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The Firm Value of Social Innovations in Base of the Pyramid Markets – A Qualitative Approach

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Contents

Abstract	4
1. Introduction	5
2.1 Base of the Pyramid as a research context	6
2.2 MNCs and poverty alleviation in Base of the Pyramid markets	7
3. Social Innovations	8
4. Study	10
4.1 Study Design	10
4.2 Sample selection and Data collection	10
4.3 Data analysis	11
5. Results	12
5.1. Direct Value	12
5.2. Indirect Value	14
6. Conclusion	15
6.1 Contribution to Literature	15
6.2 Research Limitations	15
References	16

Abstract

The importance of social innovations has been generally recognized. However, the concept of social innovation is especially crucial when being explored in the context of Base of the Pyramid (BoP) markets which stands for the billions of poor people living on less than a couple dollars per day. While social innovations can be of greatest value for low-income societies if they focus on the most pressing societal needs, the benefits of a social innovation for the initiating company have not yet been assessed.

This paper explores ways in which social innovations are able to generate value for firms in BoP countries by using a qualitative research approach. By conducting several interviews with key informants from two multinational companies and analyzing secondary data, the value of social innovations for companies will be explored.

1. Introduction

For many years, organizations have worked on finding solutions to fight poverty – unfortunately, many of them were not very successful. Even though the global Millennium Development Goals seem to reach their objectives to reduce poverty by the year 2015, many challenges arising from poverty still exist and may not be ignored. According to Hart and Milstein (2003: 56) “saturation in the developed markets, a widening gap between rich and poor, growing levels of environmental degradation, and concern that the developing world may be losing control over its own destiny have combined to create drag on the global economy”.

Literature on the topic of low-income or Base of the Pyramid (BoP) markets has received increasing attraction from academic and business institutions since it is believed that a conjunction exists between business strategy and poverty alleviation in a way that allows a firm to find new market and growth opportunities by using business strategies that alleviate (local) poverty (London/Anupindi/Sheth 2010; Martinez/Carbonell 2007; Seelos/Mair 2007). By dealing with the pressing needs of these low-income markets, firms can therefore contribute to increasing welfare, productivity, income, and eventually help these countries to find their own way out of poverty (Hammond/Kramer/Katz/Tran/Walker 2008).

Social innovation is an appealing concept that already allures more and more businesses to reconsider their business models. However, while regular economic innovations have been thoroughly examined in academic literature, the parallel research area of social innovation has not yet received much attention, even though in the last few years this interest has been strongly increasing (Mulgan 2006). What is lacking is a finer-grained analysis of how social innovations relate to value creation on firm level: Which value can a social innovation provide to companies? This paper begins with a description of the base of the pyramid markets as a research setting by reviewing existing and relevant literature on this topic to provide a conceptual foundation. By conducting a qualitative study with two multinational companies in the information and communication technology sector, key values for firms are systematically identified.

This paper contributes to the ongoing academic debate on social innovations and the role of MNCs on poverty alleviation by discussing the value-creating potential of social innovations as a firm’s capability in low-income markets for corporations and society. The purpose of this paper aims toward better understanding social innovations and their value in low-income markets.

2. Base of the Pyramid

Throughout this paper, the term Base of the Pyramid (BoP) refers to the untapped economic opportunities within the bottom of the world’s economic pyramid markets, mostly the population segment that lies below USD 2 a day, sometimes also named subsistence marketplaces (Viswanathan/Rosa 2010; Viswanathan/Yassine/Clarke 2011). The main contributions toward this concept have been made by Prahalad and his colleagues (Hammond/Prahalad 2004; Prahalad 2004; Prahalad/Hammond 2002; Prahalad/Hart 2002) stating that the private sector can find profitable markets when firms focus on unmet needs of this low-income population while at the same time trying to help this population to solve some of their most urgent issues.

