

A literature review on entrepreneurship at the Base-of-the-Pyramid: how B2B entrepreneurs make a difference in customer communication and CRM

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Abstract

Entrepreneurial activities provide impoverished individuals with opportunities for participation by means of employment, education, capacity and business building. This literature review focuses on the domain of entrepreneurial activities at the base of the pyramid (BoP) in the business to business (B2B) context consolidating recent publications at the intersection of entrepreneurship and BoP. With the progress in alleviating extreme poverty, a new type of entrepreneurial business activities emerges. More than four billion individuals are living in miserable conditions but are extending consumption by adopting Westernized role models. Considering the business environment taking the perspective of entrepreneurs living in a BoP environment, customer communication and CRM turn out to be main marketing challenges. Further, market access is one of the main barriers to impoverished individuals' participation in market-driven environments. For traditional marketing organizations, it is a challenge to communicate with and sell to illiterate customers who live in rural areas without proper infrastructures, such as transportation and shopping facilities (Tasavori, Zaefarian, and Ghauri 2015). Notably, entrepreneurial B2B opportunities arise from the fact that marketing approaches are often hard to establish and implement (Anderson, Markides, and Kupp 2010; Raab, Zulauf, and Wagner 2017). This literature review on entrepreneurship at the BoP reveals how B2B entrepreneurs make a difference in customer communication and customer relationship management (CRM).

Introduction

One of the most influential contributions in entrepreneurship research is the topology of Shane and Venkataraman (2000). They draw upon previous multidisciplinary research (e.g., Baumol 1993; Drucker 1985; Kirzner 1973; Schumpeter 1934) to create a conceptual framework. Mapping Shane and Venkataraman's (2000, p. 218) definition of 'existence', 'discovery' and 'exploitation' of opportunities to B2B marketing at the BoP leads to the following research questions:

- Does the BoP environment (weak legal institution, literacy, corruption, etc.) lead to transactional B2B marketing gestalts aligning with the marketing mix paradigm or does it enforce relationship marketing gestalts?
- How are networks growing in the business context and who are the members of B2B networks operating at the BoP based on the interaction process definition of Håkansson and Johanson (1992)?

The phrasing BoP indicates a positive view of business activities that support the poorest of the poor (Viswanathan 2017). B2B entrepreneurship connects the impoverished to the global business world and, therefore, differs from conceptually from business in subsistence marketplaces (Pels and Sheth 2017). However, the review of Khalid et al. (2015) provides clear evidence that establishing a position in global supply chains is challenging for B2B entrepreneurs living at and doing their business from the BoP. Håkansson and Snehota (2017) emphasize the relevance business relationships, which are difficult to establish if the entrepreneurs themselves are illiterate, lack a formalized business education and can't build upon a personal network grown in their former business carrier.

Notably, the BoP, B2B marketing, and the entrepreneurship research streams developed mostly independent of each other. Although Prahalad's (2004) proposal of creating wealth at the BoP boosted vast research on that topic (Kolk, Rivera-Santos, and Rufin 2014) we consider B2B and entrepreneurship at the BoP as a less explored domain. Current publications (e.g., Busenitz et al. 2014; Khoury and Prasad 2015; Sun and Im 2015; Webb et al. 2010; Zuluf et al. 2015) address the intersection of entrepreneurship and BoP, which has not been elaborated systematically, before. As a result, the mechanisms of entrepreneurship that address entrepreneurial B2B opportunities to improve the socioeconomic situation of the BoP remain unclear (Hoogendoorn, Pennings, and Thurik 2010; Tobias, Mair, and Barbosa-Leiker 2013). This study aims to contribute a system of antecedent conditions for

BoP-related B2B entrepreneurship as considered in previous research, the fitting entrepreneurial proceedings and the contributions to the alleviation of poverty.

Data retrieval

The content analysis of the literature review systematically elaborates scientific publications in ISI-ranked journals published in one decade. Our content analysis goes beyond the descriptive level by pinpointing conflicting views and highlighting complementary narratives and conclusions. Following the synergetic approach of Rauch, Doorn, and Hulsink (2014), we attempt to complement the bigger picture by identifying the fit of the elements of divergent studies without ignoring the context from which the elements are obtained. Doing so, we relate bits and pieces from studies on alleviating poverty with research on entrepreneurial B2B opportunities. Using the framework of Shane and Venkataraman (2000) we aim to carve out which entrepreneurial B2B opportunities exist in the BoP markets. For this purpose, the framework provides a solid ground for consolidating entrepreneurship research at the BoP. We conducted a keyword search in Google Scholar and Thomson Reuter’s ISI Web of Knowledge using the following descriptors: “*bop*” OR “*bottom of the pyramid*” OR “*base of the pyramid*” OR “*at the baseline*.” From the retrieved 253 articles, we selected those referring to the framework of Shane & Venkataraman (2000). If the topics BoP, entrepreneurship, or both were not covered in the studies, we excluded those from further analysis. Aiming for the highest level of scientific rigor, we restricted the selection to high-impact journals (ranked with a Thomson Reuters Impact Factor). In a second step, we identified further relevant articles by conducting a forward (checking database of the papers) and backward (checking the reference sections of all paper) chaining citation analysis and end in a dataset of 53 relevant articles at the intersection of entrepreneurship and the BoP. Finally, our dataset is structured into a core corpus with 12 articles, a forward chaining corpus with 35 articles and a backward chaining corpus of 6 articles (Figure 1).

