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**Inclusive Business at the Base of the Pyramid:
A Multiple-case study of the Water and Sanitation and
Energy Sectors**

by

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Abstract

This thesis addresses the topic of inclusive business by analyzing and comparing the strategy adoption process led by top managers, the level of cocreation, and challenges of Swedish organizations operating in low-income contexts within the water and sanitation and energy sectors. Inclusive business is a novel concept built upon Prahalad and Hart's (2002) proposition of doing business with the Base of the Pyramid (BOP), or people living under US\$8 per day. This research is designed as a qualitative multiple-case study and aims to provide insight into the experience of organizations already engaged in inclusive business. Semi-structured interviews were conducted with top-level managers from ten different Swedish organizations that have incorporated or plan to incorporate inclusive business strategies in their operations. Findings show that managers drive the *adoption of inclusive business strategies* in similar ways regardless of the sector. In terms of *level of cocreation*, in the water and sanitation sector, it varies considerably and can be sought at different stages. In the energy sector, the cocreation level is particularly homogeneous. Finally, findings indicate that *challenges* are essentially similar between sectors, however, one difference was identified.

Key words: Inclusive Business, BOP, Base of the Pyramid, Strategy Adoption, Cocreation, Challenges, Water and Sanitation, Energy, Sweden

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Inclusive Business at the Base of the Pyramid: A Multiple-case Study of the Water and Sanitation and Energy Sectors

1. Introduction

The present chapter provides a background description of the subject in question by highlighting the relevance of the topic in the sustainable development context, defining key terms, and presenting an outlook of the inclusive business environment in Sweden. Thereafter follows the purpose and research questions along with the delimitations made for the study. The chapter concludes with a description of the structure of the study.

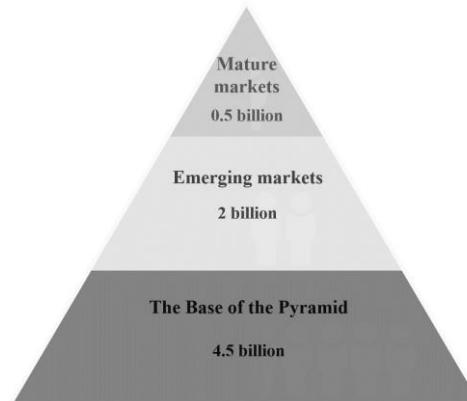
1.1 Background

1.1.1 BOP in the Sustainable Development Context

Ending all forms of poverty everywhere by 2030 is the first of the seventeen goals set on the global Agenda for Sustainable Development (UN, 2015). In order to end poverty, countries are advised to promote inclusive economic growth and improve equality among different population segments. However, when it comes to the extreme poor, Øyen (2011:333) argues that they are not able to benefit from such measures enough to generate an income, as their priority is not to become part of the formal economy but rather to find whatever means they have available for survival. People living in extreme poverty are often malnourished or incapacitated by disease, thus unable to care properly for themselves or their relatives (Iason, 2013:1). There is, however, another population group that may greatly benefit from sustainable and inclusive economic activities while also generating profits for businesses, the so-called Bottom of the Pyramid, Base of the Pyramid, or simply BOP (Figure 1). The term was first introduced by C.K. Prahalad and Stuart L. Hart to refer to the approximately 4.5 billion people living in low-income settings that have been excluded from traditional business models but still demand innovative products, services and technologies that provide access to basic needs (BoP Inc, 2018; IFC, 2018, BoP Global Network, 2018). According to Jagtap et al. (2014:2) people at the BOP lack formal education; have irregular and unpredictable income; and live in rural

villages, urban slums, or segregated areas. Because of these factors, access to communication and distribution channels is often limited.

Figure 1. People at the Base of the Pyramid



Source: Inclusive Business Sweden (2015)

Additionally, doing business *with* the poor becomes even more relevant if the business model seeks to solve not only a human need but also an environmental one. In this sense, six out of the seventeen goals considered on the Sustainable Development Agenda (UN, 2015) are directly related with the environment.

1.1.2 BOP, Inclusive Business and Cocreation: Definitions

The BOP proposition urges for an improved approach to helping the poor by partnering with them to innovate and achieve sustainable win-win scenarios where low-income populations are actively engaged, and the companies providing products and services to them are profitable (Prahalad, 2006:3-4). In this study, *Inclusive Business* (IB, hereafter) should be understood as:

“a private sector approach to providing goods, services, and livelihoods on a commercially viable basis, either at scale or scalable, to people at the base of the economic pyramid by making them a part of a company’s core business value chain as suppliers, distributors, retailers, or customers”

(IFC, 2015)

Also crucial for the understanding of IB is the concept of cocreation. Cocreation must be seen as the path to create new solutions to address poverty through partnerships between firms, governments, civil society organizations, development agencies, and the BOP itself in order to

identify and develop innovative solutions for the poorest populations while creating economic and social transformation for all stakeholders (Prahalad, 2006:2). In terms of IB, *cocreation* can be defined as:

“the iterative interaction that empowers poor communities and integrates their knowledge and capabilities with those of a company and other actors throughout the process of planning and realizing novel business models and ecosystems”

(Nahi, 2016:428)

1.1.3 Inclusive Business in Sweden

With public institutions facilitating the establishment of social enterprises (Göransson, 2017:361), in recent years Sweden has developed a network of multiple actors such as entrepreneurs, enterprises, non-profits, governmental agencies, and research institutions interested in engaging and partnering with the BOP. In this sense, the main players in the IB arena include: the Swedish International Development Cooperation Agency (Sida), Sweden’s Economic and Regional Growth Agency (Tillväxtverket), and the National Innovation Agency (VINNOVA), all three primarily as donors; and Inclusive Business Sweden (IBS), the national center for doing business with the BOP (GU Ventures, 2018). In fact, the *Inclusive Business Agenda* for Sweden was first published in 2015 in joint collaboration between IBS and VINNOVA. In the agenda, a series of actions regarding strategic research and innovation were formulated in order to engage Swedish organizations with the BOP. Moreover, the Agenda identifies 6 sectors that are considered to have great potential for Swedish capability to meet the needs of the BOP. These sectors include water and sanitation, energy, healthcare, agriculture and forestry, information and communication technologies, and textiles and clothing.

1.2 Purpose

The primary purpose of this thesis is to provide, through a comparative multiple-case study, a deeper understanding of how Swedish organizations are implementing or planning to implement IB strategies in low-income settings. To achieve this goal, the strategy adoption process led by top-level managers, the level of cocreation, and the challenges of selected Swedish organizations operating within the water and sanitation and energy sectors will be investigated and compared. In doing so, this study aims to provide insight into the experience of

organizations already engaged in IB, as it may be valuable to social entrepreneurs, managers, and enterprises interested in the topic.

The secondary purpose is to fill a gap in the literature, as recent research in IB and BOP has particularly focused on theoretical contributions or dissemination of concepts (e.g. Palomares-Aguirre et al., 2018; Likoko and Kini, 2017; Chamberlain and Anseeuw, 2017; Jagtap et al., 2013; Tea and Samanta, 2012), and practical studies have not traditionally been performed by researchers within the development field. Most of the current research responds to specific academic research groups from the engineering, business, or industrial design departments (e.g. Yessoufou et al., 2018; Perrot, 2017; Panapanaan et al., 2016; Jagtap et al., 2014). In the Swedish context, with the exception of Olivensjö and Ottoson's (2014) research which addresses the challenges of Swedish micro-SMEs engaged in IB, no further studies have investigated the topics in this thesis.

1.3 Research Questions

Even if there is support for the creation of new IBs in Sweden, Hart et al. (2016:411) argue that in practice it has not been as attractive for social entrepreneurs to engage in this line of business as originally claimed by Prahalad and Hart (2002) but rather “a difficult journey calling for endurance, imagination, patient capital, and a willingness to build new skills and capabilities”. Yet, it is possible to find several social enterprises in Sweden currently implementing or developing IB strategies. In this sense, top managers play a leading role, as they are in charge of creating a general sense of aspiration and direction that guide the strategic actions taken by the organization (Hart, 1992:329), thus the following research questions will guide this study:

- How have top-level managers driven the adoption of inclusive business strategies among Swedish organizations within the water and sanitation and energy sectors?
- What is the level of cocreation of these organizations?
- What are the challenges of implementing inclusive business strategies in Swedish organizations operating within the water and sanitation and energy sectors?
- To what extent do the strategy adoption process, level of cocreation, and challenges differ between sectors?

The answers to these questions can be of interest to Swedish social enterprises that are currently doing business with the BOP or are planning on doing so in the future. Although the study is focusing on the water and sanitation and energy sectors, the findings of the study can still be used as an illustrative reference for other social enterprises. Furthermore, the above-mentioned questions contribute to the debate on the BOP proposition via IB by taking into account the experiences of top-level managers.

1.4 Delimitations

Conducting a comprehensive study of the experience of IBs based or created in Sweden would require analysis of every sector in which those businesses operate. Such research would call for significant resources that are outside the scope of this study. Due to the importance for human well-being, relevance given in the Sustainable Development Agenda (UN, 2015) and Inclusive Business Agenda for Sweden (IBS, 2015), and because they have the greatest number of organizations within the IB domain in Sweden, this thesis will focus on two specific sectors: water and sanitation and energy. Moreover, since the focus of the analysis is centered on the Swedish perspective of doing IB from a top-managerial level, no local personnel or direct beneficiaries in developing countries were consulted. Similarly, the social impact of the Swedish organizations participating in this study was not assessed, as it was deemed not relevant for the intended purposes of the thesis. Additionally, the literature used in this study was written in English, hence no Swedish literature was analyzed. Lastly, even if the findings of this thesis could be used as a reference for social enterprises/entrepreneurs operating in sectors other than the ones referred above, the number of interviews carried out (six for water and sanitation, and four for energy) represents a limitation to the potential scope of generalization that the results of this thesis allow.

1.5 Structure of the Study

This research is structured as follows: the first chapter provides the introduction where the background of the study, research purpose, research questions, and delimitations are presented. The second chapter outlines the literature review. Chapter three is devoted to describing the theoretical framework used in this thesis. Chapter four provides details of the methodology, while chapter five offers an overview of the IB domain in Sweden by focusing on the water and sanitation, and energy sectors. Chapter six presents the empirical findings collected from the

interviews with top-level managers and further analyzes and compares them by sector focusing on three different aspects: strategy adoption, level of cocreation, and challenges. Lastly, chapter seven provides conclusions and suggestions for further studies.

2. Literature Review

The purpose of this chapter is to present some of the most relevant literature regarding the topics of BOP and its associated subjects, the role of managers in strategy-making for BOP settings, and challenges of doing business in BOP contexts.

2.1 Base of the Pyramid (BOP)

After the publication of Prahalad and Hart's (2002) influential article "The Fortune at the Bottom of the Pyramid" in the early 2000s, attention was paid to the promising and relatively unexplored market of 4.5 billion people living in low-income contexts demanding innovative products, services and technologies, who have consistently been excluded from traditional business models. Altogether, BOP campaigners estimate a potential market value of over US\$ 5 trillion (Prahalad and Hart, 2002; IBA, 2016:4). Within the private sector, for instance, several corporate initiatives, BOP-focused start-ups, institutional programs, and innovation funds emerged rapidly (Caneque and Hart, 2015:1). Among BOP literature, three academic works were identified as the main source of knowledge, given their relevance and influence exerted on the literature following their publication. These works include Prahalad's (2006) book "The Fortune at the Bottom of the Pyramid: Eradicating Poverty Through Profits", Simanis and Hart's (2008) publication "The Base of the Pyramid Protocol: Toward Next Generation BOP Strategy", and more recently, Caneque and Hart's (2015) book "Base of the Pyramid 3.0: Sustainable Development through Innovation and Entrepreneurship". All of these works maintain the idea of the BOP as an attractive and untapped market for win-win economic initiatives that are beneficial for both businesses and communities. The differences, however, lie in the business strategy. While Prahalad (2006) advocates for adapting existing products and services by reducing prices and extending distribution to the BOP market relying on local partners, particularly NGOs; Simanis and Hart (2008) emphasize the importance of cocreation and the value of viewing the BOP as business partners instead of considering them a "money machine". The authors also address the significance of taking into account innovations rooted and developed within the local communities and their environmental impact. In Caneque and

Hart's (2015) view, the emphasis is on the real purpose and ambition of BOP businesses as a means to: design efficient, and "down-to-earth" business strategies; open innovation, that is innovation in partnership with external actors; creating sophisticated, complex and integrated partnership networks; and sustainable development, including social, economic, and environmental gains (Caneque and Hart, 2015:2-4). In sum, the potential of BOP markets evolved from merely a profitable business opportunity to a more systemic and sustainable development approach aimed at improving people's livelihoods, while also generating profit for businesses.

