director could assist the MNE in getting market insight and a deep understanding of the regulatory norms of the country (Wöcke and Moodley, 2015), and what is needed in order to operate in the BoP markets within Cameroon. Saha and Chattopadhyay, (2015) argue that if a company is not familiar with the environment, in this instance, if the company struggles with overcoming the language barrier, JV would be the appropriate mode of entry as it allows cost sharing and risk pooling (Saha & Chattopadhyay, 2015). However, company C proved the literature otherwise as it showed that, in BoP markets where language is an issue, or where the MNE is not familiar with the market, wholly owned subsidiary is not the strategy to choose, as it is costly to the company. In a situation like this, joint venture is a suitable mode of entry.

6.2.2.5 Higher transactional costs

The study indicates that other challenges faced when entering BoP markets pertained to the costs associated with compliance with the relevant local legislation. Failure to comply with legislation was found to attract substantial costs in terms fines. The costs would also be pushed up as in instances where the company was forced to pay bribes in order to speed up the meeting of the required compliance levels. The challenges related to the high transactional costs incurred when entering into BoP markets are also highlighted by Barki and Parente (2014).

Costs would also rise because the companies needed to dispatch a delegation to assess the BoP markets. Therefore, the MNEs normally incur accommodation costs. The costs would also become exorbitant in cases where the delegation had to make use of local agencies and even drivers due to language barrier-associated challenges. In terms of cost reduction, The Joint Venture option is the most suitable mode of entry (Saha & Chattopadhyay, 2015).

6.2.2.6 Infrastructural challenges

Infrastructural challenges were identified as major impediments to the expansion of MNEs into the BoP markets. Lack of retail infrastructure in the targeted BoP markets has been highlighted as one challenge, which forced the companies to establish centralised distribution systems. Poor road infrastructure further complicates the distribution networks. Hence, in this instance, the MNEs collaborated with the local suppliers. In addressing the challenges in terms of corruption on the roads and poor infrastructure, the local suppliers were the ones who would distribute the products to the rural areas. In a situation like this, Wei *et al.*, (2014) suggest exporting as a suitable modes of entry. Exporting would minimise the risk of losing profit in the process (Forsgren, 2002). In such a set-up, the MNE would have a local distribution office that would deal with all the distribution networks. This office will allows MNEs to acquire new knowledge about the market, which in turn, would lead to more risky but also more rewarding modes of entry (Schuster & Holtbrügge, 2012).

As highlighted above, Company C was found to be experiencing administrative hurdles when entering the BoP markets. Administrative hurdles were experienced in its distribution systems. There have been numerous roadblocks where goods in transit were often stolen. In other instances, government officials would solicit for bribes, thus making it cost ineffective to distribute products, especially if the target market is in the low-income group. In avoiding such risk, companies come together to form a JV because they want to expand to different geographic markets (Dikova and Brouthers, 2015). Company C was able to utilise the distribution networks of local suppliers to get its products to the rural areas.

6.2.2.7 Competition

The results of the study indicate that MNEs face stiff competition from local and international businesses, not to mention the availability of counterfeit products. Local businesses have a tendency of copying the MNEs' business models meant for the higher income segment and replicating them in the lower income market segment where they offer the product at low prices. This finding corroborates a number of findings from related previous studies. For example, a study by Barki and Parente (2014) highlights that MNEs suffer because of the fierce competition from the local companies. Thus, some scholars argue that the competitive advantage of a firm is, to a large extent, created by organisational learning that connects, integrates and exploits this geographically dispersed knowledge (Meyer et al., 2014; Chang, Gong, & Peng, 2012; Johnson, Arya, & Mirchandani, 2013; Meyer et al., 2011; Tallman & Chacar, 2011).

While the interviewed MNEs identified local competition as an impediment to expansion in the BoP markets, this finding requires further critical assessment. From a developmental perspective, the entry of MNEs into the BoP markets should not be viewed as crowding out local businesses who are already serving the lower income group market segments, thereby worsening unemployment and poverty levels. Within this context, the entrance of MNEs into the BoP markets should be in such a way that, with their superior business models and large pools of funds, the enterprises should help in further developing existing businesses and advance the economic imperatives of the respective governments. This can be achieved through the MNEs entering into joint venture operations with the national governments of the respective BoP markets.

Due to the uniqueness of the institutional environment, some scholars highlight the importance of forming JVs with national governments in the host countries (London & Hart, 2004; Rivera-Santos, Rufin & Kolk, 2012; Rivera-Santos & Rufín, 2010; Vögel, 2014; Webb et al, 2010). Through JVs with national governments, both national governments and MNEs may innovate to achieve sustainable win-win scenarios wherein the poor would be actively engaged. At the same time, MNEs would be selling products and services to the poor (Prahalad, 2005; Vögel, 2014). In some cases, forming a JV with the national government may be an essential condition for doing business at the BoP (Hietapuro, 2011). Wilson et al. (2009) argue that national government subsidy may assist MNEs to stimulate replication and adaptation of their business models for the BoP market. Moreover, according to Kolk, van Tulder, and Kostwinder (2008), national government plays a vital role in reducing the investment risk through financial support and acting as brokers, given their extensive networks. Simanis and Hart (2008) argue that JVs with national government give MNEs a sense of belonging.