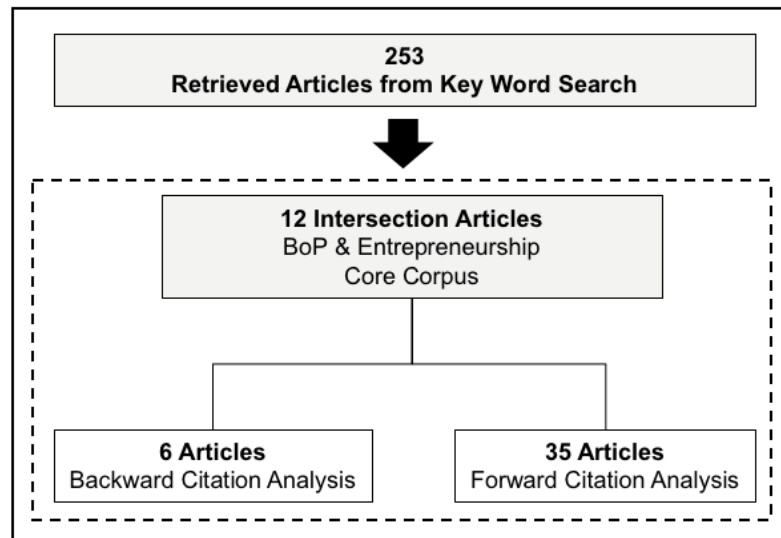


Figure 1: Literature Retrieval and Filtering Process for the in Total 53 Corpus Articles

Results

The results of our literature evaluation are presented using the approach of Håkansson and Johanson in 1992, demonstrated in Table 1. This networking approach is suitable for the illustration of the existing B2B structures and activities at the BoP. In the analysis of interaction processes between different parties, the "industrial network approach" separated the substance of relations into three different layers of stakeholder ties, resource ties and activity links (Håkansson and Johanson, 1992). The layers relate to how the actors behave at the social level (stakeholder ties), how they combine technological and organizational solutions (resource ties) and finally, how they are interconnected by the various activities they carry out (links). Within this framework, we aligned various concepts that are discussed in the literature on B2B entrepreneurship at the BoP. Table 1 summarizes the concepts and their relevance in

previous research by means of frequency. For example, the ‘nature of communication’ (Coviello et al. 2002) is a stakeholder tie at the social level that has been considered in 15 of our 53 articles.

Table 1: Concepts Aligned to Stakeholder Ties, Resource Ties and Activity Links within the Håkansson and Johanson (1992) Framework.

Behavior at the Social Level (Stakeholder Ties)	Feature	Frequency
Coviello et al. 2002	Nature of communication	15 times
Coviello et al. 2002	Type of contact	15 times
Coviello et al. 2002	Duration of exchange	15 times
Coviello et al. 2002	Formality in exchange	15 times
Coviello et al. 2002	Managerial level	14 times
Commitment-Trust Theory (Morgan & Hunt, 1994)	Trust	16 times
Commitment-Trust Theory (Morgan & Hunt, 1994)	Functional conflict	7 times
Commitment-Trust Theory (Morgan & Hunt, 1994)	Propensity to leave	6 times
Commitment-Trust Theory (Morgan & Hunt, 1994)	Uncertainty	13 times
Combine Technological & Organisational Solutions (Resource Ties)	Feature	Frequency
Coviello et al. 2002	Purpose of exchange	15 times
Coviello et al. 2002	Managerial focus	14 times
Alvord (2004).	Increasing the capacities of local actors in solving their own problems	23 times
Alvord (2004).	Disseminating a package of innovations to serve a widely distributed need;	13 times
Alvord (2004).	Building a movement to challenge the structural causes of social problems	13 times
Interconnection by Various Activities Carried Out (Links)	Features	Frequency
Coviello et al. 2002	Managerial intent	15 times
Coviello et al. 2002	Managerial investment	14 times
Schumpeter (1934)	Product & Service	18 times
Schumpeter (1934)	Process	17 times
Schumpeter (1934)	Market	14 times
Schumpeter (1934)	Organizational	15 times

The frequency of the results listed in Table 1 provides evidence of relevance and appearance of this marketing approaches in the BoP context. The marketing mix management has been partially replaced by relationship marketing in various B2B industries. These marketing gestalts are likely to be adopted by entrepreneurs to overcome their scarcity of resources and institutional deficits in their markets. Therefore, we consider relationship marketing gestalts in our appraisal. The marketing gestalts approach of Coviello et al. (2002) appears to suit the context of starting B2B at the BoP: All categories

of their assessment of social ties are equally covered by previous research. The commitment-trust theory of Morgan and Hunt (1994) reveals an emphasis on trust-building activities and that many business relationships are characterized by great uncertainty. The specification of Alvord (2004) focuses on empowering people at the BoP particularly in the context of qualifying them to improve their situation by themselves. This is not part of the industrial marketing research literature but serves the purpose of assessing the B2B solution at the BoP. Considering the frequency of considerations, the creation of capacities appears to be the most relevant dimension.