2.1.1 Inclusive Business

If the BOP is the theoretical proposition, IB represents the operational aspect of the concept. In academic literature, the idea of IB has also gained the attention from scholars. Scholars have mainly focused on three issues: the theoretical conception of IB (Likoko and Kini, 2017; Caneque and Hart, 2015; Simanis and Hart, 2008; Prahalad, 2006), the implications of IB in overcoming marginality and poverty (Bierwith and Gutiérrez, 2018; Bisignano et al., 2017; von Braun and Gatzweiler, 2017), and the experience of doing IB primarily through case study research (Gudić et al., 2017; Boleslaw, 2016; Angeli and Jaiswal, 2016; van Tulder and da Ros, 2014; Salazar et al., 2012). However, the conception and understanding of IB differ in theory and practice. For scholars, IB is generally seen as a means of poverty alleviation that can bring about positive environmental impacts and create socio-economic value and improved livelihood opportunities for BOP communities, while strengthening the value chains of businesses (Likoko and Kini, 2017:85). For practitioners, while one general purpose of IB is also to integrate the BOP in business activities in order to generate mutual benefits for both enterprises and low-income communities, the implementation and specific target populations (e.g., women, smallholders, youth) depends on the particular focus and expertise of the practitioner.

Also, it is pertinent to make a distinction between IB and the concept of social enterprise. Given the relative novelty of the term, IB is often used in the literature as a synonym of social enterprise (Ingram, 2016), and while they are closely related, they also have a key difference. According to Ingram (2016), a social enterprise exists specifically to make money and bring positive social impact. The profits can either be reinvested into the business or shared among stakeholders. An IB is typically a for-profit business that makes positive impact and focuses entirely on low income communities. In sum, not all social enterprises can be catalogued as IBs,

but all IBs are indeed social enterprises. Simply put, a social enterprise can be considered an IB provided that it meets the “BOP at the center of the business model” rule.

2.1.2 Cocreation

Cocreation is a concept widely emphasized in BOP literature that has been discussed over time but, paradoxically, very few BOP studies examine or even attempt to define it (Nahi, 2016:427). The concept of cocreation in the context of BOP was first pointed out by Prahalad (2006) as an important approach to develop successful BOP-focused enterprises. In short, cocreation refers to the joint collaboration between different stakeholders such as civil society organizations, enterprises, governments, and the poor themselves with the objective of integrating their knowledge, capabilities and expertise in the creation of IB strategies. More recently, Nahi (2016:417) has contributed to the discussion of cocreation in BOP contexts, however, her view differs from the original proponents of the BOP concept. For her, cocreation is indeed important, but it can be sought at different levels depending on the business purpose. For instance, for enterprises seeking the empowerment of communities through their business activities, it would make sense to fully integrate the BOP in strategy planning. For those seeking to increase the accessibility of products or services to the BOP, cocreation with competent partners may be deemed sufficient. Until now, no empirical BOP studies addressing cocreation, or its processes or methods, have been conducted (Nahi, 2016:417). Therefore, this study attempts to examine the concept of cocreation among BOP-focused organizations using empirical data and Nahi’s recently developed Framework of Cocreation at the BOP. The following chapter provides a detailed explanation of the framework and its relevance for this study.

2.1.3 Criticism

Despite growing popularity, the BOP proposition has not been exempted from criticism. For Duke (2016:509-510), one of the downsides of the BOP proposition is that it could perpetuate so-called “corporate imperialism” if the approach of enterprises is more related to adapting products and services to the poor rather than partnering with them to achieve mutual benefit. For instance, Duke makes reference to misleading IB practices such as adopting traditional marketing and product development methods and using existing or even new distribution channel partners outside the BOP. In fact, such practices can generate exclusion or adverse inclusion, sabotaging development. This view is also discussed by authors such as Bisignano et al. (2017:210-214), Likoko and Kuni (2017:85), and Caneque and Hart (2015:2). Another criticism of the BOP idea is related to the incapacity of enterprises to generate the social,

economic, or environmental outcomes they initially envisioned, because firms are often driven by the misconception that “one size (strategy) fits all (markets)” and the fallacious idea of quick fortune-making at the BOP while omitting the local dynamics inherent to BOP markets (Bisignano et al., 2017:203; Duke, 2016:510; Hart et al., 2016:410). In terms of criticism of the BOP literature, two main arguments were identified: the predominantly Western origin and lens of BOP scholars, and the lack of empirical studies combining qualitative and quantitative approaches. In connection with the above, Likoko and Kuni (2017:86) claim that Western scholars are not fully aware of the realities faced by businesses in developing countries, especially in BOP contexts. This lack of awareness of BOP contexts can arguably be extended to entrepreneurs, firms, and other organizations. Similarly, Hart et al. (2016:411) state that Western scholars tend to apply theories that were originally framed in developed economies and, as a consequence, may not be appropriate for explaining the BOP reality. Furthermore, the fact that little empirical research combining qualitative and quantitative methods with large data samples has been carried out impedes an objective evaluation of the field and hampers the academic evolution of the topic (Hart et al., 2016:411; Nahi, 2016:428).

2.2 The Role of Managers in Strategy-making at the BOP

Hart et al. (2016:411) claim that despite the emergence of hundreds of inclusive enterprises and initiatives, few BOP businesses have truly scaled making the way in which managers drive the IB strategy within an organization a relevant matter. In the existing literature, it is possible to identify at least four different visions of the managerial role in BOP settings. Prahalad (2006:58-61) offers a first approach to the issue by illustrating the case of a BOP enterprise providing financial services to the poor. According to him, incorporating BOP people in *mid-level management* is beneficial for enterprises, as they understand the local culture, speak the language, and have gained the trust of the community. However, the role of top-managers in the global strategy-making process is not addressed. Simanis and Hart (2008) take a *community-based approach* and provide a set of guidelines for business strategy-making in BOP contexts comprising two stages: pre-field and in-field processes. According to the guidelines, top-managers must be community-driven, that is aware of the social, economic, and environmental context in which they plan to operate; as well as cocreative; inspirational leaders; learners; capability builders; environmentally responsible; and catalyzers of local innovations in order to generate value for and with the local community. In Hart et al.’s view (2016:407-410), the role of managers is addressed in terms of the *interest of existing firms to explore BOP markets*. Thus,

in order to design an IB strategy that can be implemented within an already existing organization, the authors suggest that managers need to have a great level of autonomy in order to investigate and experiment with grassroots innovations and to engage with relevant stakeholders at the BOP. Moreover, managers require a high degree of influence over the organization's leadership in order to gain discretionary power in decision-making and attain all resources needed to implement a successful business strategy. Managers must also be capable of raising awareness among other subunits, organizational members, and employees of the issues concerning the BOP. Finally, Bisignano et al. (2017) adopt a *responsible management approach*. For them, managers should primarily act with responsibility, as they play a critical role in ensuring that organizations develop an internal drive toward alleviating poverty. Taking into consideration all of the above, this thesis will explore a fifth approach, namely the *strategy adoption process* of IB models carried out by top managers among Swedish organizations. Details of the theoretical tools used to investigate the issue are provided in the following chapter

2.3 Challenges in Inclusive Business

Among BOP literature, it is possible to find a plethora of articles, essentially of a qualitative nature, addressing the challenges faced by organizations engaged in business activities with the BOP, and although they can provide valuable understanding of the issue, the results found in those articles are particular to the cases they examine (Gebauer et al., 2017; Goyal et al., 2016; Olsen and Boxenbaum, 2009). The UNDP's (2008) report on strategies for doing business with the poor offers a more comprehensive perspective on the common challenges faced by enterprises in BOP settings. In this regard, UNDP (2008) identifies five common challenges. First, *limited information of the context* relates to the little information enterprises have about the reality of poverty and the local context of the community in which they plan to operate. The latter can be related to the fact that the vast majority of IBs come from developed economies, which is in line with Likoko and Kuni's (2017) criticism to the BOP concept. Second, *ineffective regulatory contexts* where rules and contracts are not enforced, leave people and enterprises unprotected due to the weakness of the legal system. Third, *inadequate physical infrastructure* affects transportation and distribution channels, and other services like water, sanitation, electricity, and telecommunication networks. The fourth challenge refers to *missing knowledge and skills* and can be understood in two ways. On the one hand, populations at the BOP may not know the utility or benefit of particular products or services, or may lack the skills to use them effectively. On the other hand, poor suppliers, distributors and retailers may lack the

knowledge and skills to deliver quality products and services on time and at fixed costs. The fifth challenge is *restricted access to financial products services*. Because people at the BOP lack credit and insurance services, they are less likely to afford investments and may fail to protect their limited assets and income against unexpected events such as illness, drought or theft. In this view, providing financing to the poor becomes risky, insecure, and expensive (UNDP, 2008:18). Even though UNDP's assertions provide valuable insight into the common challenges faced by enterprises engaged in IB and are helpful to address the issue from a systemic perspective, it must be noted that they build upon the "first generation" of BOP literature, (Prahalad and Hart; 2002; Prahalad, 2006) and topics such as cocreation, mutual benefit creation, capability building, environmental responsibility, and innovation are disregarded.

2.4 Related literature in the Swedish Context

In the Swedish context, the IB/BOP topic is understudied in the academic literature available in English. With the exception of two Master's theses from Uppsala University (Olivensjö and Ottoson, 2014) and the Swedish University of Agricultural Sciences (Levall and Prejer, 2013), and a recent research study published by IntechOpen (Mark-Herbert and Prejer, 2018), no further academic works have addressed the role of Swedish social enterprises engaged in IB. More specifically, the above-mentioned studies explore topics such as product innovation, product development, social innovation, stakeholder management, cross-sector collaboration, and social entrepreneurship in IB contexts. Olivensjö and Ottoson (2014) do discuss the challenges faced by Swedish organizations, but their approach differs from the one in this study, as they provide a particular view of the challenges of each company instead of the sectoral perspective intended in this thesis. As for the strategy adoption process led by top-level managers and the level of cocreation among Swedish organizations engaged in IB, these topics have not yet been investigated.

3. Theoretical Framework

This chapter describes the frameworks that constitute the theoretical reference of the study. The chapter explains the Combined Framework for Strategy Adoption, developed specifically for the purpose of this research, and the Framework of Cocreation at the BOP.

3.1 Combined Framework for Strategy Adoption

The Combined Framework for Strategy Adoption was designed explicitly for the purpose of this research and builds upon two academic works, namely the Integrative Framework for Strategy-making Process constructed by Stuart L. Hart (1992) and the BOP Conceptual Map of the Terrain proposed by Stuart L. Hart, Sanjay Sharma, and Minna Halme (2016).

3.1.1 The Combined Framework for Strategy Adoption Explained

The main purpose of the proposed framework is to analyze how top managers are driving the adoption of IB strategies within organizations. Hence, the Combined Framework for Strategy Adoption is designed as a matrix composed of categories (rows) and attributes (columns). From top to bottom, the first two categories follow Hart's (1992) model and explore the individual components of the strategy-making process by establishing the *strategy style* and the *role of top managers* in that process. The two remaining categories refer to Hart et al.'s (2016) work and examine the nature of BOP organizations by identifying the *type of business actor* they embody and the adopted *business strategy focus*.

As depicted in Figure 2, each category is connected to several attributes. In this context, and following Hart's (1992) original proposition, both the strategy style and the role of top managers in the strategy-making process have five different attributes that are interrelated as follows:

- *Command style-Commander role*: business strategies are driven by a strong individual leader or a few top managers who exercise total control over the firm. In this style, strategy making is a conscious and controlled process that is centralized at the very top of the organization. Strategic decisions are carefully analyzed along with alternatives, and the appropriate course of strategic action is dictated by the strong individual or small group of top managers. In the command style, top managers act as commanders whose primary purpose is to provide direction.

