

ABSTRACT

The base of the pyramid (BoP) concept rests on integrating the aspiring poor with the marketplace. It is often seen as a practical solution to mitigate some of the challenges of globalisation. The BoP refers to that section of the population whose income is below a certain threshold level of poverty. According to the Human Development Report 2016, even though global extreme poverty rates have declined by more than two thirds since 1990, income gaps have widened. Data from The World Inequality Report 2018 shows that the global income growth of the bottom 50% of the world population in the period 1980-2016 was 94%, but it still captured only 12% of the total growth. Societies face complex challenges due to lingering deprivations, deepening inequalities, and violent extremism. Solutions require multi-sector collaborations that necessitate contributions from all including governments, aid agencies, non-government organisations (NGOs), as well as businesses. Participation by firms in the markets where the BoP populace or their representatives transact would help them fulfil their societal obligations, and introduce innovations that would be beneficial for the firms in the BoP markets as well as its top of the pyramid (ToP) markets.

Entry into new markets is a complex and contentious decision and requires alterations to firm operations, business models, and products. Although market entry has been studied in terms of entry into new product markets and industries by *de novo* and *de alio* firms, as well as new geographies in the case of international markets, BoP market entry is significantly different from both types of entry due to the differences in the market characteristics and degree of institutional support for market development, especially since BoP markets are sites of acute market failures. Hence, the theories, models, and frameworks that have been developed for general market entry and international markets entry might not be readily applicable in the study of BoP markets entry. Extant literature on firms' BoP market strategies has largely been

anecdotal, descriptive and normative. Theory development has been fragmented with few researchers attempting hypothesis testing using large sample studies.

In this dissertation, I seek to bring greater theoretical clarity and empirical rigour in our understanding of BoP entry by investigating the heterogeneity in the various BoP entry decisions of multinational enterprises (MNEs) using a large sample study. The larger question that I seek to address through this dissertation is “What factors explain MNEs’ entry into BoP markets?” I approach this question from various theoretical perspectives and examine different aspects of entry. The specific research questions that I investigate are:

1. What firm-level attributes influence the likelihood of MNEs’ entry into the BoP product markets?
2. How do behavioural attributes explain the entry timing of MNEs into the BoP product markets?
3. How does distance between the home and host countries influence the timing of MNEs’ entry into the BoP product markets from the ToP markets of the host country?

I examine the BoP strategies of Fortune 500 Global firms since MNEs are central to the BoP narrative. I collate a unique hand-collected dataset of BoP initiatives by 362 of the Fortune 500 Global firms for the period 2000-2014 with headquarters in 31 different countries. I identify the firm entry into BoP markets and associated information from this dataset. I use sub-samples of the collated dataset for the various investigations.

Researchers and practitioners have described firm-level factors that they contend are important for firms operating in the BoP markets. I explore if *ex-ante* possession of these attributes by MNEs influences the likelihood of their entry into the BoP markets. I use rare-events logit on an unbalanced panel dataset for the analysis. To understand the temporal variations in BoP entry, I examine the antecedents of entry timing into BoP markets through

the lens of the behavioural theory of the firm and real options reasoning. I probe the various dimensions of slack for their role in addressing some of the market frictions in the BoP markets, and hence, their influence on market entry timing. I also study the heterogeneity in home country characteristics represented through distance. I delve into how the dimensions of distance between the home and host countries that represent forces in support of and in opposition to globalisation influence the timing of entry from ToP to BoP markets by MNEs. I base the analysis for this investigation on the BoP product market entry made by MNEs in India. I conduct both the analyses on entry timing using the Cox Proportional Hazards Model.

Through this dissertation, I contribute to the BoP literature by establishing that greater international experience is an antecedent to BoP product market entry, but do not find similar support for cost efficiency as an antecedent to entry. I find partial support for R&D investments in the ToP markets as an antecedent to entry in the BoP product markets. Overall, there is mixed evidence for the ToP markets as the origin of capabilities required for the BoP markets. I add to the theory development efforts for BoP markets by accumulating these stylized facts gleaned through a large sample empirical analysis. I develop guidelines to identify BoP initiatives of firms to conduct this study, which can help other researchers also in conducting similar empirical studies. I also offer evidence of the impact of behavioural antecedents on different dimensions of BoP entry and discuss the mechanisms by which slack helps to address some of the market frictions in BoP markets. I argue that those dimensions of slack resources for which managers have greater discretion in deployment have a significant impact on the entry timing of MNEs into BoP markets. I develop nuanced insights on the impact of cross-national distance on BoP product market entry by examining dimensions that increase as well as decrease knowledge gaps of MNEs about BoP product markets.

Based on the insights from this dissertation, MNE managers can make better-informed decisions regarding their entry into BoP product markets by assessing if their firms possess

some of the attributes that other MNEs had ex-ante to their entry. From a policy perspective, I articulate the importance of improving informational flows to increase awareness in managers of MNEs, domestic firms and other entrepreneurs such that they can recognise the opportunities to generate value both for the firm as well as the society through BoP initiatives.