CONCEPTUALIZING, MEASURING AND VERIFYING THE “BOTTOM OF THE PYRAMID”: QUANTITATIVE RESEARCH INTO THE DICHOTOMY OF HOPE AND CRITICISM FROM AN ENTREPRENEURIAL PERSPECTIVE (INTERACTIVE PAPER)

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Principal Topic

C.K. Prahalad argues that if multinational corporations were to adapt, via the complex interaction between market players, their products and services to the requirements of those earning “bottom of the pyramid” (BoP) incomes, they could create additional value, but also achieve social transformation and eradicate poverty (Prahalad & Hammond, 2002; Prahalad & Hart, 2002). Key to orchestrating these aims is “entrepreneurship on a massive scale” (Prahalad, 2010, p. 26), suggesting that there is a strong interrelation between this concept and entrepreneurial efforts.

This article is a response to the scientific debate on Prahalad’s BoP approach. It develops a conceptual model that allows the hypothesized interrelations between the key variables of multinational corporations’ involvement in developing economies and their effects on entrepreneurial efforts to be quantitatively operationalized.

Method

A systematic literature review process is applied, following Brereton et al.’s (2007) guidelines. A preliminary conceptual model of key market players’ and key variables’ complex interactions on the local entrepreneurial level is established. Since most studies are empirical and lack a quantitative database, more in-depth scientific literature on the interrelations’ exact nature is reviewed to deduce measurable hypotheses.

Results and Implications

The resulting conceptual model indicates a complex interaction of variables regarding the BoP concept’s application. These go beyond the current simplified model. Specifically, the interrelation between individual entrepreneurs and the government seems dominated by a number of “informal” agreements, monetary and non-monetary transfers, which distort competition (de Jong, Tu & Ees, 2010). Moreover, the seminal model did not consider consumer behavior as variable with a significant influence on how additional income is used. As Karnani (2007a/b, 2009) anticipated, additional buying power is not necessarily used sensibly, thus having little impact on the individual’s overall situation, and, specifically, on entrepreneurial activity.

The resulting conceptual model allows practitioners and policymakers to anticipate potential hurdles and challenges regarding multinationals’ engagement in developing countries’ markets. Most importantly, it highlights the relevant hypotheses that require quantitative researchers’ attention to advance our understanding of the proposed theory.

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