2.1 Base of the Pyramid as a research context

For several years, BoP has solely been characterized by low income. In most research, the global population has been divided into segments based on purchasing power parity (PPP). However, there exists some range in defining the boundaries of the BoP markets. The different PPP lines vary between USD 1500 and USD 3000 per annum or USD 1 and USD 2, sometimes USD 8 per day, estimating the BoP to comprise more than two-thirds of the world's population (Hammond et al. 2008; London/Hart 2004; Prahalad/Hart 2002). Since a consensus has not yet been reached, newer studies suggest to define the BoP rather upon market characteristics instead of using specific income levels (Webb/Kistruck/Ireland/David/Ketchen 2010). BoP could therefore be seen as a low-income socio-economic segment which lies mainly in the informal sector (London/Hart 2004). This would also lead to the suggestion that the BoP markets are not only to be found in the poorest, developing countries but also in regions of emerging economies. Further characteristics of the BoP would include significant unmet needs (such as housing, access to water and sanitation services, bank accounts and other financial services or telecommunication services), the dependence on informal or subsistence livelihoods, the irregularity of BoP incomes and the geographical dispersion to the rural or major metropolitan areas (Hammond et al. 2008; Rivera-Santos/Rufin 2010).

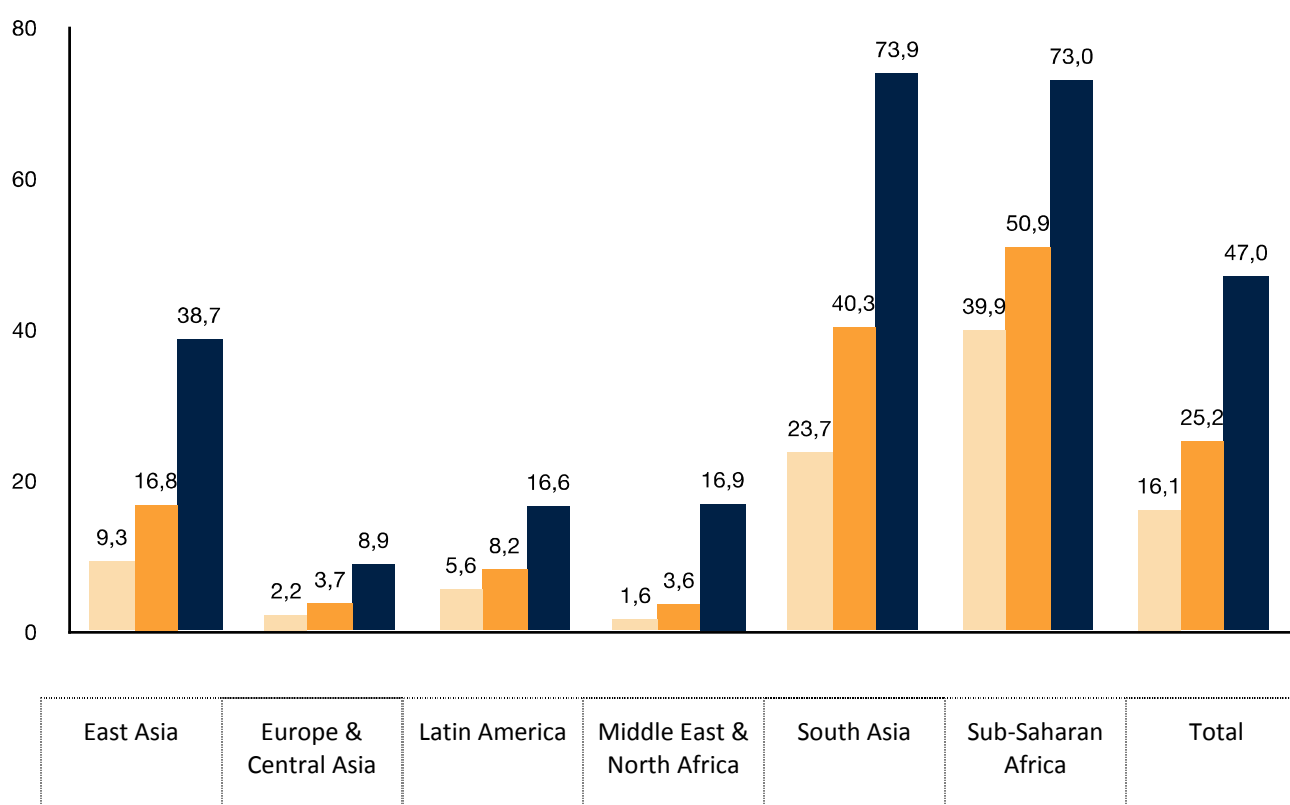


Fig. 1: Regional breakdown of headcount ratio for international poverty lines of \$1.00, \$1.25, & \$2.00 a day, 2006