- *Symbolic style-Coach role:* relates to the conception of a determined vision, and a clear organizational long-term mission by top managers. The corporate vision provides meaning to the organization's activities and establishes a sense of identity for employees, while it defines the basic philosophy and values of the organization. In the symbolic style, the role of top managers is to be motivational and inspirational for the rest of the organization.
- *Rational style-Boss role:* involves a high level of data processing, both internal and external, that is generally used to guide strategy formulation. This process is institutionalized via formal strategic planning, involving written strategic and operating plans. The outcome is often a detailed action plan specifying product and market scope, and competitive strategy. Since the rational style is grounded in data analysis, top managers act as bosses monitoring and controlling the activities of their subordinates who are ultimately held accountable for the performance of the business strategy.
- *Transactive style-Facilitator role:* strategy is designed in an ongoing dialogue with key stakeholders such as employees, suppliers, customers, and governments. In this style, top managers are mostly concerned with facilitating a mechanism for transacting and interacting with key stakeholders and linking the outcomes of those interactions together over time to determine the most appropriate strategic direction.
- *Generative style-Sponsor role:* relates to intrapreneurship which refers to the emergence of new product ideas often suggested or demanded by employees that shape the organization's strategic objective. In this case, top managers are mainly involved in selecting and analyzing high-potential proposals that emerge within the organization. Lastly, it is worth mentioning that strategy styles and roles are not mutually exclusive and managers can combine two or more approaches.

Figure 2. Combined Framework for Strategy Adoption

Category Attributes	Command	Symbolic	Rational	Transactive	Generative
Strategy Style	Driven by leader or small top team	Driven by a mission and a mission of the future	Driven by formal structure and planning systems	Driven by internal process and mutual adjustment	Driven by organizational actors' initiative
Category Attributes	Commander	Coach	Boss	Facilitator	Sponsor
Role of Top Management	Provide direction	Motivate and inspire	Evaluate and control	Empower and enable	Endorse and support
Category Attributes	Grassroots/Social Innovators	Entrepreneurship (New Ventures)		Corporate Entrepreneurship (Local and MNC)	System Innovation
Type of Business Actor	Address economic and social needs experienced firsthand	BOP-minded / focus and priority is BOP although not emerge from firsthand experiences		Identify and address the needs of the underserved in developing countries of operation	Ecosystem of stakeholders, potential partners and other players
Category Attributes	Process Focus			Content Focus	
Business Strategy Focus	In-depth understanding of the needs and aspirations of the BOP and the complex interactions between the social and environmental concerns faced by stakeholders in BOP contexts			International strategy, organizational design and structure, systems and incentives, and business model innovation	

Source: Own elaboration based on Hart (1992) and Hart et al. (2016)

To analyze the organization's nature, Hart et al.'s (2016) premises were considered in this Combined Framework. Thus, the type of business actor category comprises four attributes according to the following classification:

- *Grassroots/social innovators* makes reference to BOP-focused organizations with extensive knowledge of local needs that often lack advanced technologies and the necessary resources to successfully scale their operations. An intrinsic characteristic of this actor is that they seek to address economic and social needs that have been or are being experienced firsthand
- *Entrepreneurs or new ventures* are also BOP-minded and share similar characteristics with grassroots organizations and local grassroots innovators. The only difference lies in the fact that the motivation to address economic and social needs does not necessarily emerge from firsthand or personal experiences but from entrepreneurs or organization founders

- *Corporate entrepreneurship* is defined as traditional corporations operating at a national or international level, mostly in developing countries. The implementation and scaling capabilities are a substantial asset, but BOP contexts are unknown and are fundamentally out of their comfort zone, which consists of existing technologies, markets, products and business models. Thus, for corporations considering doing business in BOP contexts, cocreation is essential
- *System innovation* refers to BOP business activities emanated from and encouraged by policies and networks of stakeholders interested in BOP opportunities. While organizations emerged from system innovation share the same obstacles faced by corporate entrepreneurship, they are also likely to own the same level of resources and capabilities necessary to implement a business strategy

Lastly, Hart et al. (2016) also address the business strategy focus adopted by organizations and include two attributes as detailed below:

- *Process focus* entails strategies crafted after an in-depth understanding of the needs and aspirations of the potential customers in BOP contexts and a thorough analysis of the complex relationships between the social and environmental issues faced by key stakeholders such as local communities, citizens, local governments, and NGOs
- *Content focus* is a more comprehensive strategy which is particularly found in BOP organizations/initiatives derived from corporate entrepreneurship and system innovation. When an organization adopts a content focus strategy, it takes into account factors such as a common international strategy among their operations in developing countries and a thorough analysis of the way in which the strategy should be carried out in order to avoid traditional business tactics in unusual and often unfamiliar settings

3.1.2 Relevance and Limitations

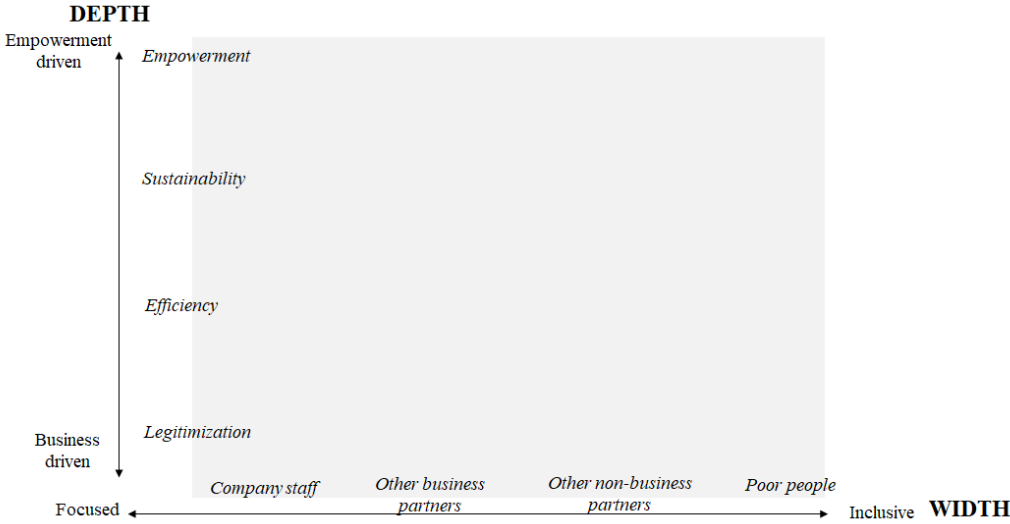
Combining the above-mentioned frameworks is pertinent to this research, because they complement each other in terms of scope. On the one hand, Hart's (1992) Integrative Framework for Strategy-making provides insight into the role played by top managers in the strategy-making process. On the other hand, Hart et al.'s (2016) BOP Conceptual Map of the Terrain emphasizes the original constitution of BOP organizations and its relationship with their

raison d'être. However, the proposed Combined Framework disregards two elements originally considered in the academic works from 1992 and 2016. The role played by organizational members included in Hart’s 1992 work and the outcome focus considered in Hart et al.’s 2016 article were not taken into account in the construction of the Combined Framework, as their utility was beyond the purpose of this study.

3.2 Framework of Cocreation at the BOP

The Framework of Cocreation at the BOP (Figure 3) was developed by Tytti Nahi (2016) in an effort to clarify the multiple conceptualizations and dimensions (levels) of cocreation in BOP contexts. This framework is suitable for the purpose of this study, as it allows one to analyze the level of cocreation of the organizations participating in the research with a comprehensive theoretical framework. Furthermore, Nahi’s framework draws on development studies by incorporating poor people’s types of participation, dimensions of poverty, and the feasibility of engaging poor people in business activities (Nahi, 2016:417).

Figure 3. Framework of Cocreation at the BOP



Source: Nahi (2016)

3.2.1. The Width of Cocreation

The width axis comprises six elements that refer to the idea that organizations engaged in doing business with the BOP need to seek cocreation with a wide group of partners to succeed in their IB strategy. When an organization has *focused* cocreation, this means that it finds it sufficient to partner up with one or few selected actors. On the contrary, when the cocreation is *inclusive*,

this means that the organization has multiple partnerships or alliances to put its IB strategy into practice. Nahi (2016) found that four types of partner relationships are common among IB, namely company staff, other business partners, other non-business partners, and poor people. In Nahi's framework, *company staff* refers to the organization's personnel in the target community, region or country and this type of partner is mostly favored by large companies. *Other business partners* could be organizations working in the same geographical context or with similar topics that may be strategic for the implementation of the business plan. *Other non-business partners* make reference to research institutions or NGOs not only with vast expertise in the target market or area but also in fields such as business development, distribution, marketing, training, and access to international and/or local funding. Finally, *poor people* refers to the BOP itself. Organizations that opt for this type of partnership acknowledge the expertise of poor people in their own needs, capabilities, and environment. According to Nahi (2016), successful BOP ventures tend to consider low-income communities as partners and engage them in several stages of the IB model. In sum, each partner relationship type reflects what an organization may consider the appropriate width of cocreation according to their strategy. While some organizations only rely on company staff to design and execute their strategy in a given low-income setting, others may gather a broader group of partners.

3.2.2 The Depth of Cocreation

The depth axis is also made up of six elements that take into account the purposes of organizations when seeking cocreation in BOP settings. According to Nahi (2016), if the purpose of pursuing cocreation is clearly *business-driven* then it is an indicator that the organization engages in cocreation with the objective of gaining *legitimacy* and access to social networks of its interest. In Nahi's view, access to social networks is pivotal in BOP contexts. Because a key entry mechanism to such networks is introduction by a trusted member, relationships with well-connected (and trusted) BOP actors are essential to new organizations for activities such as building legitimacy or marketing their products or services. In many poor communities, large multinationals are viewed with distrust due to colonial struggles, bad working environment reputation, competition with local companies, and environmental negligence (Nahi, 2016:422). Alternatively, if cocreation is sought primarily as a way to *empower* low-income communities, then the purpose is considered to be *empowerment-driven*. In terms of this framework, empowerment cocreation should be understood as a way of defying existing power relations, challenging the structural drivers of poverty, creating entrepreneurial opportunities, emphasizing people's capacity to claim their rights, and challenging unequal

societal norms (Nahi, 2016:423-424). Additionally, between gaining legitimacy and empowering low-income communities, Nahi identifies two more purposes for seeking cocreation: efficiency and sustainability. In *efficiency* seeking cocreation, the main purpose is to engage with local communities in order to build attractive business models and ecosystems suited to BOP contexts. The purpose, then, is not only to gain knowledge of the specific business situation and consumer needs but also to be a more attractive partner for other non-business actors such as NGOs or research institutions that are usually reluctant to engage in corporate collaboration. In *sustainability* seeking cocreation, the primary purpose is to ensure social and environmental value to the BOP in order to avoid reducing, rather than enhancing, well-being. In this regard, Nahi states that some well-meaning BOP initiatives have strengthened unequal norms and power structures. A way to minimize this risk is by engaging local communities and experts that can help in mapping these impacts (Nahi, 2016:424).

3.2.3 Relevance and Limitations

Nahi's Framework of Cocreation at the BOP is relevant for this research, as it is the first academic effort built upon development studies that put together the multiple conceptualizations and dimensions of cocreation. However, it is mostly helpful to understand an organization's approach to seeking cocreation in BOP contexts exclusively from a qualitative perspective. Therefore, the analysis of the results regarding this topic relies primarily on the information provided by top managers during data collection. The reader must be aware that revealing the ultimate purpose, business strategy, or intentions of an organization when entering a market may be perceived as a sensitive issue for some managers. To reduce the risk of bias, managers' insights were complemented with relevant secondary data available on the internet concerning the strategies and focus of their organizations (e.g. projects information, articles referring to the implementations).

4. Methodology

This chapter describes the conduction of the study as well as the scientific approach and methods used. In this sense, the research design, data collection, limitations and ethical considerations are presented.