The lack of resources and the underdeveloped nature of infrastructure in most SSA countries may be extremely challenging. The continuous and active engagement of governments in this region is a key activity for the MNEs, as it is not considered good practice to go to government only when one is facing difficulties (Parker, 2009). Despite the recognised uniqueness of the BoP markets, and the established link between inter-organisational relationships and their institutional environment, very few studies have systematically explored the potential impact of the JV between MNEs and the national governments for the success of the MNEs in reaching consumers at the BoP (McMullen, 2010; Chatterjee, 2009; Rivera-Santos, Rufin & Kolk, 2012:2; Van Tubergen, 2013). Based on the reviewed literature, there seems to be consensus concerning the need to form a JV with NGOs. However, there seems to be a lack of consensus as to the value of forming a JV with national government (Vögel, 2014). Based on the findings and discussions above, the following proposition is stated:

Proposition 1: *Because of the lack of uniformity for the BoP markets in the SSA, modes of entry are also different.*

6.2.3 Part 2 of the findings: *Strategies used by MNEs to position themselves in the BoP markets in the SSA*

The main aim of the study was to analyse the existing modes of entry for the SSA BoP markets used by MNEs. It can be posited that the modes of entry used for BoP markets in countries such as China and India are the same as those used by the MNEs when entering the affluent markets of the SSA countries. In analysing these modes of entry into the BoP markets of the SSA countries, the researcher discovered interesting findings. When reviewing the literature (Dunning, 1995; Dunning, 1998; Dunning & Lundan, 2008), the researcher had an assumption that, BoP characteristics, together with firm specific advantages determine the choice of entry mode. However, the results indicate that, the main determinant of the entry mode is the positioning strategy. The findings show that both the business and the institutional environments of the BoP are as important as the firm specific advantages, such as recourses, turnover and size of the business. Thus, if a company does not include position strategies at the Sub-Saharan BoP markets, it will most likely choose an unsuitable entry mode for that particular market. Position strategies are discussed below.

6.2.3.1 *Ensure that the product is acceptable in the target market*

. Earlier studies (Prahalad, 2005) identify three vital strategic components for MNEs to successfully reach the poor at the BoP – accessibility, affordability, and availability. Anderson and Markides, (2007) have identified a fourth component, namely awareness which refers to the consciousness of consumers about the existence of the products and services of an enterprise (Barki & Parente, 2010). Adding to the body of knowledge, the current study added an additional "A" to the positioning strategies. This "A" is for ***acceptability***. In ensuring the acceptability for the product at these markets, the MNEs ensured that their products have relevance to the local communities and that they offer local consumers what they needed instead of what they wanted. This was achieved through engaging in intelligence gathering in order to understand the market in terms of consumer preferences, purchasing behaviour and business ethics. For instance, in West Africa, everything that consumers cook includes rice. Therefore, the MNE ensured that rice was part and parcel of products it sells. The MNE packaged small to big rice packages in order to cater for different segments of the markets. The company also took caution to ensure that the quality of the product was kept the same as well as stick to the brand that is known and accepted by the consumers.

After positioning themselves using the acceptability strategy, the MNE would go into a joint venture with a local company, which is already well known to the consumers. Whenever the MNE wanted to introduce a brand or product, the local company would be on the ground to sell it on a trial basis. In most instances, the brand or product would be accepted by the market owing to the fact that the local consumers trust the local company, leading to increased profit for both the local company and the MNE.

6.2.3.2 *Ensure that the product is affordable in the target market*

To ensure that their products are affordable within the target BoP markets in the SSA, the MNEs segment the products and ensure that there is a geographical separation between these products for both affluent and BoP markets within the same store. This argument is brought by the fact that, in other countries of the SSA, other than South Africa, the markets are different. The upper class market is in the same areas as the BoP market. As a result, it is difficult for the MNE to segment the market. As a result, the MNE tries to cater for both consumers within the same store by segmenting the products. The segmentation is achieved by selling the same product with the same quality in different packaging. For the affluent consumers who usually buy in bulk, the packaging is big and the products/brands are a bit pricy. On the other hand, for the BoP consumers, the packaging is smaller, because BoP consumers buy what they need for the day only, and the products/brands are cheaper, although the quality is the same.

6.2.3.4 *Ensure that the product is accessible to target consumers*

The results show that although majority of consumers at the BoP are situated in rural areas, MNEs opt for the BoP markets in urban areas. This is because of the challenges associated with distribution channels to get products to the rural areas. Prahalad (2005) proposes that distribution channels that reach the BoP consumers in rural areas are critical for developing this market. Innovations in distribution networks are as critical as product and process innovations. As Rufin and Rivera-Santos (2008) note, mainstream affluent networks are characterised by indirect ties, where most actors relate only to their immediate suppliers and customers to minimise the costs of redundancy. On the other hand, at the BoP high transaction costs and opaque information flows leave no alternative to direct ties (Agihotri, 2012).

The core idea of just reducing cost structure by way of innovative technologies is not always feasible. If we really want to encourage MNEs to cater to BP consumers, not as a part of corporate philanthropy but as a part of creating a win–win situation for both the poor customers and the MNEs, then deep involvement of both NGOs and MNEs is important. This idea of replacing arm’s length relationships with alliances between enterprises and NGOs was missing in the initial idea but has been extended with version 2.0 of the BoP approach (Agnihotri, 2012; Reficco & Marquez, 2010; Simanis & Hart, 2008). By agglomerating, MNEs can benefit from location externalities and take advantage of specialised labour and knowledge inputs (Salomon, 2006). MNEs should engage in highly personalised relationships with the BoP population where actor embeddedness is needed for effective participation in the BoP distribution network (Rufin & Rivera-Santos, 2008). Using the accessibility strategy helps MNEs to access consumers in rural areas easily and cost effectively.