One of the main drivers of entrepreneurship is innovation. Although the entrepreneurship categorization of Shane and Venkataraman (2000) is in the tradition of the Kirzner (1973) school, we included the concept of Schumpeter (1934) in our literature review. Schumpeter (1934) mentioned that innovation and entrepreneurship have substantial effects on economic and social change, as an essential driver for inclusive growth. Therefore, we used the four basic types of innovations: product and service, process, market and organizational defined by Schumpeter (1934). Therefore, process innovations are discussed in the research domain with the result of an obvious focus on product and service and processes at the BoP. In our appraisal of stakeholder ties, we assess commitment and trust building following Morgan and Hunt (1994) because trust appears to be a central building block of the informal economy. Notably, trust is the most discussed concept, followed by the emphasizes of uncertainty in business relations.

In the framing to B2B entrepreneurship at the BoP, entrepreneurs can create or exploit opportunities arising from institutional deficits by implementing business models that enable trust-building. Anderson, Markides, and Kupp (2010) conclude that companies “need to go beyond transactional partnerships” (p. 26) by establishing trusted relationships within the BoP environment. Both, the diversity of contexts and the dynamics of environmental conditions at the BoP (Kiss, Danis, and Cavusgil 2012) provide challenges for practitioners and call for more robust mechanisms of relating the entrepreneurs in their business networks. Summarizing, the diversity of contexts and the dynamics of environmental conditions (Kiss, Danis, and Cavusgil 2012) provide challenges for practitioners and call for more robust mechanisms of relating the entrepreneurs in their business networks.

Table 2: B2B Concepts at the BoP and their Frequency of Shane and Venkataraman (2000) ‘Existence’, ‘Discovery’ and ‘Exploitation’ of Opportunities

B2B Concepts	Existence	Discovery	Exploitation	Opportunities
Coviello et al. 2002	9 times	10 times	8 times	27 times
Commitment-Trust Theory (Morgan & Hunt, 1994)	8 times	8 times	11 times	27 times
Alvord (2004).	5 times	5 times	7 times	17 times
Schumpeter (1934)	6 times	8 times	10 times	24 times
Sum:	28 times	31 times	36 times	

From Table 2 we learn in general that exploitation is the dominating concept at the BoP. Notable, the stakeholder tie view (Coviello et al. 2002) is likely to change the view from the existence of opportunities towards discovery. Further, trust (Morgan and Hunt 1994) at the BoP seems to play an important role. Trust-building measures from a social point of view are often connected to the exploitation of resources and the existing market at the BoP. From a business point of view, trust is indispensable in a successful business environment and can be seen in the broader sense as a preliminary stage of CRM at the BoP.

Discussion and conclusion

Building upon the seminal conceptualization industrial relationship networks by Håkansson and Johanson (1992) this study reveals that the creation of trust is one major challenge in the seller-buyer relationship. This is hampered because B2B entrepreneurs cannot take advantage of an established reputation in their industry. Institutional deficits (e.g., Kistruck et al. 2015; Parmigiani and Rivera-Santos 2015), corruption and criminality are typical problems of BoP markets (Webb et al. 2010).

The access to any kind of markets or participation in supply chains is one of the main barriers to the BoP's participation in B2B environments (Khalid et al. 2015). Already Prahalad and Hammond (2002) illustrated the limitations of BoPs in buying from the suppliers offering competitive prices. Their access to sell goods and services is differentiated in the two roles of offering mainly unskilled labor to companies and offering goods and services to customers, both B2B or B2C. However, one promising approach is that B2B entrepreneurship at the BoP lays in the reduction of information asymmetries, rather than undercutting costs due to lower opportunity costs of not striving for a low paid job. Complementing, Khoury and Prasad (2015) emphasize that place and promotions in the least developed countries environments need to be adjusted because of both the limited access to communication technologies and the BoP cultural programming that leads 'to deal according to face to face social conventions'. Consequently, place and promotion of BoP's entrepreneurial endeavors are more likely to be limited to their ingroup networks. This appears to be two-sided: negatively, the BoP entrepreneurs are more likely to restrict themselves to business with poor peers from their familial or kinship-based connections. Positively, these barriers open the door for the cooperation with MNCs, who face difficulties to adapt their traditional marketing mix.

Porter and Kramer (2011) claim "Creating Shared Value" to shape win-win affiliations in which both developing countries and companies enjoy prosperity. The implementation of this idea is desirable, but the realization in subsistence marketplaces is associated with many efforts for companies. The inclusion of CRM at the BoP like marketing decisions, customer lifetime value customer, and channel management (Kumar & Reinartz, 2018) are disciplines that have not yet been sufficiently researched yet.

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