4.1 Research Design

The primary purpose of this study is to provide a deeper understanding of how IB is being done in Sweden within the water and sanitation, and energy sectors by investigating and comparing the strategy adoption process led by top-level managers, the level of cocreation, and challenges of selected Swedish organizations. Therefore, a qualitative research was conducted. According to Mack et al. (2005:1), qualitative research has the capacity to aid in understanding of a specific topic or problem by analyzing the perspectives of people involved in it. A qualitative approach is also particularly helpful in identifying key information such as values, opinions, behaviors, and contexts in specific populations that are not easily perceived in quantitative analyses or questionnaires. Specifically, this research was designed as a comparative multiple-case study, the water and sanitation, and energy sectors are the cases to be investigated and compared. As stated by Bryman (2012:76) and Creswell (2007:73-74), case studies can be used when the researcher intends to perform a thorough study of one or several cases within a common setting. In this study, the common setting between the sectors is doing business with the BOP. When it comes to data collection, the case study approach involves multiple sources of information including ethnography or qualitative interviewing research (Bryman, 2012:76; Creswell, 2007:73-74). Given the environment in which the subjects under study operate, the present study considers two main sources of information: (1) semi-structured, open-ended interviews with top-level managers, and (2) secondary data such as reports from different Swedish and international BOP-related organizations.

4.2 Data Collection and Processing

4.2.1 Qualitative Interviewing

According to Bryman (2012) and Hemmett et al. (2014) interviews are indeed one of the most popular data collection methods in qualitative research. There are two main types of qualitative interviewing, unstructured and semi-structured. In the former, the researcher poses a single question and the interviewees are then allowed to respond with no restrictions, leaving room for follow up questions by the researcher. The latter requires a list of questions or specific topics to be discussed, however the interviewee still has a great deal of freedom in how to reply (Bryman, 2012:469-471). In this study, semi-structured interviews with open-ended questions were conducted, as it was necessary to cover common topics with every interviewee. However, flexibility in the sequence and number of questions was allowed depending on the participant's

answers. Questions were pretested before starting the data collection process and modifications were made accordingly.

4.2.2 Sampling Criteria

According to Bryman (2012:415-428), there are two types of sampling: probability sampling, significant when the researcher needs to generalize to a wider population; and purposive sampling, suitable when participants are not selected on a random basis but rather in a strategic way, so that the selected subjects of study are relevant to the research questions. To best fit the objective of the study, purposive sampling was selected, specifically the criterion sampling approach which refers to sampling all units (cases or individuals) that meet a particular criterion (Bryman, 2012:419). In this sense, only top-level managers from Swedish organizations that operate or plan to expand into BOP markets using IB models within the water and sanitation or energy sectors were considered. The word “organization” is used in this study, as not all of the participants represented formally established enterprises but rather organizations that are in the process of becoming one. In such cases, these organizations have worked closely with IB models and have enough accumulated experience in their field to be deemed relevant for the purpose of this research. As for the targeted sectors, water and sanitation and energy were chosen due to three factors: the importance for human well-being, the relevance given in the Sustainable Development Agenda (UN, 2015) and the Inclusive Business Agenda for Sweden (IBS, 2015), and because they are the most robust sectors in Sweden, by number of organizations, when it comes to the IB arena according to an analysis performed by the researcher based on IBS’s internal mapping of IBs in Sweden. In total, 11 top-level managers representing 10 different organizations belonging to either of the sectors were interviewed. The participants hold the following positions: CEO or Founder (9), Lead Project Manager (1), and Group Account Manager (1). The number in parentheses refers to the number of individuals. In terms of sectors, six organizations belong to the water and sanitation sector, while four belong to the energy sector.

4.2.3 Fieldwork and Data Processing

When seeking an interview with a high-ranking individual, it is advisable to use personal contacts or a powerful sponsor to support the approaches and facilitate introductions, as it can enable and/or speed up the process significantly (Hammett et al., 2014:143). In this regard, the researcher approached IBS to request support in contacting key individuals of interest for this research. After giving their consent, the top-level managers were first contacted via e-mail by

IBS's personnel to introduce the researcher and the topic of the study. Thereafter, the researcher was responsible for responding to enquiries made by the managers and eventually setting up the interviews. However, it must be emphasized that even though the role of IBS was essential in engaging the researcher with the managers, the organization had no interference with the topic, purpose, or design of the study. The interviews were conducted in person, via Skype or by telephone between November-December 2017. All interviews were performed in English and no interpreter was required. Informed consents stating the purposes of the research and participant rights were sent and agreed upon before setting up an interview. In addition, interviews were audio-recorded. Following Creswell's (2007:133-134) advice, all cellphone and computer recording functions were discarded in order to guarantee the quality of the audio and to avoid technicalities that could distract attention from the participant's input. After concluding each interview, the audio recordings were transferred to, and saved in, a laptop and subsequently uploaded to Dropbox with security codes to which only the researcher had access. Interviews were transcribed using the software NVivo 11.0 shortly after concluding the meetings and coded following the thematic approach, which, according to Vaughn and Turner (2016), is particularly useful in qualitative analysis when the researcher needs to identify meaningful themes within the collected data. To this end, two spreadsheets (one per sector) with several columns and rows were created. Each column represented a key topic according to the purpose and scope of the study, and each row represented a manager/organization. To maintain anonymity, each manager representing an organization was named "WS" (water and sanitation) or "E" (energy) followed by the numbers 1 to 6 in the case of WS and 1 to 4 for E. Responses from all participants were analyzed and compared by sector in accordance with the strategy adoption process and level of cocreation, by using the frameworks and literature described in the previous chapter. In the case of the challenges, however, the results were structured and organized following the thematic approach.

4.3 Limitations and Ethical Considerations

It is important to be aware that critics to the multiple-case study claim that this approach "forces" the comparisons, as it tends to focus less on the specific context and more on the ways in which the cases can be contrasted (Bryman, 2012:75). Moreover, due to its qualitative nature and small sample, the findings of this research cannot be generalized to all Swedish organizations engaged in IB models operating within the Water and Sanitation and Energy sectors. It can, however, be taken as an illustrative reference for other social enterprises or

organizations willing to engage with IB. Also, the reliance on the shortlisted organizations and top-level managers for this study was high, as the universe of companies meeting the criteria was quite limited. Regarding ethical considerations, many authors (e.g. Hammett et al., 2014; Bryman, 2012; Creswell 2007) emphasize the importance of ethical considerations when conducting research. Hence, in this study informed consents were sent to the participants before carrying out the official interview. The document contained information regarding the purpose of the research; the LUMID program; the involvement of Lund University; and the rights as a participant including anonymity and confidentiality, data processing, withdrawal from the study, follow up communication, and dissemination of the results. Concerning trustworthiness, this research complies with the credibility, transferability, dependability and confirmability aspects of it (Bryman, 2012:390).

5. The Water and Sanitation and Energy Sectors in the Swedish Inclusive Business Context

This chapter aims to investigate the IB environment in Sweden by focusing on the water and sanitation, and energy sectors.

5.1 Inclusive Business in Sweden: Water and Sanitation Sector

In Goal 6 of the United Nations' Sustainable Development Agenda, it is acknowledged that safe water and adequate sanitation are indispensable for a cleaner environment, alleviating poverty, achieving inclusive growth, greater social well-being and sustainable livelihoods (UN, 2018a). Similarly, Sweden's Inclusive Business Agenda stresses the importance of water and sanitation and sets the goal to "provide access to clean drinking water, sanitation and hygiene solutions to 100 million people at the BOP" by 2030 (IBS, 2015:14). According to Kellogg (2017:120), about 2.4 billion people do not have this basic need covered. The problem, therefore, is significant and requires action from public and private actors to find and implement innovative solutions that are tailored to the needs of customers or end users (Gabrielsson et al., 2016; Kellogg, 2017).

According to Swedish Cleantech (2018a), Sweden has one of the highest standards of water and wastewater management in the world. Hence, with increasing investments and emerging innovations, Sweden has positioned itself as a global exporter of knowledge and technologies that have been implemented in several countries around the world. In this regard, areas of Swedish expertise in water and sanitation include water and wastewater treatment, sewage and brackish water, groundwater management, and innovative water purification and recycling systems (Swedish Cleantech, 2018a).

According to the Inclusive Business Agenda (IBS, 2015), the export of Swedish knowledge in the water and sanitation sector is worth close to a billion US dollars. Thus, it is not surprising that several Swedish enterprises have opted to offer a solution to the BOP that, besides tackling a basic need, represents a promising business opportunity. Based on information provided by IBS and internet-based research using the keywords *BOP*, *base of the pyramid*, *Sweden*, *water*, *sanitation*, *WASH*, *företag (business/company)*, and *inclusive business*, it was possible to identify the following Swedish enterprises that have either adopted or plan to adopt IB strategies (Figure 4, next page).

The information provided below was taken from the enterprises' official websites and was further summarized to construct a non-exhaustive list of BOP-focused enterprises operating within the water and sanitation sector in Sweden. In this respect, the products or services provided by those enterprises are in accordance with the strengths and expertise mentioned by Swedish Cleantech and outlined in the Inclusive Business Agenda, especially in the areas of water and wastewater management and purification systems. Regarding geographical reach, not all enterprises are currently operating in BOP settings. However, the ones that are operate primarily in South Asia (India and Bangladesh), East Africa (Kenya and Tanzania), and South Africa. In terms of location within Sweden, four enterprises have their headquarters in the West Sweden/Gothenburg area, four in the Central Sweden/Stockholm area, and only one is located in Southern Sweden. This is consistent with the locations of the main metropolitan areas in the country (Gothenburg, Stockholm, and Malmö).

Figure 4. Enterprises: Water and Sanitation

Enterprise	Location	Offer
Advanced Aerobic Technology Sweden AB (A ₂ T)	Västerlång	Treatment system that eliminates in an energy efficient and hygienically safe manner pathogens and drug residues from the latrine and toilet water
Again AB	Gothenburg	Testing of sustainable solutions for decentralized household wastewater treatment. The ultimate objective is to extract nutrients from urine to be used in agriculture fertilization
Green Business Team AB	Varberg	Sustainable processes for water purification and sanitation that help diminish global health issues and social injustices by educating individuals and organizations on how to make sustainable choices for their communities
Millennium Technology of Sweden AB	Eskilstuna	Clean, desalinated and germ-free water to needy areas of the world in order to improve public health, reduce poverty and create cultivable areas, which today is desert
Mimbly AB	Gothenburg	Innovative products and services that directly tackle water scarcity with a focus on household water consumption
Mundati AB	Karlstad	Hygiene and sanitation systems for areas that are lacking water and sewage infrastructure by addressing all stakeholders in the value-chain, including the BOP
Solvatten AB	Stockholm	Innovative, low-cost, and portable water treatment and water heater system designed for off-grid household use in the developing world that provides access to clean and hot water
Swedish Hydro Solutions AB	Alingsås	Knowledge, products, and equipment for effective and environmentally sustainable treatment of large volumes of water and long-term, ecologically and economically sustainable change management
Watersprint AB	Lund	Water purification products that eliminate microorganisms by using optimized nanotechnology, some products are designed to be used in difficult areas and circumstances

5.2 Inclusive Business in Sweden: Energy Sector

The Sustainable Development Agenda Resolution (UN, 2015) aims to ensure access to affordable, reliable, sustainable and modern energy for all (Goal 7) as a way to combat climate change and its impacts on people's lives (Goal 13). Three billion people rely on wood, coal, charcoal or animal waste for cooking and heating, which accounts for about 60% of the world's global greenhouse gas emissions, therefore, reducing carbon output is a key objective for humanity (UN, 2018b). However, with the appropriate use of new technologies and innovations along with changes in behavior, it is possible to reduce the effects of climate change on people's livelihoods and national economies (UN, 2018c). In order to achieve the above, the Swedish government, through the Inclusive Business Agenda (IBS, 2015:14), set the goal of enabling

“green energy access through IB models for 300 million people” by 2030. This goal is important because, as stated by Scott (2017a:49), energy access is essential for development at the community level and critical for economic growth. However, the vast majority of people without access to reliable, sustainable and modern energy sources live in the Global South, particularly in remote rural areas, preventing them from improving their living standards.