NGOs can play an important role in MNEs’ business development at the BoP (Hart & Sharma, 2004). NGOs have capabilities that can add value in various ways. They can add value by getting access to BoP markets, especially in the rural areas, leveraging credibility and reputation within local communities, increasing consumer patronage and investor appreciation; testing and developing technology as well as improving recruitment and training (Heitapuro, 2011; Gollakota et al, 2010; Webb, Kistruck, Ireland, & Ketchen, 2010). Such JVs may often provide networks of local expertise in addition to distribution channels that may help MNEs to reduce operating costs and allow access to customers who would be difficult and expensive to reach (Perez-Aleman, 2008) NGOs may also help in educating BoP customers about the products or services of the MNEs, thereby reducing marketing costs and increasing MNEs’ acceptance in the community (Hart & Sharma, 2004; Reficco & Márquez, 2012;Rivera-Santos & Rufín, 2010; Simanis & Hart, 2008). For reaching BoP markets in rural areas, joint ventures with the local NGOs are an appropriate mode of entry. Based on this discussion, this study brings forth the following propositions.

Proposition 2a: *In a BoP market where informal institutions dominate, where MNEs have to adhere to local consumer preferences, purchasing behavior and business ethics,* ***acceptability*** *is the strategy to adopt.*

Proposition 2b: *In a BoP market where consumers cannot afford same quality products offered to affluent consumer, MNEs are obliged to change their packaging size and offer same quality product in small packaging to BoP consumers,* ***affordability*** *is the strategy to adopt.*

Proposition 2c: *If a BoP market is situated in rural areas and infrastructure to reach these consumers is very poor, MNEs are to join or partner with local distribution networks who can reach rural BoP consumers,* ***accessibility*** *is the strategy to adopt.*

6.2.4 Part 3 Findings: Modes of entry into the BoP markets in the SSA

The findings revealed that the most common modes of entry into the BoP markets in the SSA amongst the three case companies were joint ventures, direct export, and the franchise option. These modes of entry were explored on the premises that the type adopted by the MNE determines its success in the BoP market. From a theoretical perspective, the choice of the mode of entry should balance between risks and returns (Anderson and Gatignon, 2005). Furthermore, reviewed related literature suggests that the choice of the modes of entry is determined by the amount of resources at the company's disposal (Lu et al., 2011). In addition to the commonly used modes of entry, the new entry modes, which are suitable for the BoP markets in the SSA markets, were identified. These are distribution networks and collaboration. Therefore, the choice of the mode of entry into a BoP market presents the most critical decisions to be made by businesses. Therefore, an analysis of the various BoP market characteristics will determine the choice of the entry mode.

6.2.4.1 Joint venture

Companies come together to form a JV because they want to expand to different geographic market (Dikova & Brouthers, 2015), achieve economies of scale, and use resources effectively (Saha & Chattopadhyay, 2015). Through JVs, firms share capabilities, expertise and resources with joint ownership and control (Morschett *et al.*, 2010). JV makes it easier for MNEs to access new markets. More often than not, one player provides the core competency of a certain technology while the other contributes by allowing the JV to leverage on its existing supply chain and other infrastructure (Park, 2012). The results of the study indicate that, ideally, the MNEs would prefer to acquire a majority equity stake into the existing businesses. However, local indigenisation policies forced the MNEs to opt for joint ventures where they had to acquire only 49% of the stake in local businesses. This has been the case in BoP markets such as Zimbabwe and Nigeria. Furthermore, due to lack of familiarity with the host country market, the BoP markets in particular, consulted literature suggests that MNEs should form joint ventures with local partners who understand the functionalities that are most important to BoP consumers.

Another form of joint venture identified in the study was collaboration with local dealers. This collaboration varied from agreements with participants along the value chain, such a local farmers, local dealers (standalone companies) to synergies with distributors along the supply chain. Dealers market and sell products for the respective company and are provided with technical and marketing support. Collaboration have been used in order to gain ground and credibility within the target BoP market and have been advantageous since the local partners already had a good understanding the difficulties, the trading transactions and different existing policies of the market. Furthermore, the targeted partners had the financial resources and physical assets, which proved cost effective. While this finding was from a study conducted in Tanzania and Kenya, the same sentiments can be applied to similar BoP markets in the SSAn markets. Thus, good relationships with local dealers have been viewed as a key to success in these markets. This suggests that investment in relationship building and establishing personal connections will result in substantial benefits for the business in the long term.

Different circumstances that led the case companies to use collaboration as a market entry mode into the BoP markets of the SSA were identified. Thus, collaboration was considered in situations where the potential partner was strategically positioned within the supply chain, when local development imperatives along the value chain are of paramount importance, when the potential partner has enough financial resources, when the potential partner owns the retail infrastructure, the size of the businesses owned by the potential partner is big enough and when the potential partner has existing logistical infrastructure in place. Therefore, other factors that act as the basis for MNEs to opt for a joint venture when entering the BoP markets are when the market is big and sophisticated, when there are barriers to entry into the market, for benefit from tax exemptions and to attain credibility in the target market. Based on this discussion, following propositions are stated:

Proposition 3a: *In a BoP market where informal institutions are dominating, where MNEs have to adhere to local consumer preferences, purchasing behavior and business ethics,* ***acceptability*** *is the strategy to adopt. If acceptability is the strategy, a joint venture with local enterprises is the mode of entry into this market.*