Source: World Development Indicators Online, World Bank

The aggregated purchasing power has been estimated to amount around USD 5 trillion per annum, while it has to be acknowledged that many regional and national differences exist within this BoP market, concerning size, population structure, or income distribution (Hammond et al. 2008). According to Prahalad (2004) people in these underserved low-end markets in many cases pay higher prices for the same products in developed markets, especially in the area of food, health care, and other basic services or completely lack access to basic resources, products, and services (Lettice/Parekh 2010). Still, this fast-growing BoP market remains mostly untapped by multinational companies (Hart/London 2005; Prahalad/Hammond 2002).

The main idea behind the BoP model is the conceptualization to focus on low-income population primarily as economic consumers and producers who make regular market transaction decisions which allows the markets to be efficient, competitive and inclusive (Borger/João/Serralvo/Cardoso 2010; Prahalad/Hart 2002). This relates to poverty alleviation in two ways: By increasing consumer capacity, live quality of the population increases. Even though poor consumers might not have more money to spend than before, they would be able to better spend the little money that they have (Walsh/Kress/Beyerchen 2005). Furthermore, by regarding this population as producers and by buying from them, their real income can be raised and poverty therefore alleviated (Karnani 2007). Research was able to show that economic growth is able to reduce poverty. Dollar and Kraay (2002) demonstrated a close link between the growth of national income and the growth of income of the poorest 20% of the national population in their study after analyzing a sample of 92 countries for forty years. Economic growth is therefore reasoned to be pro-poor.

2.2 MNCs and poverty alleviation in Base of the Pyramid markets

There is a continuous academic debate on the role and impact of multinational corporations (MNCs) in BoP markets (SadreGhazi/Duysters 2009). It is generally agreed that organizational scholarship is able to address global poverty as one of the world's most urgent challenges by bringing it to the attention of organizations and managers (Pearce 2005). Many companies are discovering the enormous economic potential in these markets and have begun to conduct their businesses there.

Still, the exact role of MNCs has not yet been defined. While many researchers emphasize that MNCs have the power to bring welfare to these markets, there are also some other views that mainly focus on the negative implications of MNCs' activities (Kolk/Van Tulder 2006; SadreGhazi/Duysters 2009). Critics accentuate that activities of MNCs in these economies would have to be considered an exploitation. Other negative effects may be seen in the fact that foreign direct investment is often geographically highly concentrated, that firms' activities might replace local competitors and misuse the powerful position in their host country. Furthermore, MNCs would not create high-paying jobs but instead increase the inequality in societies, and lead to a westernized lifestyle without focusing on long-term growth (Kolk/Van Tulder 2006; SadreGhazi/Duysters 2009).

Advocates of MNCs tackling the BoP markets see several capabilities that provide business organizations with the ability to positively impact low-income markets: resources to create and advance complex commercial infrastructure, distribution channels and communication networks, leverage to assist transferring knowledge from one market and economy to another and bridging to provide access to knowledge and financial resources (Prahalad/Hart 2002). Furthermore, MNCs can connect the BoP markets with the more developed economies through international trade and serve as a risk-reducing buffer for the low-income countries (Kolk/Van Tulder 2006). They can also contribute to alleviating poverty by providing new job opportunities and by raising their income.

The key question of how MNCs impact the BoP lies in their individual business strategy (Kolk/Van Tulder 2006): Are MNCs really approaching poverty alleviation on a micro level? Kolk and van Tulder (2006) have identified four different roles MNCs can take concerning the topic of poverty alleviation: (1) the

MNC can decide to not take an active part in alleviating poverty, even though other MNCs are pursuing this goal (similar to a “free-rider” situation); (2) the MNC actively works on poverty alleviation but only if other MNCs do the same (“conditional morality”); (3) none of the companies pursues poverty alleviation (similar to a “prisoner’s dilemma”); (4) an MNC is the only company active on poverty alleviation (and thus acts according to the categorical imperative).