When it comes to the energy sector, Sweden has expertise in two specific fields: energy efficiency and renewable energy technologies (Swedish Cleantech, 2018b). *Energy efficiency* involves making energy as accessible as possible for users while being as sustainable as possible for the community. In the energy efficiency field, Sweden is particularly strong in heating, cooling, geothermal and energy storage systems, and green technologies. *Renewable energy technologies* involve continuous innovation focused on reducing waste and greenhouse gases, using natural and human resources in an appropriate manner, and producing and conserving energy.

Sweden’s expertise includes solar, wind, and water energy solutions and processes. In fact, in 2009, Sweden became the first country in Europe to meet the renewable energy targets set by the EU for 2020. Similarly, 50% of Sweden’s energy production comes from renewable resources, mostly due to the use of biofuels, heat pumps, and the reuse of organic wastes. All in all, Sweden’s experience and knowledge in implementing renewable energy technologies could be useful in many countries of the Global South where the needs and demands of a growing population must be addressed in order to generate sustainable economic growth and development (Swedish Cleantech, 2018b; IBS, 2015:36).

The potential for business is promising. According to Scott (2017b:50), the estimated value of the off-grid solar market alone is worth US\$ 31 billion. According to IBS records and web-based research using the keywords *BOP*, *base of the pyramid*, *Sweden*, *energy*, *sustainability*, *företag* (*business/company*), and *inclusive business*, the following Swedish enterprises have either adopted or planned to adopt inclusive business strategies (Figure 5).

Figure 5. Enterprises: Energy

Enterprise	Location	Offer
Bjurtech AB	Öckerö	Products aimed at ending the use of fossil fuels through renewable innovations that simplify everyday life for people around the world by taking into consideration their specific contexts
Cleancook Sweden AB	Stockholm	Ethanol- and methanol-based stoves (clean fuels) for markets where people traditionally rely on firewood, charcoal, and kerosene to cook
Climate Saver AB	Gothenburg	Innovative app that keeps track of ecological footprint and suggests environmentally friendly decisions based on the users needs
Emerging Cooking Solutions AB	Lund	Cost-effective, high-performance stove for pellets in order to end the use of charcoal for cooking, diminish unnecessary death and disease from air-pollution and stop deforestation
Make It Green Solutions AB	Svenljunga	Improving the quality of life of people living in rural areas in developing countries through greener, and cleaner, cook stoves and related products
OSOL AB	Gothenburg	Sustainable alternatives using state-of-the-art knowledge in finding and implementing the optimal solutions needed by organizations and communities
Renetech AB	Stockholm	Sustainable and environmentally adapted solutions focusing on waste and biomass management, hydropower, solar and geothermal energy conversion
Samster AB	Lindome	Sustainable energy solutions that reduce energy dissipation and environmental impact through effective control of energy flows based on end users' needs and consumption patterns
SeaTwirl AB	Gothenburg	Simple, robust, clean and cost-effective solutions for floating wind power with the objective of reducing the use of fossil fuels
SolarBora AB	Linköping	Clean and affordable energy through reliable solar cell technology and environmentally friendly batteries
TRINE AB	Gothenburg	Access to clean energy to people in developing countries through innovative investment schemes and support of local solar energy providers

As in the previous section, the information provided above was taken from the enterprises' official websites and summarized in order to provide an overview of BOP-minded for-profits operating within the energy sector in Sweden. However, it should be noted that it is not exhaustive. That being said, the products or services provided by the enterprises mentioned above are in line with Sweden's fields of expertise, namely energy efficiency and renewable energy technologies. In terms of geographical reach, enterprises currently operating in BOP

settings particularly target rural areas in African countries such as Ethiopia, Kenya, Nigeria, South Africa, Tanzania, Uganda, and Zambia. Regarding location within Sweden, the majority of enterprises (seven) are based in West Sweden/Gothenburg area, three are located in Central Sweden/Stockholm area, and one is based in Southern Sweden. One of the reasons many companies within the energy sector are clustered in West Sweden, and the Gothenburg region especially, may be the emphasis made by the regional government on energy and cleantech innovation and business development as outlined in the 2030 sustainable growth strategy for the region (*Göteborgsregionens tillväxtstrategi till 2030*) (Business Region Göteborg, 2018). Even so, empirical studies analyzing the effect of governmental strategies on IB creation in Sweden are needed to confirm or refute the latter assertion.

6. Findings and Analysis

This chapter presents the results and analysis derived from semi-structured interviews conducted with top managers and is divided into three sections. The first two sections provide the findings and analysis of the water and sanitation sector, and energy sector, respectively. The third section offers a comparison between sectors, focusing on the above-mentioned subjects.

Figure 6. Description of the Sample

ID	Positions held by top managers	Areas of Expertise
WS1	CEO and Group Account Manager	Purification systems
WS2	CEO	Purification systems
WS3	Co-founder	Wastewater management
WS4	Founder and CEO	Wastewater management
WS5	CEO	Wastewater management
WS6	Project Manager	Wastewater management
E1	CEO	Energy efficiency
E2	Founder and COO	Renewable energy
E3	CEO	Renewable energy
E4	Founder and Engineering Director	Energy efficiency and Renewable energy

6.1 Case Study 1: Water and Sanitation Sector

The findings of both case studies address the following research questions: *how have top-level managers driven the adoption of IB strategies among Swedish organizations within the water and sanitation and energy sectors?*, *what is the level of cocreation of these organizations?*, and *what are the challenges of implementing IB strategies in Swedish organizations operating within the water and sanitation and energy sectors?*

6.1.1 Strategy Adoption

Figure 7. Strategy Adoption: Water and Sanitation

Descriptors	WS1	WS2	WS3	WS4	WS5	WS6
Strategy Style	Command and Symbolic	Symbolic and Transactive	Rational and Transactive	Command and Rational	Command and Transactive	Command and Rational
Role of Top Management	Commander and Coach	Coach and Facilitator	Boss and Facilitator	Commander and Boss	Commander and Facilitator	Commander and Boss
Type of Business Actor	Corporate Entrepreneurship	Corporate Entrepreneurship	Entrepreneurship / New Ventures	Entrepreneurship / New Ventures	System Innovation	Entrepreneurship / New Ventures
Business Strategy Focus	Process Focus	Process Focus	Process Focus	Process Focus	Process Focus	Process Focus

By using the Combined Framework for Strategy Adoption (Figure 7), results show that the ways in which top managers drive the adoption of IB strategies vary depending on their *strategy style* and resulting *managerial role*. Two main strategy styles and managerial roles were identified for each manager. Yet, other forms of styles and roles can also be attributed to the managers, confirming Hart's (1992:335) assertion that these approaches are not mutually exclusive, and managers can combine two or more styles and roles. Moreover, no association was found between the adoption of IB strategies and the *type of business actor* of the organizations. Lastly, results show that in terms of *business strategy*, all organizations are process-focused.

In connection with the above, four strategy styles and managerial roles are primarily exerted by top managers, the command style-commander role being the most common approach in the strategy adoption process. In this approach, business strategies are driven by a strong individual leader or a few top managers who carefully analyze alternatives and make strategic decisions. Therefore, their main purpose is to provide direction:

“We are a small company, we have our hands full, we are eight people in total and six are doing technical R&D while the remaining two take care of the general management of the company”

[WS2]

“My partner and I founded the company three years ago, we have driven the overall strategy of the company, now we are four people in the business”

[WS5]

The reason top managers tend to use the command style-commander role is that IB organizations are considerably small and strategies are decided directly by the founders or CEOs. However, even if this may seem a rigid and hierarchical structure, the fact that only a few employees are involved in the development and implementation of the business strategy allows for flexibility when it comes to the exchange of ideas and opinions between top managers and their subordinates.

The transactive strategy-facilitator role approach was also frequently utilized in the strategy adoption process. Thus, it was noted that interacting with different stakeholders (e.g. employees, suppliers, BOP) while facilitating an ongoing dialogue with them was an important factor that managers took into account in the strategy design:

“For example, in an African country, we work with the national Women's Federation, which has over 70,000 members. In other country, we tried to hook up with Swedish companies that have a production in Africa, we have started a conversation with a company in India but they also have a Swedish-Indian company having production and representation in India, so we go that way, we need to go in that kind of partnership”

[WS2]

"[The CEO] set up some meetings with a couple of other organizations we were working within the sanitation space to look whether there was a way peer-to-peer solutions could make it easier for people to share existing toilets in low-income countries and how we can best use them to ensure that everybody has access to at

least one and then we reached out to potential partners, one NGO working with sanitation, and local consultant who works with WASH innovations in Kenya”

[WS6]

Along with the above, data suggest that the use of the rational style-boss role approach in the strategy adoption process was also common. Several managers emphasized the importance of data processing and analysis as a way to guide the action plan in BOP settings. Managers using this approach act more like supervisors, or bosses, in charge of monitoring and controlling the activities of their subordinates. In some cases, this approach gained relevance after an unsuccessful experience in BOP settings or the realization that the organization is not capable of conducting in-depth analysis when considering a target country:

“It didn't work out [the strategy] because we were very inexperienced, we could've done more for them, they could've been more responsive. Today we would've done it differently”

[WS2]

“We're aware that market studies are essential but they entitle money and other resources and a comprehensive market study to select the most appropriate country will likely come from a major partner that has the resources to perform it”

[WS3]

A fourth approach used, although to a lesser extent, is the symbolic style-coach role, in which managers drive the business strategy primarily motivated by the vision and long-term mission of the organizations. It was noted that managers using this approach were highly motivational and inspirational in their statements:

“Our mission is to provide our products to countries around the world that are in lack of water [...] we have water around the world but despite that a lot of people are dying due to lack of clean water so that was the main thought [the CEO] had for quite a long period in his life before coming up with this technology”

[WS1]

“Drinking water as you may know almost 30% of the world population today do not have clean water[...]. The goal of the company is of course to help, actually to

save lives, we say that we kill germs but we save lives [...] I mean, in our DNA we have the purpose of helping people”

[WS2]

Regarding the *type of business actors*, it was possible to conclude that three organizations fall into the category of Entrepreneurship/New Ventures meaning that they were created expressly to cover a need at the BOP. Two organizations were catalogued as Corporate Entrepreneurship as they were not conceived to address a BOP need. In this case, organizations were primarily established as “traditional” businesses that adapted their strategies in order to meet a need at the BOP. However, there is a difference with Hart et al.’s (2016) original concept, as organizations within this category do not seem to have the implementation and scaling capabilities claimed for this type of BOP business actors. The reason for this may be related to the size of the organizations in terms of personnel and economic capacity. Furthermore, only one organization was identified as System Innovation, as its business activities were encouraged by stakeholders already working with IB. In this case specifically, the organization emphasized the role of IBS as the reason to consider a potential expansion into BOP settings. Finally, according to the results, it was not possible to establish an association between the strategy style and role of top managers with the type of business actor. In other words, the categories are not connected, and one does not exercise any influence over the other.

Concerning the *business strategy focus*, collected data indicate that all organizations are process-focused, as strategies driven by top managers seem to be designed after an in-depth understanding about the needs and aspirations of BOP populations and the relationships between the social and environmental issues faced in BOP settings. However, even if Hart et al. (2016) suggest that content focus is suitable for organizations emanated from corporate entrepreneurship and system innovation, it was not applicable for the organizations participating in this study. It was concluded that content focus works better for large organizations with enough resources to scale business strategies, and successfully proven IB models, than for small organizations in the early stages of implementation.