Proposition 3b: *In a BoP market where consumers cannot afford the same quality products offered to affluent consumers, MNEs are obliged to change their packaging size and offer the same quality product in small packaging to BoP consumers, affordability is the strategy to adopt. If affordability is the strategy, joint venture and collaboration are modes of entry into this market*

6.2.4.2 Franchise option

The study found that the franchise option has also been used as a market entry strategy into the BoP markets. With the franchise option, the business partner is given territorial rights to use the company’s brand while the company manages the brand with them. A critical element of this option is to ensure that the right partners are identified. International experience is important in identifying more suitable franchisees who have the requisite skills and attitude (Saha and Chattopadhyay, 2015). This kind of arrangement could yield better outcomes for both parties if they work on a recognisable brand name and strive to maintain a good working relationship.

The use of franchising as a mode of entry into the BoP markets has been used as a way to mitigate risk, especially where and when the aim is to exploit emerging middle class markets in traditionally poorer areas (Oke et al., 2014). Furthermore, this mode of entry has been used in situations where the franchisor intends to test certain market segments and where the product that is being marketed has to cover a large geographical area (Wooster et al., 2014). Thus franchising, as a mode of entry, has the advantage of reducing cultural conflicts and offers a guarantee in quality and uniformity of the business model.

The adoption of the franchise option to enter into BoP markets was prevalent for markets such as in Namibia, Botswana, Lesotho, Swaziland, Ghana and Nigeria. The first four markets are in close proximity to South Africa. Geographical distances between the business base and the host country have implications on risk. A critical assessment of the markets in which the MNEs have opted for the franchise option as a mode of entry reveals that these MNEs have factored in this risk factor. Ghana and Nigeria are the only markets where geographical distance from South Africa could be regarded as quite significant. However, it could also be argued that in those markets that are far from the base operations, a franchise mode of entry could suffice.

Proposition 4: *If a BoP market is situated in rural areas and infrastructure to reach these consumers is very poor, MNEs are to join or partner with local distribution networks that can reach rural BoP consumers, accessibility is the strategy to adopt. If accessibility is the strategy; franchising, collaboration and distribution networks are modes of entry into this market.*

6.2.4.3 Direct exports

Direct exports were used in those situations where the distribution networks pre-existed. Direct export can also be used as a market testing technique where a company would learn about the market dynamics, customer behaviour and the major competitors in the market (Saha and Chattopadhyay, 2015). Furthermore, direct exports, as modes of entry into the BoP markets, can be used if the company is less committed on the market in question and intends to keep the risk levels low (Wooster et al., 2014). The main contribution to the existing literature in this aspect is the fact that direct exports are used where there are established distribution networks in the target market. This is in addition to the use of direct exports when the firm has little knowledge about the market and when the market risks are high.

These findings prove the researcher’s assumptions that, due to differences in institutional environment, different stages of urbanisation, as well as different sizes of the SSA BoP markets play a vital role in MNEs’ decision making for the modes of entry. For MNEs to choose modes of entry, they (MNEs) must consider this lack of uniformity before deciding on the preferred mode. Assuming that there is lack of uniformity in Sub-Saharan BoP markets, it thus follows that modes of entry into the BoP markets in the SSA may also vary. The findings also prove that modes of entry into the SSA BoP markets are clearly different from other BoP markets. However, another finding from the study shows that, variety of the market as well as the positioning strategy influence the MNEs’ choice of modes of entry into the BoP markets in the SSA. Based on the finding, this proposition is stated:

Proposition 5**:** *If the BoP market is not similar to the host-country market and MNEs want to learn more about this market before fully committing their resources; if there are distribution networks to assist MNEs in this market, accessibility is the strategy; if accessibility is the strategy, direct export is the modes of entry.*

Table 9 below summarises these findings, which are the main contributions of the study.

Table 9 Summary of Findings on Modes of entry into the BoP markets in SSA

Characteristics of the SSA BoP markets	MNEs' Positioning strategies for the SSA BoP markets	Modes of entry into SSA
• Favorable business conditions. • Opportunity for growth in the new market • Competition	• **Acceptability**	• **JV** • **Franchise**
• Language barrier • Infrastructural challenges	• **Accessibility**	• **Collaboration** • **Distribution networks** • **Export with distribution networks**
• Economic factors • High transaction costs	• **Affordability**	• **JV** • **Collaboration**

Source: self-compilation

While the modes of entry have been studied and discussed in the literature review, the general view is that any of those can work in any context. However, the above framework indicates that for the BoP markets in SSA, the context dictates that joint ventures, franchising and direct exporting with distribution networks and collaboration should be considered if a company is to succeed in such markets. However, the framework puts an emphasis on the positioning strategies that MNEs need to first find a positioning strategy that suits the conditions or the characteristics of the targeted BoP markets. The positioning strategy will then determine the right or suitable modes of entry for that particular Bop market.

Finally, while reviewed literature suggests that there are five positioning strategies that can be adopted when entering BoP markets in general; the BoP markets in SSA should be approached differently. Thus, for the BoP markets in the SSA region, positioning strategies that proved to be viable are affordability, accessibility and acceptability.

6.3. Conclusion

This chapter presented a discussion of the research results, recommendations and conclusions of the study. The results show that MNEs are motivated to enter into BoP markets of SSA by a number of factors, which include favourable business conditions in the host countries, opportunities for growth in the new markets, existing favourable administrative environments and economic factors. However, the degree to which these factors influence the decision to choose a certain mode of entry varies from company to company.