Only in situations (2) and (4) the MNC will play an active role in reducing poverty even though the motivation differs strongly in both situations. May it be external pressure in situation (2) to involve in poverty alleviation, situation (4) rather implies an intrinsic motivation.

Previous work has explored the key differences between markets in developed economies, markets in emerging economies, and BoP markets (see for instance Webb et al., 2010). Other research has worked on better understanding the unique characteristics of BoP markets (Ricart/Enright/Ghemawat/Hart/Khanna 2004; Rivera-Santos 2010; SadreGhazi/Duysters 2009; Viswanathan/Rosa 2010) or on identifying the most successful strategies for companies to enter low-income markets (Anderson/Billou 2007; London/Hart 2004; Weidner/Rosa/Viswanathan 2010). However, this research area still needs much more work on the relationship between BoP investment and poverty alleviation.

3. Social Innovations

The concept of social innovation has become a fast growing and highly relevant academic field of study for the last twenty years. Still this theory of construct lacks a uniform and agreed definition on social innovations as well as an in-depth and acute research framework and thorough literature on the process of social innovation (see Lettice/Parekh 2010; Mulgan 2007). At least there is mutual consensus on the relevance of this concept: Many of the researchers highlight that there is a need for social innovations (Heiskala 2007: 52; Kaplinsky et al. 2009; Phills/Deiglmeier/Miller 2008: 43; Westley/Antadze 2010). This need lies in the social innovation’s ability to produce long-term social change and to be able to transform social systems (Heiskala 2007; Pavel/Valentin/Carmen 2008; Phills et al. 2008). Also, there is a persisting need to face the prevailing poverty in developing economies and to bundle resources to find efficient and appropriate solutions (Kaplinsky et al. 2009). Finally, there is a need to solve complex social-ecological problems not only in low-income but also in advanced economies (Porter/Kramer 2006; Westley/Antadze 2010).

Social innovation has emerged as a comprehensive concept and several sporadic terms, such as sustainable development innovations³, corporate social innovation⁴, social(ly) responsible innovation⁵ or

³ Sustainable development innovation (SDI) must, in contrast to economic innovations, incorporate the added constraints of social and environmental pressures and consider future generations (Hall/Vredenburg 2003).

below-the-radar innovation⁶ are all taken into its comprehension. Whatever the term used, all of the interpretations share a common theme of social innovations addressing social problems and benefiting society, providing economic opportunity, and very broadly, helping to create a better future (Dawson/Daniel 2010; Mulgan 2006; Pol/Ville 2009; Saul 2010).

Actors in the area of social innovations, also so-called social innovators, may include the private, public and third sector. Traditional charity organizations, business organizations and social businesses or enterprises, as well as individual social entrepreneurs, such as nobel-peace prize winner Muhammad Yunus, are often initiators of social innovations. Public and third sectors, users and communities may also be origins of social innovations. Often, a social innovation implies a partnership of several of these actors.

The following of the paper will understand social innovations primarily as social innovations in low-income (BoP) economies with an economic goal. Based on Hubert (2010) an adapted working definition has been derived:

Social innovations are innovations that respond to social demands that are traditionally not addressed by the market or existing institutions in low-income economies and that are directed towards vulnerable groups in society, creating value towards the society and the initiating organization.

On societal level, social innovations are able to generate productivity as well as economic value for a large part of the society even though the boundary between a social and an economic innovation may further blur (Hubert 2010). The most important value primarily implies improvement of life quality for customers. This quality of life would be similar to the basis of human values which Maslow in his prominent model on the hierarchy of needs names 'sustenance driven'. It includes basic physiological needs such as access to food and water, basic goods and services at affordable prices (Maslow 1954/1970). Quality of life also implies new sources of income or entrepreneurial opportunities to increase sales of local businesses (Weiser/Kahane/Rochlin/Landis 2006). Added value additionally increases social capital in a social network created through benefits that are collectively applicable, strengthening the community and therefore reducing the impacts of social disadvantages in such a network (Adams/Hess 2010). Social innovations are able to promote social capital by ameliorating social justice, cohesion and empowerment (Harrisson/Bourque/Széll 2009) and with it, personal and collective well-being (Adams/Hess 2010).