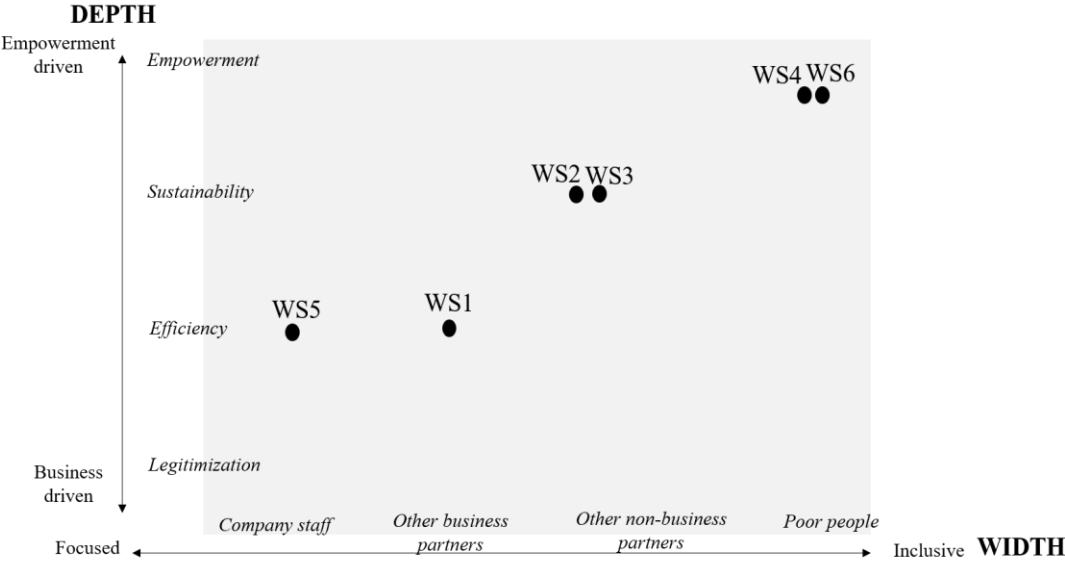
In sum, within the water and sanitation sector, top managers have driven the adoption of IB strategies primarily through four different approaches. These approaches reflect the strategy style and role of the managers in the adoption process. Managers tend to favor the command style-commander role approach, followed by the transactive strategy-facilitator role, the rational

style-boss role, and the symbolic style-coach role approaches. Moreover, it is important to note that none of the managers seemed to utilize the generative style-sponsor role approach. This can be explained by the fact that in the organizations that took part in this study, the adoption of IB strategies is a top-to-bottom process. That is the initiative is driven by the managers themselves rather than other organizational members. Additionally, the type of business actor does not seem to be associated with the strategy style or role executed by top managers. However, it was observed that Swedish organizations engaged in IB are mostly “BOP-born”, as they were conceived specifically to address a need affecting the BOP. Lastly, it can be inferred that the fact that all organizations have a process-focused business strategy is related to the small size of the organizations and the early stages of the IB implementation.

6.1.2 Cocreation Level

This study has highlighted cocreation as a key element for developing successful IB strategies. It was also argued that the level of cocreation is not a rigid concept and could be sought at different levels depending on the intended purpose of a business strategy. Therefore, in order to determine the level of cocreation of the organizations considered in this research, Nahi’s (2016) Framework for Cocreation at the BOP was utilized. As previously mentioned, this analysis relies on information provided by top managers, which was further complemented with relevant secondary data.

Figure 8. Level of Cocreation: Water and Sanitation



According to the results (Figure 8) within the water and sanitation sector, the level of cocreation varies considerably both in width and depth. In terms of *width*, which measures how focused or inclusive cocreation is within an organization depending on the diversity of its partners, it was found that organizations carefully select their partners depending on their particular business needs and how strong and focused their IB strategies are. In terms of *depth*, which provides insight into the genuine purpose for seeking cocreation, data indicate that the extent to which an organization is more business driven or empowerment driven is related to the nature of the organization, specifically to the type of business actor it represents.

Overall, it was noted that organizations situated in the upper right corner of the quadrant are BOP-born organizations (as depicted in Figure 5), therefore, their business plans tend to be more focused on and aware of the needs and context of the BOP. Thus, as proposed by Nahi (2016), these organizations are more likely to seek cocreation with other non-business partners, such as research institutions or local NGOs, often ensuring social and environmental value to the BOP in order to enhance well-being and ultimately empower low-income communities:

“Two years ago, we started looking into the market. From then we went on looking for different partners like IBS, [then] we graduated from a start-up acceleration program. We also got support from VINNOVA and Almi. Then we were pushed to other markets along with RISE”

[WS4]

“We asked to ourselves: who would be best positioned to work with us to ensure this solution will work? Find someone who knows not just the country or city but that market better than you do otherwise you're flying blind with a great product and great idea”

[WS6]

In other cases, it was observed that the main driver for seeking cocreation was linked to the potential profit in BOP contexts. Therefore, organizations are motivated to create partnerships in order to build attractive business models and ecosystems suited to BOP contexts (Nahi, 2016). This is consistent with organizations that are more efficiency driven and seek partnerships within the business spectrum:

“We have contacts in China, Spain, many countries in Africa who are willing to acquire our technology when it's available on the market”

[WS1]

“[In Burma] there are a lot of mining businesses that are polluting drinking water resources so we could apply our technology there”

[WS5]

Also, it was found that cocreation is not always the result of a planned strategy, as it could also be induced by third parties. This was particularly true in small organizations that have developed an attractive technology or innovation:

“People call us or mail us in 80% of the cases, the other 20% we have agents [...] so it's not really ourselves who say hey, let's do this in this country, we're too small for that. For example, in Bolivia they wanted a Nordic company expert in water so we applied and we got it [...] In Rwanda, we're gonna help a Swedish company to install our technology, they're making water kiosks with a different technology”

[WS2]

Altogether, it can be argued that within the water and sanitation sector, cocreation is significant, though it can be sought at different levels and responds to different aspects including the type of business actor and the ultimate purpose of the organization, corresponding with Nahi's (2016:417) idea of cocreation. Finally, it was determined that, when seeking cocreation two organizations (WS1, WS5) are driven by efficiency and have limited partners within the business sector, two more (WS2, WS3) are inclined toward providing sustainable social and environmental value to the BOP along with business and non-business partners. The level of the remaining two (WS4, WS6) are fundamentally empowerment driven and rely on a variety of partners, including BOP populations.

6.1.3 Challenges

As previously discussed in this study, some authors (Bisignano et al., 2017:203; Duke, 2016:510; Hart et al. 2016:411; Caneque and Hart, 2015:1) claim that IB organizations often fail to achieve the outcomes they envisioned due to the difficulties encountered in BOP contexts. In the water and sanitation sector, it was found that the main challenges faced by organizations

were the availability of sources of funding, cocreating partnerships, knowing the local contexts, and understanding the real needs of the BOP.

Figure 9. Challenges: Water and Sanitation

Challenges	Components
Sources of funding	Availability
Cocreating	Finding a suitable business partner, finding skilled personnel, lack of awareness from potential business and non-business partners or investors
Knowing the local contexts	Uncertainty of operating in unfamiliar settings, defining the best region to expand, knowing the local context
Understanding the real needs of the BOP	Adapting the technology to properly address BOP needs, learning what the BOP really needs

Among top managers, the availability of sources of funding to specifically support IB initiatives represents a major challenge. It was found that is particularly problematic to find funding for new technologies targeting specifically the BOP, either for development or scaling purposes:

“Absolutely, [securing funding] has been a struggle, to reach such [level of] development costs millions [...] it's never ending and it's hard to know what's good enough and the twist that the market wants and it takes a lot of capital”

[WS2]

“[Funding] is a big thing. Investors we've had so far they think [our technology] is a good thing, they wanna look into it, they're interested, they think you can make good and make money at the same time but they want to invest when the product is ready and not in prototypes”

[WS4]

However, in the case of technology developers, it was found that the extent to which an organization struggles to find sources of funding is linked to the degree of innovation present in their offer, for example:

“We've had challenges in financing, but hasn't been the biggest challenge. Trafikverket has helped us to enforce our technology on different projects. That gave us a lot of leverage, also we've had funding from other government agencies such as VINNOVA, Almi and the EU Commission as they think our technology is valuable”

[WS5]

In the previous section, it was argued that all organizations sought cocreation at different levels depending on their type of business actor and particular purpose, though it has posed some challenges. In the water and sanitation sector, it was found that cocreating in BOP contexts has been complicated especially in terms of looking for skilled staff, finding suitable business partners, and facing the lack of awareness from potential business and non-business partners or investors:

“The biggest challenge so far has been finding the right team, 100%. We have good luck hiring highly skilled people but the management team is the thing we have struggle the most”

[WS3]

“The investors don't see the importance of long-term results because they want their money back, it can't be a 3-year plan, and there's where we had to look at all types of money”

[WS4]

Similarly, two more interrelated challenges were identified within the water and sanitation sector: (1) knowing the local contexts where organizations intend to establish their operations and (2) understanding the real needs of the BOP, both subjects have been addressed in the literature (Likoko and Kuni, 2017:8; UNDP, 2008).

More specifically, it was found that it is challenging for organizations to deal with the uncertainty of operating in unfamiliar settings:

“It's hard to know what you're dealing with. First, we're dealing with other cultures, that's hard. Zambia, Liberia or Rwanda are countries where is hard to know who to talk to, etc., even if you're there”

[WS2]

“[In developing countries] the pace of work and research agreed upon is a lot slower than in Europe. It’s very frustrating and is tight bottle-neck”

[WS4]

Other organizations stressed the difficulty of learning the real needs faced by BOP populations and adapting the technologies to better address those needs:

“[During the research phase] people were very polite, but there's a level of politeness when it's hard to tell if people really agree with your idea or just want to be nice to you, getting honesty was difficult. Without real honesty is hard to know what to improve or if the project will work or not”

[WS6]

“Another challenge is to make the technology suitable for low-income families [...] what we do now is choosing pilot projects, we select who we're working with and then we create a specific system for them”

[WS3]

Finally, it was also found that one way of addressing the challenge is through a conscious reflection on the purpose and scope of the business strategy:

“What you need to do is to learn about your users [...]with the same approach and energy than you learn of a new market, wherever that market is, just get to know them without any cultural difference bias [...] the approach we've taken is: is there a need? what is the need? can we address it with this? is there really an appetite for this solution? if not, we go back to the drawing board, if yes, full steam ahead”

[WS6]

6.2 Case Study 2: Energy Sector

6.2.1 Strategy Adoption

Figure 10. Strategy Adoption: Energy Sector

Descriptors	E1	E2	E3	E4
Strategy Style	Command and Transactive	Command and Rational	Command and Transactive	Command and Symbolic
Role of Top Management	Commander and Facilitator	Commander and Boss	Commander and Facilitator	Commander and Coach
Type of Business Actor	Entrepreneurship / New Ventures	Entrepreneurship / New Ventures	Corporate Entrepreneurship	System Innovation
Business Strategy Focus	Process Focus	Process Focus	Process Focus	Process Focus

The Combined Framework for Strategy Adoption (Figure 10), shows two prevailing strategy styles and associated roles for each manager. However, as proposed by Hart (1992:335), it should be noted that a manager's actions may be driven by other underlying styles and roles. Moreover, no association was found between the adoption of IB strategies and the *type of business actor* of the organizations. Lastly, it was found that in terms of *business strategy*, all organizations are process-focused.

Overall, results suggest that four strategy styles and managerial roles are primarily exerted by top managers of Swedish organizations engaged in IB. The most frequent one is the command style-commander role approach, which managers of all organizations seemed to use. As previously explained, business strategies in this approach are driven by a strong individual leader or few top managers who carefully analyze alternatives and make strategic decisions. Thus, their main role is to "command" the strategy adoption process. In the energy sector, data suggest that it is natural and understandable that top managers favor the command style-commander role, as the small size of the organization facilitates direct decision making by the founders or CEOs, as illustrated below:

"We are two partners at the company [...]we started the company in 2012 [...] in Sweden, the person working is just me [...] everything is happening in Zambia which is run by my partner, he lives there" [E1]

“My business partner and myself started the company. He has a solar energy background [...] and I have experience working in Kenya with people living in energy poverty, so we met, we connected the dots, and started building the company”

[E2]

Results indicate that, in the energy sector, the second most common approach used by managers in the strategy adoption process is the transactive strategy-facilitator role. In this regard, managers highlighted the significance of interacting and facilitating an open dialogue with different stakeholders during the strategy design:

“One of my drivers has been that there's so much knowledge here in the city, there's not a problem in the world that we don't have an expert here, there's an expert for any technical problem, water problem, energy problem, there's someone in the city who knows about it, some professor, some entrepreneur who knows exactly how to solve it, and we are in contact with them”

[E1]

“We always do our projects with local partners, [however] when it comes to the government contact, we're not so much involved, is mainly the local partners who do that and we support them in their relationship with the government, that's generally how we work”

[E3]

Also, according to the results, the use of the rational style-boss role and the symbolic style-coach role approaches were less prevalent in the strategy adoption process. However, some managers did emphasize the importance of data processing and in-depth analysis of BOP contexts (rational-boss) and underlined the influence of the vision and long-term mission of the organizations in the strategy adoption process (symbolic-coach):

“We looked at Kenya because I worked with people that have been working in Africa and I travel there to learn about sustainability [...] there, having electricity at home it's like the basic need for security and for living [...] there are several needs

for people living in rural areas but we believe that with electricity we can solve most of them”

[E2]

“The mission of the company is to have a clear impact on sustainability and inclusiveness of systems or engineering solutions or businesses around the world. The main value proposition now it's been shaped towards sustainability and inclusiveness. That's what it is today, in the beginning it was pure engineering and knowledge services to whoever need it but now it's more focused in creating the impact in that space”

[E4]

As for the *type of business actors*, the information provided by the managers indicates that two organizations can be catalogued as “BOP-born” (Entrepreneurship/New Ventures). One organization was identified as Corporate Entrepreneurship, as its turn toward IB activities was not a planned strategy but rather an adaptive process. Only one organization was identified to be a result of System Innovation, as its IB strategy was encouraged by stakeholders engaged in BOP opportunities. Lastly, according to the results, the type of business actor of the organizations was not connected to the strategy style and role of top managers.