Furthermore, the study identified a number of drivers influencing MNEs' choices of certain modes of entry into BoP markets in SSA. Thus, the choice of adopting a joint venture is influenced by the size and sophistication of the market and existing entry barriers. On the other hand, MNEs choose the franchise option in instances where a rapid expansion in the BoP market is planned, prior to targeting the middle class consumer market.

The main challenges encountered by the MNEs when entering the BoP markets in SSA include language barriers, high transaction costs, institutional challenges, competition, as well as infrastructural challenges.

In the face of the challenges encountered, the MNEs have adopted a number of positioning strategies meant to ensure that their product offering are acceptable in the BoP target markets, thus, ensuring that the companies' products are affordable and accessible. The chapter closes by presenting a proposed conceptual framework that can be used by MNEs when making certain choices about the modes of entry into the BoP markets in SSA. The factors that may influence these choices are also identified.

CHAPTER SEVEN

RECOMMENDATIONS AND CONCLUSIONS

7.1. Introduction

In Chapter One, it was stated that the study attempted to address the assumption that lack of uniformity in the SSA countries may lead to different modes of entry for the MNEs. The study also attempted to answer the main research question: what influences the choice of MNEs' modes of entry into the Bop markets in the SSA countries? As a result, through using the multiple case study approach, (where three cases were interviewed) this question was answered. This chapter provides a summary of the content of each chapter in the study, conclusions of each research question within the context of the objectives, and the recommendations to the suitable modes of entry into the BoP markets in the SSA countries. The study concludes by indicating the limitations for the study and the directions for future research.

7.2. The theory for the study

This study was divided into seven chapters, each representing the main objectives in a comprehensive and systematic manner. For example, ***Chapter one,*** as the introductory chapter, consists of the general introduction of the research topic. It uncovered the background of the study, the motivation, the problem statement, the research objectives, the research methodology, and the instruments of data collection as well as the preliminary framework for this study.

Chapter two addressed objectives one and two, in order to determine the characteristics of the BoP markets in SSA countries. To address this objective, Chapter two looked at the different environments of the BoP markets, that is, business and institutional environments. The business environment consists of market size and the urbanisation of the market. At the same time, the institutional environment shows four dimensions that differentiate developed from developing countries. The four dimensions that the study looked at were geographic, political/administrative, cultural, and economic. The chapter argues that MNEs entering the BoP markets in developing countries need to consider these institutional dimensions as they (institutional dimensions) are the main factors influencing the choice of modes of entry into the BoP markets.

The findings for this objective show that, indeed, the characteristics of the BoP markets, including both business and institutional environments, are different. This variety happens within one country where both the affluent and the BoP consumers are clustered in one area. As a result, MNEs need to find ways to develop strategies that will assist them in catering for the different needs of these different types of consumers who are clustered in one area.

Chapter three responds to objectives three and four. This Chapter combines both the BoP markets literature and the modes of entry literature to argue theoretically that BoP markets influence the MNEs decisions on modes of entry. The chapter documented the different modes of entry for the developed countries and the affluent markets within the developing countries. In the same chapter, literature showed that BoP conditions or characteristics influence the choice decisions for the modes of entry.

The findings however, showed an interesting point that not only the BoP characteristics influence the decision for choosing a given entry mode, but the positioning strategy does play a vital role in choosing modes of entry. The findings show that, for MNEs to be able to choose a suitable mode of entry into a BoP market with specific characteristics, an MNE needs to first identify the position strategy that suits the characteristics of the targeted market. Such a strategy should be able to help position the firm's product in that particular market. Based on the chosen strategy that suits the BoP characteristics, the MNE is able to choose the most appropriate mode of entry. These findings led to the proposal of a conceptual framework that MNEs may use for entering the BoP markets in the SSA.

Chapter four focused on aspects related to the research design and methodology, by providing an in-depth discussion on how data was collected in order to ensure its validity and reliability. In this chapter, the multiple case study method was introduced. Here, three companies operating at the BoP markets of the SSA countries were interviewed. Semi-structured interviews were conducted with the heads of the companies. This chapter provided case selection, described the process and the procedure that were followed in selecting these companies. The instruments that were used to collect and analyse data are also discussed.

Chapter five presented the empirical findings. In this chapter, collected data was analysed and divided into themes and subthemes. The themes were designed to respond to the objectives of the study and to help in answering the research question.

In this chapter, the findings of the study were analysed against each case. The chapter concluded by giving an overall analysis of the three cases, which were combined to identify and link all the themes.

Chapter six discussed the findings that were analysed in Chapter five. In this chapter, an overall comparison of the case companies, from which the qualitative data was gathered, analysed and discussed, was attempted. The findings were analysed in relation to the existing literature and theories. The chapter focused on the drivers of entry into BoP markets in the SSA, the rationale for MNEs' choice of modes of entry into BoP markets in SSA, the challenges faced when entering into the BoP markets in the SSA, and strategies to enter into BoP markets in the SSA.

The findings however, showed an interesting point that it is not only the BoP characteristics that influence the decision for entry modes, but the positioning strategy also plays a vital role in making the choice. The findings show that, for

MNEs to be able to choose a mode of entry for a BoP with specific characteristics, the companies need to first identify the position strategy that is in line with the characteristics of the targeted market, which will help to position their product in that particular market. Based on the chosen strategy, the BoP characteristics, the MNE is able to then choose the modes of entry. These findings led to a proposal of a conceptual framework that MNEs may use for entering the BoP markets in SSA.