⁴ First stated by Kanter (1999) who proposes that companies should focus on innovations specifically related to the social sector and develop solutions for unmet needs.

⁵ See Kobeissi and Fariborz (2003).

⁶ Efficient and appropriate innovations for developing markets are called 'below the radar' by Kaplinsky et al. (2009) because their importance is not yet fully recognized. However, this term has not been widely accepted in literature.

4. Study

4.1 Study Design

The goal is to better assess the proposition of value creation of firms working on social innovations in BoP markets. Research questions concern the value of social innovations and are of highest relevance to any business organization engaging in the topic of social innovation and poverty alleviation. In what ways and to what extent can social innovations of companies be key to the creation of value? Analyzing the value of social innovations for firms will help to grasp this organizational phenomenon thoroughly.

The lack of previous, established theories makes the topic of social innovations a nascent theory where only limited theoretical knowledge exists, for which qualitative, in-depth analysis of few social innovation cases is a very appropriate method to provide internal consistency in a research project in a field that has not been empirically tested very much (Edmondson/McManus 2007). Edmondson and McManus (2007) call this the “methodological fit” in which nascent prior work corresponds to qualitative methodological approaches to ensure quality field research⁷. Qualitative research can not only “provide bases for understanding social processes that underlie management” but also provide “memorable examples of important management issues and concepts that enrich the field” (Gephart 2004: 455). To unfold insights about the little-known phenomenon of social innovations, open-ended research questions and qualitative data collection in the field will aid in promoting rigorous research and understanding of the phenomenon.

4.2 Sample selection and Data collection

Theoretical (rather than random or stratified) sampling implies that the subject of analysis is selected for its theoretical suitability by replicating or extending theory. Collecting and analyzing data is an iterative process (Eisenhardt 1989), demanding a constant and simultaneous proceeding (Suddaby 2006). This approach allows high flexibility in continuously deciding which path to follow (Edmondson/McManus 2007) and at the same time allows constant adjustments in data collection. This method is notably suitable to extend or replicate emergent theory, to highlight relationships and logic among theoretic constructs or to constitute polar type examples (Eisenhardt 1989; Eisenhardt /Graebner 2007; Glaser/Strauss 2009).

⁷ Quantitative research, on the other side, aims towards theory-testing rather than theory-building (Eisenhardt/Graebner 2007) which, in this young theory field, is not yet feasible.

Exploring the value creating attributes of social innovations necessitates a research setting which would allow access to several social innovations conducted in various BoP markets. Therefore two multinational companies in the ICT (information and communications technology) area have been chosen as an example on how large, international companies can create value through their social innovation initiatives. Both companies show several traits making them very suitable for the intended work. While on the one side both companies conduct social innovations that are implemented from a charity point of view, on the other side there are projects that aim towards becoming profitable business models. As successful MNCs in the telecommunications field (their annual sales revenues are between USD 10 billion and USD 60 billion) they both have a declared strategic intent to support the objectives of the United Nations Millennium Development Goals in the areas of poverty-reduction, education and capacity building through the use of information and communication technology for development, making them both interesting subjects of research. Because of the sensitivity of the data, both MNCs are not named. Focusing on several social innovation projects of both companies will achieve a balance between reaching a satisfactory level of theoretic repletion and handling large amounts of data. The discussed and analyzed social innovation cases include projects, such as mobile health application, internet connection franchising, mobile services and solar telecommunication systems.

The research has been conducted in two stages. During the first stage, secondary data of the companies (brochures, speeches, and other material from the company relevant to the phenomenon of interest) have been analyzed to reveal some patterns of BoP engagement. These secondary sources are valuable to develop an understanding of and familiarization with the social innovation projects. This lead to a total of 23 documents with 91 pages and 30.063 words.