Regarding the *business strategy focus*, data shows that all organizations are process-focused. This means that business strategies were primarily designed after an in-depth analysis of the needs and aspirations of the BOP populations. It should be noted that Hart et al’s (2016) idea suggesting that content focus is often suitable for organizations derived from corporate entrepreneurship or system innovation was not applicable on this occasion, because, as explained in the previous case study, content focus is mostly aimed at large organizations operating in multiple countries with enough resources to scale business strategies, unlike to the organizations participating in this study.

In brief, within the energy sector, top managers have driven the adoption of IB strategies essentially through four different approaches, reflecting the strategy style and role in the adoption process. In this regard, results suggest that managers preferred the command style-commander role approach, followed by the transactive strategy-facilitator role approach, and to a lesser extent, the rational style-boss role, and the symbolic style-coach role approaches. None

of the managers appeared to use the generative style-sponsor role approach. Furthermore, there is no indication that the type of business actor is associated with the strategy style or role executed by top managers. Lastly, data suggest that all organizations within the energy sector have a process-focused business strategy, which is in accordance with the small size of the organizations that took part in this study.

6.2.2 Cocreation Level

The Framework for Cocreation at the BOP for the energy sector (Figure 11) was primarily constructed with information provided by top managers and complemented with secondary data. In this sense, results suggest that the levels of cocreation among organizations do not vary significantly in width or depth. Regarding *width*, it was found that organizations tend to seek inclusive cocreation in BOP settings by fostering partnerships with other business actors, local institutions, and people living in low-income communities:

“In rural areas people tend to be supportive [toward the organization]. They know that a new project means jobs for them so they tend to be supportive. In some cases, they are not able to get cash income so they see an opportunity to get some cash”

[E3]

“Having local partners that are reliable, it's a key of success, it's impossible to do it without them”

[E4]

When it comes to *depth*, data suggest that all organizations are highly motivated to provide social and environmental value to the BOP and to ultimately empower low-income communities by enabling energy access to the poor. Therefore, they lean toward sustainability and empowerment driven cocreation:

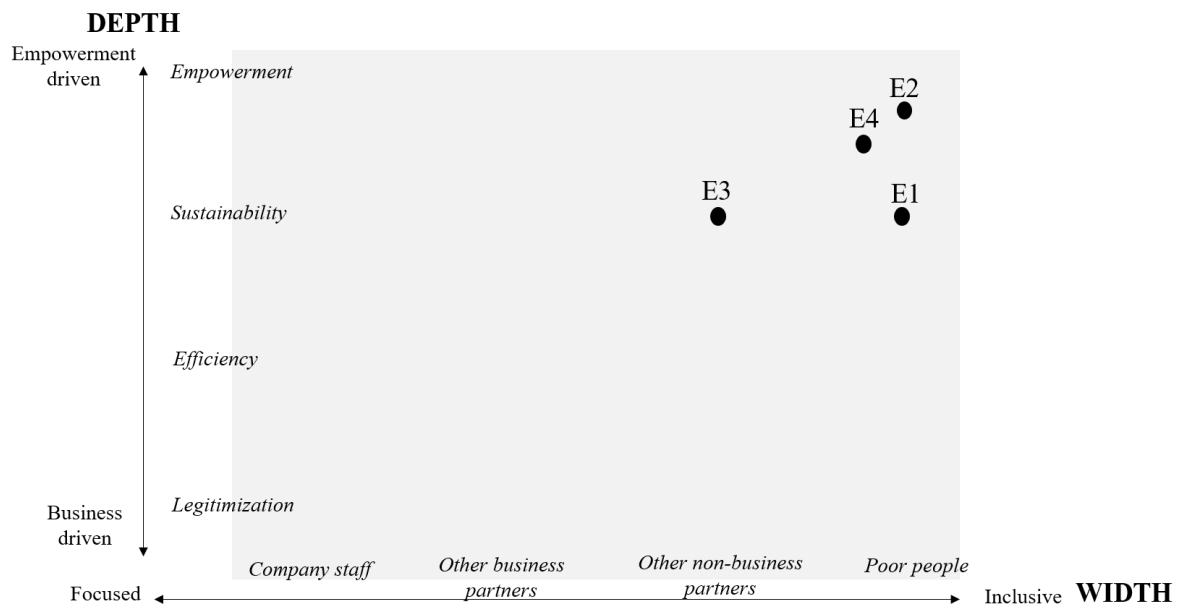
“It makes sense [for the company] to do something in that [low-income] context because it's exactly there that we could make the biggest impact and biggest change”

[E2]

“IB comes in when you include the people in your ownership so they become the value receiver or the value provider and you are giving them the catalyst for that success”

[E4]

Figure 11. Level of Cocreation: Energy



As depicted above, all organizations are situated in the upper right corner of the quadrant disregarding their type of business actor. However, it is important to mention that those that are closer to the inclusive end of the width scale (E2, E1) are organizations originally established and conceived as IBs. Thus, within the energy sector, it can be claimed that the level of cocreation is particularly homogeneous among participating organizations.

In sum, three organizations (E1, E2, E4) have wide and extended partnership networks and one (E3) has a somewhat less extended network of partners. However, the four organizations appear to be either sustainability or empowerment driven, the differences seem to lie in the scope of their operational strategy. While some organizations are more focused on the social and environmental change they can make in the community, others are more inclined to, for example, create entrepreneurial opportunities within the community:

“When you burn forest to be able to cook, you cook in an unsustainable way [...] forests in Africa are disappearing because people use charcoal mainly, [with our

technology] we cover the basic energy needs for poor families and we lower their energy costs about 50%. Instead of candles, kerosene, firewood, and charcoal; instead of toxic fume and poor light, they get clean air and good light”

[E1]

“It is a profitable business for the solar distributors [we partner with]. They are creating a local market within their communities”

[E2]

6.2.3 Challenges

In the energy sector, results show that the main challenges faced by organizations are the availability of funding sources, understanding the local dynamics, seeking cocreation, adverse national regulations in developing countries, and the sustainability and efficiency of the innovations or technologies.

Figure 12. Challenges: Energy

Challenges	Components
Sources of funding	Availability and bureaucratic procedures
Understanding the local dynamics	Little disposable income available, communication challenges, mismatch between business and community motivations
Cocreating	Finding reliable local staff and the right partners, lack of awareness of inclusive business models among the current business paradigm
National regulations	Collaboration with the government, political structures

Thus, in terms of sources of funding for IB initiatives, it was found that managers emphasized the availability of sources and the bureaucratic procedures regarding funding applications, for example:

“[In Sweden] it’s impossible to get a loan if you start a business in Africa. We managed to get a few expensive loans, but we really had to squeeze [...] it has taken enormous amount of work just to get the basic funding you need to start something

like this, it requires that you spend 98-99% of your time on just funding, and 1-2% for actually building the business”

[E1]

“The concession of finance towards projects, that's always quite difficult, and all the requirements that you have to present before a project gets funded, that's always a challenge”

[E3]

Also, managers highlighted the struggle of understanding the local dynamics within BOP communities, especially when it comes to the specific socioeconomic characteristics of the population, communications challenges, and the mismatch between business and community motivations. In words of the managers:

“When working in rural settings, you always need to be aware of who is in charge because if you want to get things done there's normally a local community leadership that will be the drivers, so you need to know who they are”

[E3]

“The motivation for the activities in the Global South is different [...] don't assume that [people at the BOP] will be motivated by what you are motivated with. It's not the good will, or the impact or the benefit that motivates them to act, there must be something in it for them and you need to understand that and be very careful about it [...] you have to consider that in your business plan”

[E4]

Similarly, according to the managers, seeking cocreation is challenging in BOP contexts. In local communities, it is related to finding reliable local staff and partners, in Sweden and developed markets, the challenge responds to the lack of awareness of IB models among the business community:

“One of the major challenges is finding companies that are ready to scale and take commercial debts [...] Also, [for investors] is complex business model to understand compared to the traditional ones that they are used to. They don't have the education

about it, they're well educated in their fields but not in this kind of [inclusive] business models”

[E2]

“Building reliability on someone you've never interacted with [partners] is very difficult. It takes a lot of effort to build a reliable connection with the local partner [...], another problem is credit worthiness, it's hard for investors to trust this kind of businesses because when you give financing, the one giving you the money is expecting a credibility or the credit to come back”

[E4]

Lastly, disadvantageous national regulations related to foreign investment have been problematic in some developing countries, as they favor large companies, therefore, exploring business opportunities in those countries is neither attractive nor possible to small organizations:

“Political environments in Pakistan, India or Nepal [make] very difficult [to invest], nearly impossible [...] due to this foreign investor protection where you have to leave your money there for five years and, commercially, it's not attractive”

[E2]

“[Investment regulations in some countries are] not encouraging because the government doesn't have the tools to cover the risks, so the normal players are the usual players, large energy companies, the ones who know how to run their businesses in these countries they are the biggest ready to play”

[E4]

6.3 Comparison

The present section addresses the remaining research question of this study: *to what extent do the strategy adoption process, level of cocreation, and challenges differ between sectors?*

6.3.1 Strategy-adoption

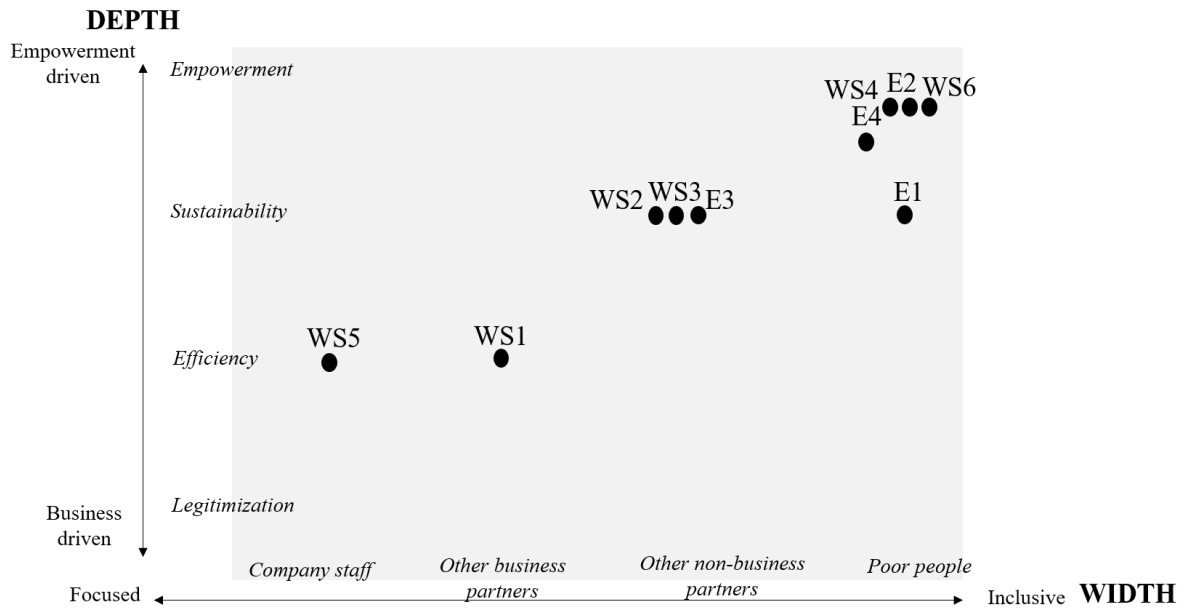
According to the findings, the way in which top managers drive the adoption of IB strategies in the water and sanitation and energy sectors do not differ from each other, in fact, they showed

identical results. Therefore, it can be inferred that top managers tend to exercise the same styles, roles, and strategy focus when driving the adoption of IB strategies within their organizations, regardless of the type of business actor or sector in which they operate. As the importance of sustainable development and interest in IB grows within entrepreneurial and corporate circles, the above mentioned consistency may be particularly useful for managers, social entrepreneurs or traditional for-profits willing or about to engage in IB, as well as for organizations specialized in the subject (e.g. consulting firms, matchmaking organizations, national BOP centers). For the former, it represents an opportunity to approach other managers, social entrepreneurs or companies already working in BOP settings in order to learn from their experience and strategy adoption process; which can further facilitate the strategy design of IB initiatives. For the latter, the results of this research may provide insight into the managerial patterns and motivations of strategy makers engaged in IB which can help to design or improve tools for the creation and development of BOP-oriented enterprises.