Chapter seven, based on the findings of the research, this chapter provided a summary and a conclusion of the study. A comprehensive participatory framework for MNEs' modes of entry into the BoP markets in SSA was proposed.

The theory of expansion into the BoP markets as a conceptual framework was used in this study. The conceptual framework was derived from the BoP strategy theory, BoP initiative theory and the institution theory. This framework provides a holistic view that should be taken when assessing the rationale of MNEs' choices of modes of entry into BoP markets. Thus, the assessment should begin by looking at the key drivers of the modes of entry, which might have a bearing on the choice of the modes of entry. The challenges encountered in the BoP markets, when taken into consideration, may have implications on the choice of the mode of entry. Finally, the strategies to be adopted in a given BoP market may have a significant contribution towards the choice of the mode of entry. Therefore, this all-encompassing conceptual framework provides a true reflection on the reasons for MNEs' choices of certain modes of entry

7.3 Contribution of the study t the body of knowledge

The study makes three valuable theoretical contributions to the extant body of knowledge. Firstly, the study brings together the rationale for the choice of the modes of entry and the BoP literature under one umbrella, with a special focus on the SSA BoP literature. Secondly, the study comprehends the BoP markets conditions under which certain modes of entry are suitable. Thirdly, the study brings all the uses that affect firm expansion into the BoP markets and proposes a conceptual framework that can be adopted by MNEs and academics who may want to gain a deeper understanding of modes of entry into the BoP markets.

From a methodological standpoint, this study is the first to have considered a sample selection of the study comprising MNEs within the FMCG from an emerging country perspective, with a special focus on the BoP markets. Many studies have only considered a situation where MNEs originate from developed countries into either developing or emerging markets. As a result, less is known about firms coming from one emerging market and entering another emerging market. For example, Dikova and Brouthers (2015) did a three-decade literature review study of about 157 articles on modes of entry. They found that only one study focused on modes of entry for Chinese MNEs (Meyer et al., 2014), while none considered China as a host country.

The inclusion of FMCG MNEs is quite important from a methodological perspective. The service, manufacturing, telecommunication, as well as financial industries, for example, have been included as units of analysis in a number of studies (Akula, 2008; Anderson & Markides, 2006; Dolan et al, et al, 2012; Esposito et al, 2012; Gollakota et al, 2010; Guesalaga & Marshall, 2008; Kolk & van Tulder, 2006; Macke et al, 2003; Mckee, 2013; Subramanyan & Gomez-Arias, 2008). In contrast, very limited research on the FMCG industry is available. Therefore, providing valuable insights into the rationale for the modes of entry for South African MNEs in FMCG industry entering the BoP in the SSA market could be regarded as a valuable groundbreaking contribution.

From a practical perspective, the findings provide MNEs, government departments of trade and industry, as well as academics with a clear conceptual framework that governs MNEs’ operations and decisions to adopt new or different modes of entry that will successfully influence their performance and success in the BoP markets in the SSA.

7.4 Recommendations

The previous chapters attempted to assess the characteristics of the BoP markets in SSA countries. These chapters attempted to analyse the BoP markets conditions and determine under which circumstances of the BoP markets are certain modes of entry suitable or appropriate. At the same time, these chapters were attempting to find the drivers of entry modes into the BoP markets and the rationale for MNEs for entering the BoP markets. In attempting to answer the research question and address the research objectives, these chapters, especially Chapter six, identify new findings that will add, and contribute, to the body of knowledge. Based on the research findings from the study, the following recommendations were made:

Recommendation one: Seeing that BoP characteristics are not the only determinant of the modes of entry, but there is also the positioning strategy. The study identified three positioning strategies for the BoP market in the SSA countries. There needs to be more and deeper research on these positioning strategies. Future research should focus on how positioning strategies may be implemented.

Recommendation two: Engage in collaborative efforts on market intelligence gathering. Efforts to gather true market intelligence should be corroborated by the development of effective formal platforms through which the information can be disseminated, both internally and across entities. For this to be effective, it requires commitment, a shared meaning of market intelligence and channelling of enough resources towards the effort.

Recommendation three: There is need for more sophisticated business models for MNEs that integrate the supply chain as well as marketing. Thus, according to Pitta et al. (2008), MNEs' growth in BoP markets can only be accelerated if these companies carefully consider the needs of the customers and invest in developing models that seek to serve more efficiently and effectively.

Recommendation four: Given the higher transaction costs involved in accessing the BoP markets in the SSA, those companies that seek to access this market have to develop new business models and innovative alternatives to reach these consumers.

Recommendation five*:* Infrastructural challenges were identified as a major impediment to the expansion of MNEs into the BoP markets in rural areas. Given this challenge, it is recommended that companies invest towards efficient and effective distribution channel structures that are a customised for the BoP markets. The success of any company in a BoP market is also dependent on effective distribution channels.

7.5 Limitations of the study

The study faced a number of limitations, as are stated below:

This study was limited to the exploration of the modes of entry for MNEs into the base of the pyramid markets in the SSA. The study, however did not assess which of the two identified modes of entry was more superior to the other, nor examine the probable influencing circumstances. Collaboration was found to play prominent roles within the joint venture arrangements. However, this study did not explore how these collaboration could be strategically managed in order to create value for both the company and the population in which it operates. Furthermore, the study did not identify suitable models for collaboration formation and evaluation. The study only focused on identifying the challenges that are experienced by the MNEs when entering the BoP markets of the SSA. The study did not explore the success factors that are critical for survival in such markets.