In the second phase, a series of semi-structured, individual in-depth and open-ended interviews has been conducted with key informants of the companies, mostly senior, functional and project managers. These interviews are carried out in person at the corporate of the sampled business or over the phone. Several informants of each project are interviewed to receive different perspectives on the value of the social innovations and to advance validity of the data by cross checking the interviews. Each interview is based on a series of open-ended questions about the development of the social innovation, its success and meaning for customers and the company and typically lasted between 45 and 60 minutes. To enhance construct validity the secondary data has also been coded as well as two additional interviews which are conducted with experts on the topic of social innovation (Director of Social Innovation, McKinsey and Senior Consultant Social Innovation, Deutsche Telekom Inhouse Consulting). With this method triangulation is being achieved. All interviews are recorded and transcribed in a way to protect the anonymity of the informant. Transparency of the study process will be enhanced by using question guidelines for the semi-structured interviews and by creating interview transcripts and coding sheets. Errors and biases are reduced by having an outside observer participating in some of the interviews and by having timely transcriptions (reducing investigator bias) as well as by interviewing numerous and very knowledgeable informants in different levels within the organizations (reducing informant bias). The interview material resulted in an amount of 163 pages and 43.742 words.

4.3 Data analysis

The goal of analyzing data in a growing theory setting is to foremost identify patterns (Edmondson/McManus 2007; Glaser/Strauss 2009). This iterative and exploratory process is the most important part in building theory from qualitative data while at the same time being extremely difficult because of its lack of structured procedure (Eisenhardt 1989: 539).

In a first step, interviews are transcribed and compared. During a second step, data is phased to develop preliminary yet generalizable constructs as part of theory generation (Eisenhardt 1989). The third step

searches for common patterns to construct a conceptual framework across these interviews and to force the researcher to delve deeper into the data and take a versatile perspective (Eisenhardt 1989: 541). Eisenhardt (1989) recommends to select categories or dimensions which may either resolve from the research phenomenon, existing literature or be chosen by the researcher and to find similarities and differences within the sample.

Based on core topics in the interviews, a list of 34 codes has been generated from the transcribed data and accounts for the primary categories. Subcategories are created, containing recurrent themes in these primary categories. All of the transcribed data is allocated corresponding to the primary and sub-categories by using a software program for qualitative content analysis (Atlas.ti). This software produces output files for each category, gathering all excerpts containing one of the relevant terms. This coded data helps to facilitate the comparison of the specific features of the interviews.

5. Results

Two main dimensions have been identified on firm level to explain value creation through social innovations:

5.1. Direct Value

A first direct or primary value results from the fact that social innovations are able to lead to economic success by identifying new possibilities of market opportunities with widely unrealized market potential because of the substantial purchasing power. The sector markets for the estimated 4 billion BoP consumers are very different in their estimated size. While some are relatively small (water: \$20 billion), some sectors are large and mainly untapped, such as housing (\$332 billion), energy (\$433 billion) and food (\$2,895 billion). Even though the ICT sector has been forecasted with \$51 billion, prognoses estimate the market to have already grown rapidly since the first estimation (Hammond et al. 2008). Since BoP markets are still in the early stages of economic development, growth can become extremely rapid compared to many almost saturated existing markets (Prahalad/Hammond 2002).

Social innovations have the ability to accelerate the rate of product and process innovations, increase the efficiency of the production, reduce production costs through outsourcing operations to low-cost labor market and lead to innovation and productivity growth of companies (Prahalad/Hammond 2002; Sánchez/Ricart 2010; Saul 2010). Low-income markets as the BoP may stimulate the firm's innovativeness, as suggested by Brown and Eisenhardt (1997), saying that firms are more likely to innovate when facing uncertain environments. This primary value has been confirmed by the interviews, stating the company's growth to be the most important value of a social innovation.