6.3.2 Cocreation level

In terms of cocreation, it was possible to identify two key differences. First, according to the findings (Figure 13, next page), within the water and sanitation sector, the level of cocreation varies in width and depth and can be sought at different stages. Regarding *width*, organizations seem to select their partners depending on two factors: their particular business needs and the soundness of their IB strategies. In regard to *depth*, data showed that organizations are business or empowerment driven according to their type of business actor. BOP-born organizations are closer to the empowerment end of the scale. In contrast, within the energy sector, the cocreation level is particularly homogeneous. In terms of *width*, organizations are more inclined toward inclusive cocreation. Concerning *depth*, organizations oscillate between sustainability and empowerment driven cocreation.

Figure 13. Level of Cocreation: Comparison



Second, in the water and sanitation sector, it was observed that some organizations sought cocreation motivated by the potential economic gains of doing business at the BOP, and that cocreation was not always the result of a planned strategy. This was especially true in small organizations with attractive technology. In the energy sector, cocreation seemed to address issues related to social and environmental sustainability, and community empowerment. Lastly, it is important to emphasize that there is no recommended or ideal level of cocreation. Hence, the discrepancy found among organizations is not linked to a positive or negative outcome. It merely illustrates, based on qualitative evidence, the different forms in which organizations can build partnerships in BOP contexts.

6.3.3 Challenges

Findings indicate that challenges are remarkably similar between sectors. This can be explained by two factors. First, this research focused on analyzing the cases of Swedish organizations, therefore, the experiences faced by managers should be framed within the Swedish business context. In this sense, the sources of funding, business style, and approach to partnerships are some characteristics shared by managers. Additionally, organizations already operating in BOP settings deal with similar socioeconomic and environmental issues, hence, the perception of the challenges tends to be the same. The only marked difference, has to do with the role of unfavorable political environments in some developing countries as mentioned by managers of the energy sector. The fact that this was not addressed by managers of the water and sanitation

sector could be related to the fact that most of the organizations belonging to that sector participating in this study are not fully operational in BOP contexts, thus, they do not have experience in dealing with national regulations. As a final note, it was observed that when it comes to IB, the more innovative a product, service or business model is, the more chances it has to succeed. Competition is constantly increasing so businesses need to come up with innovative, well-founded, and flexible financing schemes to cope with the costs of the business. To a large extent, getting funding depends on how innovative and sustainable the offer is.

7. Conclusions

This thesis has addressed the IB topic by analyzing and comparing the strategy adoption process led by top managers, the level of cocreation, and challenges of Swedish organizations operating in BOP contexts within the water and sanitation and energy sectors. This research had two main purposes: providing valuable insight to other managers, social entrepreneurs and enterprises into the experience of organizations already engaged in IB and filling a gap in the IB/BOP literature by analyzing the topics mentioned above. The study was designed as a multiple-case study relying on semi-structured interviews conducted with top managers. To investigate the strategy adoption process, the Combined Framework for Strategy Adoption was constructed explicitly for the purpose of this research. The level of cocreation was examined by using Nahi's (2016) Framework of Cocreation at the BOP, while challenges were analyzed following the thematic approach. Findings indicate that managers in both sectors drive the *adoption of IB strategies* in similar ways. In this sense, it was discussed that four strategy styles and corresponding managerial roles were popular among top managers.

Moreover, findings showed that no association can be established between the adoption of IB strategies and the type of business actor of the organizations. Similarly, results suggest that in terms of business strategy, all organizations participating in this study were process-focused. Regarding the *level of cocreation*, two differences were found among sectors. First, within the water and sanitation sector, the level of cocreation varies considerably in width and depth and can be sought at different stages. In contrast, within the energy sector, the cocreation level is particularly homogeneous and no significant variations were found in width or depth. Finally, findings indicate that *challenges* are rather similar between sectors. However, unlike managers

of the water and sanitation sector, those working within energy, did stress the unfavorable political environments in some developing countries as a particular challenge affecting their sector.

7.1 Recommendations for further studies

The BOP/IB topic is a novel academic field, and the scope of potential further research is extensive. During the course of this study, it was observed that the BOP terrain needs to develop empirical research with large samples relying on a combination of quantitative and qualitative methods to provide more robust and reliable results. Particular focus should be put on assessing the impact of IB strategies in BOP settings and its potential impact on extreme poverty groups, therefore, longitudinal studies should also be encouraged. Additionally, it is necessary to develop specific methodologies focusing on components of IB, such as the level cocreation, that could, for instance, complement Nahi's (2016) framework. Other suggested topics include the role of women in IB strategies and the effect of governmental strategies on IB creation and development.

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Appendices

1. Example of Informed Consent

Consent for Participation in Interview Research

Thank you for agreeing to participate in this academic study, which will take place from November 2017 to January 2018. This form details the purpose of this research and your rights as a participant.

The general purpose of this study is:

- To gain insight into the driving forces influencing Swedish enterprises to include the Base of the Pyramid (BoP) in their business strategy and the challenges faced when expanding their operations in emerging markets

The research project will be conducted by Gabriel Ayala, a student from the Master of Science program in International Development and Management from Lund University. Insights gathered by you and other participants will be used in writing a Master's thesis, which will be read and reviewed by Lund University faculty.

Your Rights

1. Your participation in this project is voluntary and you may withdraw and discontinue participation at any time without penalty
2. The interview will last approximately 30-60 minutes. Notes will be written during the interview and the discussion will be audio taped to help the researcher accurately capture your insights in your own words. The tapes will only be heard by the researcher for the purpose of this study
3. In the event you choose to withdraw from the study all information you provide (including tapes) will be destroyed and omitted from the final paper
4. The researcher will not identify you or your organization by name in any reports using information obtained from this interview, and your confidentiality as a participant in this study will remain secure. Though direct quotes from you may be used in the final document, your name and other identifying information will be kept anonymous. However, if you wish for the use of your name or your organization in the study, this request will be adhered to as well

5. There may be additional follow-up/clarifications through email, unless otherwise requested by the participant
6. A summary of the results will be available to participants upon request. Should you have any questions or concerns please contact the researcher

I have read and understand the explanation provided to me. I have had all my questions answered to my satisfaction, and I voluntarily agree to participate in this study.

Participant's name: _____

Participant's signature: _____

Date: _____

Researcher's contact information:

Gabriel Ayala

Mobile: 0737106578

E-mails: gabriel.ayala.aragon@gmail.com

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Illustrative Questions for Managers

- What's the story behind your business? How did it all start?
- Your organization's mission and vision
- What motivated your organization to look into developing countries? Could you explain how the decision process to explore new markets was like?
- What are the needs in those markets? (in developing countries)
- What do you think is the biggest potential in developing markets for the water sector?
- What opportunities did your organization see in those markets? (in developing countries)
- Did your organization adapt its business strategy to enter those markets? (in developing countries) if yes, how?
- What are the barriers or challenges faced by your organization in such markets?
- What's the role of the local community/partners/government in your business strategy?

2. Interview Guide

Hello,

First of all, thank you for participating in this study. I really appreciate the time you are taking to speak with me. Before we start with the interview, I'd like to tell you a little bit about myself and the general purpose of the study.

As you know, my name is Gabriel and I'm studying a Master's in International Development and Management at Lund University. In general terms, the intention of this study is to explore the drivers and challenges faced by Swedish companies interacting with people in low-income settings and the rationale behind it.

Having said that, do you have any question?

I'm going to start with the questions, some of them, you'll see, are very similar to the ones I sent you along with the informed consent. Feel free to state anything you want and don't worry if you feel like you are perhaps repeating the same answers in different questions, it all helps and contributes.

- Tell me a little bit about [organization], how did the company start? How did you come up with the idea of it?
- In your words, what's the mission and/or vision of your company?
- What specific products or services does [organization] offer? (or what business areas does it have?)
- Have you tested the product already?
- In which countries is [organization] currently present?
- Let's focus first on the European or more mature markets so to speak, how has been the overall experience in these markets? (traditional markets) in any sense (economical, technical, how has the market responded?)
- How would you say [organization] is making a difference in these traditional markets?
- Now, regarding developing countries or [organization] specifically, what motivated [organization] to look into developing countries? What's there?
- What services do you offer in [organization]? Could you mention some examples?

- Was expansion contemplated in the original business strategy when you started the company?
- Could you please explain how the decision process to explore new markets was like?
- Why is it important for Swedish Hydro Solutions to expand into developing markets?
- Now, what needs have you identified in [organization] in your field?
- What have been your sources of funding?
- What opportunities does [organization] see in developing markets?
- Now in a broader sense, what do you think is the biggest potential in developing markets for the [water and sanitation/energy] sector?
- Did [organization] have to adapt its business strategy to enter those markets? (in developing countries) if yes, how?
- Why do you think it is important for businesses to expand beyond the traditional or more mature markets and explore the unconventional?
- What differences do you see in working in [region] and [region] for example?
- Is it profitable to do business in low-income settings?
- Now, let's move on to the challenges. What are the barriers or challenges faced by [organization] in [region]? (Economically, politically, environment, etc).
- Could you please mention who are your key partners in the [region] context? (other companies, government, local community)
- How did the community react with the innovation you offer?
- How's your relationship with each of those partners?
- Does [organization] collaborate with the local community in the implementation of the activities? How?
- What's the biggest challenge of collaborating with the local community?
- How does [organization] deal with government regulations in Africa? Has this been a problem?
- What about the cultural aspects? Has this been an impediment? In what sense?
- How does [organization] deal with environmental regulations in Africa, does this affect your activities in any way? For example, don't you find difficult to promote renewable sources of energy in countries where this is not a priority? Or maybe it is? I don't know
- Can you tell me about a situation in which things did not work as planned? What when wrong?
- Does [organization] plan to explore new businesses opportunities in similar settings? Where?

3. Details of the Interviews

Position	Company	Sector	Agreed?	Via	Date	Venue
CEO	E1	Energy	Yes	Skype	Nov 2nd, 10.15 am	Online
Founder and COO	E2	Energy	Yes	Skype	Nov 13th, 3 pm	Online
CEO	E3	Energy	Yes	Phone	Nov 3rd, 3 pm	Online
Founder and Engineering Director	E4	Energy	Yes	In person	Dec 13th, 10 am	IBS office
CEO & Group Account Manager	WS1	Water	Yes	Skype	Dec 12th, 10 am	Online
CEO	WS2	Water	Yes	Phone	Dec 20th, 10.15 am	Phone
Co-founder	WS3	Water	Yes	In person	Dec 7th, 3 pm	IBS office
Founder and CEO	WS4	Water	Yes	Skype	Dec 7th, 11 am	Online
CEO	WS5	Water	Yes	Skype	Dec 12th, 9 am	Online
Project Manager	WS6	Water	Yes	In person	Dec 8th, 2 pm	IBS office