7.6 Areas for future research

Given the above-stated limitations, future research should focus on the following:
The scope of this research is limited to service firms in the fast moving consumer Goods (FMCG) industry. Further research should be undertaken beyond this industry and assess which modes of entry are more superior and, under what circumstances.

Future studies need to explore the strategies that can be employed in order to manage collaboration when a joint venture is employed as a mode of entry. Suitable models for collaboration and evaluation need to be identified. Lastly, there is need to explore the success factors that are critical for survival in the BoP markets. This will entail conducting research of South African firms that have been successful in the BoP markets.

7.7 Research Agenda:

Although the main research question of the study is ‘what are the suitable modes of entry into the BoP markets in SSA countries?’ the results in the study were based on data collected on entry modes for the MNEs operating in the FMCG industry in the BoP markets of these countries – the focus was not on other industries nor were the countries themselves the main focus. Hence, there is room for conducting future research on the other industries, as well as the market entry or market attractiveness for a country as whole to determine if the perspectives identified in this study hold true nationally.

7.8 Conclusions

The aim of this study was to identify the different modes of entry that have been adopted by multinational enterprises in different BoP markets in SSA. Qualitative data was collected through in-depth interviews conducted at three FMCGs that have already expanded into the BoP markets of SSA. The Atlas.ti software package was used to code and analyse the data.

Two main entry modes were identified to have been used by the MNEs at the BoP markets. These were the joint venture and the franchise option. The joint venture was used mainly when the targeted market was too big, sophisticated and difficult to enter. On the other hand, the franchise mode of entry was used when the MNEs aimed to expand rapidly into the BoP markets, before eventually targeting the middle class. An interesting finding from the study was that the FMCGs only opted for these two modes of entry because they could not adopt the wholly owned subsidiary mode as the local policies limited them to go for that option.

The study identified the drivers of the modes of entry. However, these drivers were found to vary from company to company. Target market characteristics were found to be the most common drivers amongst the three case companies. Nevertheless, when grouped together, the study found that the modes of entry for MNEs at the BoP markets in SSA were mainly driven by, among others, business, market, institutional factors. Unlike other studies that have identified both internal and external factors, this study only uncovered the external drivers of the modes of entry into the BoP markets.

This study also investigated the circumstances of the BoP markets where certain modes of entry are required in SSA. Thus, the finding from the study suggested that MNEs would opt for joint venture modes of entry into the BoP market in circumstances where local indigenisation policies of the targeted market existed. The mode was also found to apply where the size of the target market is large and when there are probable difficulties in entering into the target market. This study found that the franchise option was utilised in situations where there is a partner who adheres to the company's values and ethos and when rapid expansion is required. On the other hand, direct exports were used in situations where the distribution networks existed in the targeted BoP markets.

The study found that the FMCGs adopted various strategies to enter into BoP markets in SSA. Intelligence gathering was found to be common amongst the three case companies while the rest of the strategies differ greatly across all the case companies. Other strategies adopted were: understanding the market, market testing, adherence to local laws and regulations, avoiding being the pioneer, adopting a proper growth strategy, targeting smaller BoP markets, differentiating the target market, pricing strategies, product offering, adapting to changing economic conditions, market segmentation and avoiding politically charged markets.

A number of challenges were also found that have hampered the MNEs' efforts to enter into the BoP markets in the SSA. These challenges were language barriers, administrative hurdles, competition, infrastructural issues and information asymmetry about BoP markets.

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7.10 APPENDIX A: RESEARCH PROTOCOL

Semi-structured interviews with individual participants

<table>
<tr><td>Interview detail: Interview will be recoded
Voice recording number:
Date of the interview
Place of the interview
Value add of the interview</td><td>Demographic information of the interviewee
Male/ female
Position of the interviewee
International business experience
Work experience in the industry
Knowledge of the institutional environment in a country</td><td>THE PROPOSED PROTOCOL WILL ANSWER THE FOLLOWING RESEARCH QUESTIONS OF THE STUDY:</td></tr>
<tr><td>Criteria</td><td>Exemplary issues to be covered</td><td></td></tr>
<tr><td>1. MNE size</td><td>Number of employees,
Number of outlets
Number of counties in SSA</td><td></td></tr>
<tr><td>2. SSA</td><td>Number of countries the company operating in</td><td></td></tr>
<tr><td>3. Modes of entry</td><td>There are four commonly used entry mods according to the literature: which one is applicable to you and why?