"(...) you create new market access, you create new revenue sources, you increase your market ; that's the value for the company. (...) the ultimate value for a company is growth in terms of sales and profits. And I believe that profitable growth is anyways the key pre-requisite for all social engagement of companies." Former Regional Head, Company A

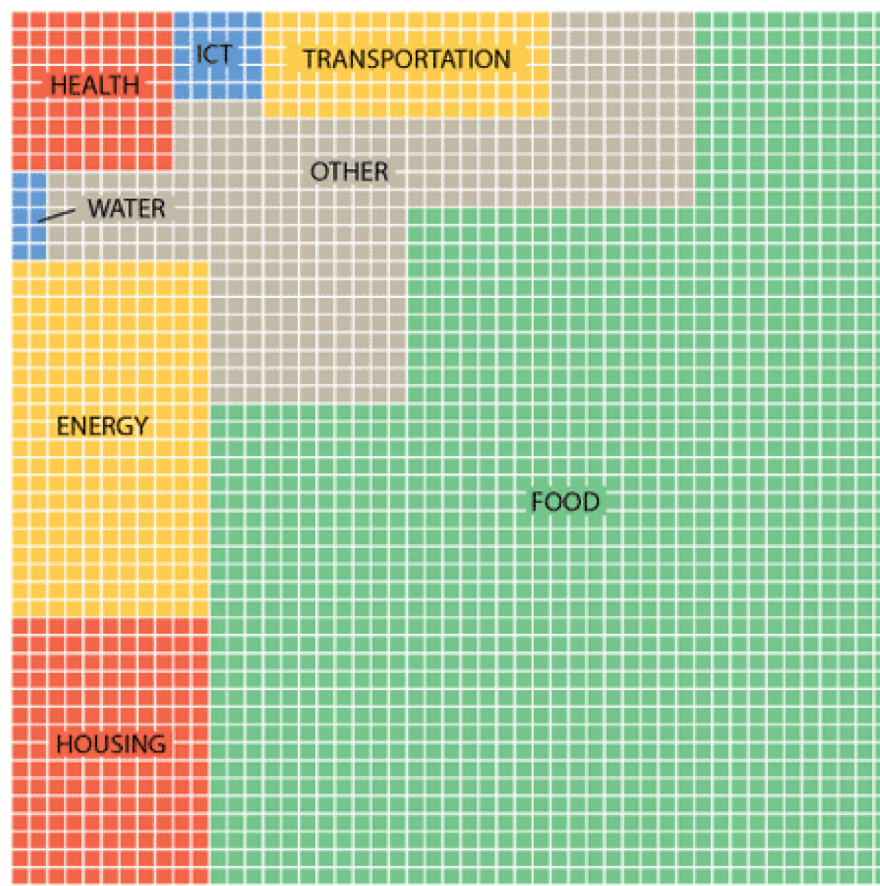


Fig. 2: Estimated BOP market by sector: \$5 trillion

Source: Hammond, Kramer, Katz, Tran, and Walker (2008: 9)

Direct value is also gained through competitive advantage, often arising from a first-mover strategy which attracts new customers and leads to customer loyalty. Competitive advantage might also be achieved from newly found resources which Barney (1991) described to be the main source of value creation. This advantage has also been frequently described to be an important benefit of a social innovation in a BoP market for the company.

A positive employee retention has already been found in the literature to be an additional important (direct) value of social innovations, since social innovations may positively affect employees' intrinsic motivation when they become aware that their actions can create a significant social impact (Bright/Godwin 2010). This has been also repeatedly confirmed in the conducted interviews, for example:

"And of course, you know, we also have to think that [social innovations] are somehow motivational for our employees as well (...) we could just donate the money or start a course on breast cancer or alzheimer or whatever we have and donate money with that. But what is actually in common with all [employees] is the motivation and inspiration to develop mobile technology and I think, many people feel truly important that they work for a company that is not just to make money but actually trying to make the world a little bit a better place." [SEP]

Manager, Social Investments, Company B

5.2. Indirect Value

However, the interviews also disclosed numerous side-effects of social innovations describing an indirect, secondary effect of social innovations for the initiating company. One important aspect of social innovations refers to highly increased marketing effects by generating a positive image and giving the company a good topic to talk about in public:

“(...) an indirect effect is that it helps you to speak well about your social initiatives; it gives you a theme you can discuss in public beyond business achievements and technology. Social initiatives often make headlines in the local media in underdeveloped countries. Also, the theme of corporate social responsibility resonates with (...) local employees, industry analysts, financial analysts, governments, because obviously politicians want to talk about this (...)”

Former Regional Head, Company A

Social innovations also contribute to a firm's knowledge management, as one of the most important intangible capabilities of a firm, by acquiring new capabilities and by profiting from synergies. Most successful social innovations are achieved through public-private partnerships or strategic alliances in which firms often cooperate with governments or NGOs. This topic is already an important focus of academic research⁸ and the importance of finding a strong local partner has also been repeatedly addressed throughout the interviews. Their help is particularly appreciated when it comes to conceptual tasks, such as identifying rural or underprivileged areas, sharing ideas with, asking for advice and helping to find other partners (Former Regional Head, Company A). This local knowledge transfer from the expertise of local NGOs helps businesses to comprehend these new environments, different cultures and local markets. The strong integration of knowledge management and social innovations is especially important and a precondition for the value creation potential of the company.

“As a technology company we learn how to (...) manufacture low-cost equipment, how to reduce the cost of the different brands but still provide all the functionality that are being provided in the developed market at much higher price.”^[L SEP]

Product Manager, Company A

“(...) you are able to cross-connect your company and your business with the local companies and build up something together. And based on that, you are developing the experience you are gaining (...) and understanding of that particular country and the needs (...)”^[L SEP]

Head of Marketing, Company A

⁸ For cross-sector partnerships between nonprofit and for-profit organizations, see Le Ber/Branzei (2010) or Margolis/Walsh (2003). Kanter (1999: 126) furthermore has identified six characteristics for successful private-public partnerships: clear business agenda, strong partners committed to change, investment by both parties, rootedness in the user community, links to other community organizations, and a long-term commitment to sustain and replicate the results.

Even though Saul (2010) promotes that social innovations are offering an easy solution for measuring social impact, this topic was not mentioned in the interviews to be key attribute for the companies. Instead, the network effects of social innovations to generate new external networks have been strongly addressed: ¹¹ L SEP

“(...) it helps you to receive attention and support from politicians and financial institutions who may give you access to new [mobile communications] frequencies, rural areas or who may help you to get export financing. So, it's obviously also a theme (...) which you can share with many stakeholders (...) to receive support for your business, and to basically partner with you.” ¹¹ L SEP

Former Regional Head, Company A

It is in this context that social innovations are also described to help become a “good local citizen” in the community the company works in (Former Regional Head, Company A).

A further effect is the potential “social upliftment” (Product Manager, Company A) which may also impact the corporation even though this may take a longer time. When the living standard of the local environment is improved through an education in basic skills or even advanced skills, such as usage of the internet, this might again be a benefit for the company in the long run (Manager, Social Investments, Company B).

6. Conclusion

6.1 Contribution to Literature

This paper relates to several recent areas of managerial research. Social innovations are understood as an important capability of a firm which are able to establish new value-creating strategies in new environments, such as BOP markets. In these low-income markets, social innovations can create two distinct types of value, for society as well as for MNCs. Society profits from social innovations that add towards life quality, product or service access and social capital. Value for companies may be divided into direct value, including the potential of social innovations to create new markets, lead to business growth and high employee retention. However, the indirect value should not be neglected since social innovations give companies the opportunity to talk and announce the social agenda of their innovations, they create unique local knowledge from strategic partners and finally, create important networks.

6.2 Research Limitations

However, this paper also faces several limitations. First, this paper explicitly focuses on the chances that can be derived from social innovations, which are also found to be true from numerous case studies (Anderson/Billou 2007; Anderson/Markides 2007; Borger et al. 2010; Mumford 2002; Seelos/Mair 2007). The risks and challenges when conducting a social innovation have been neglected in this article and should be further researched. Also, it has to be kept in mind that social innovations are of course not a universal remedy to solve every social issue (Hubert 2010).

Also it should not be assumed that MNCs provide the ultimate solution towards poverty alleviation in BoP countries through social innovations. Even though they may play an essential role for economic growth, their impact should be approached with caution (Narula 2009).

As a next step towards exploring the value of social innovations in the area of management strategies, more research is required. One possibility might be to compare successful and unsuccessful social innovations to extract and formulate leveraging strategies to create value for companies and society. While numerous qualitative and only few semi-quantitative or multi-site case studies on social innovations exist (Mulgan 2006), this research area lacks larger quantitative studies.

This paper will therefore hopefully provide a solid foundation for future research.

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