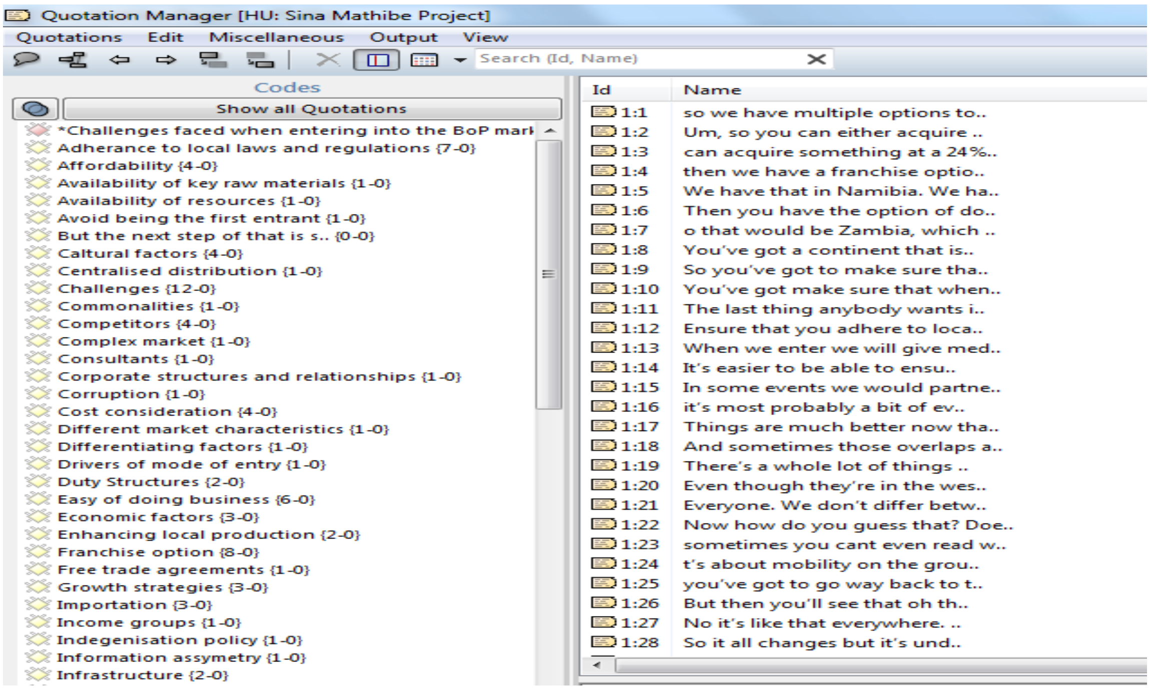
If none is applicable, which one do you follow?

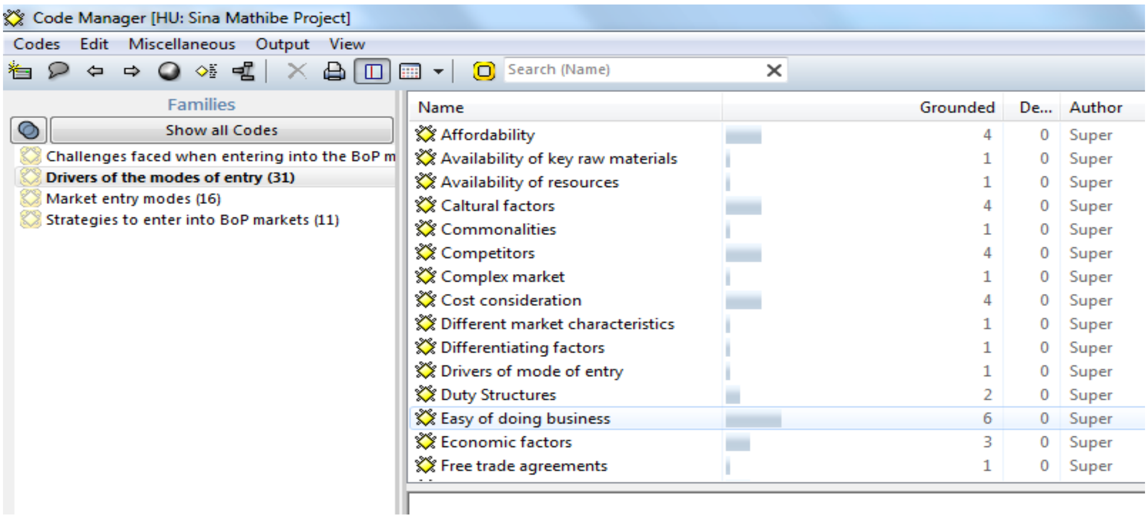
Though there may be prove that there is money to be made in this market, due to unfamiliarity or different context compared to your host country, do you pursue this market or pass?
I pursue: how and why?
I do not: why?</td><td>What are other elements of the BoP markets influencing the modes of entry for MNEs?</td></tr>
</table>

	When entering the BoP market, how do you create a competitive advantage? Do you target consumers in rural areas? Yes: what is your approach? No: why?	
4. BoP markets	Do you apply the same mode of entry for every market you enter? Yes: why? No: why:	Under which circumstances of the BoP markets respectively certain modes of entry are suitable in SSA?
5. Institutional environment	What approach do you follow when entering the BoP markets with **differences** in the following: - Language - Diverse ethnic groups - Do you consider religion as well? How do you approach a country with political instability? How do you approach the market or the country that is more government driven in terms of decision-making?	Do different BoP markets need different modes of entry in SSA? What are the drivers of the modes of entry for MNEs entering the BoP markets?
6. Size of the market	Does size of the country matter? Yes: why? No: what matters? How do you approach the market that dominated by the BoP consumers?	What are the drivers of the modes of entry for MNEs entering the BoP markets?

7. Urbanisation	How do you approach a country with poor infrastructure?	What are the drivers of the modes of entry for MNEs entering the BoP markets?
8. General/ probing questions	Are there any differences in your approach between different countries and markets (BoP and upper end)?	

7.11 APPENDIX B: DATA CODING USING ATLAS.TI®





7.12 APPENDIX C: THEORIES CONSULTED

BoP theories	MoE theories
BoP theory	Electic paradigm
Institutional theory	Transaction cost theory
Cage theory	Resources-based theory
	Market entry modes