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Market driving at Bottom of the Pyramid (BoP): An analysis of social enterprises from the healthcare sector

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A R T I C L E I N F O

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A B S T R A C T

To date, scholarly understanding of external dimensions of market driving for the purposes of 'societal change' is largely unexplored in both developed and emerging market contexts. This paper uses a multiple case study approach to understand how market driving social enterprises (across the hybrid spectrum) create societal change in emerging markets. By drawing on Scott's (1995) three-part conceptualization of institutional legitimacy, this study explores how regulative, normative and cognitive legitimacies are invoked by market driving social enterprises at the Bottom of the Pyramid (BoP). Key contributions of the study show that all three dimensions of legitimacy are relevant but they need to be invoked in a specific order based on necessary and optional conditions. An implication of the study is that market driving through societal change can lead to the construction of new and more inclusive healthcare markets.

1. Introduction

Emerging markets also known as Bottom of the Pyramid (hereafter BoP) and subsistence markets (Viswanathan & Rosa, 2007) are typically characterized by high levels of poverty, illiteracy and unemployment rates. The presence of high bureaucracy and unstable government policies are also seen as huge challenges in such markets (Marquis & Raynard, 2015).

In BoP contexts the complex interlinkages of the informal (as per customs, traditions, religious beliefs) and formal institutions (government, laws, constitution) are often identified as the sources for institutional voids (McKague, Zietsma, & Oliver, 2015). Although, these institutional voids lead to weak regulatory structures and the market exclusion of BoP customers (to access healthcare, education, electricity etc.), they also enable entrepreneurial opportunities (Mair, Marti, & Ventresca, 2012). Research has found that social enterprises, a type of hybrid organization that combine aspects of charity and business (Battilana & Lee, 2014) have played an exceptional role in utilizing the hidden business opportunities within institutional voids. They have been rather successful in compensating for a lack of institutional structure and constructing new markets that are inclusive of BoP segments (Mair, Marti, & Ventresca, 2012; Wright, Filatotchev, Hoskinsson, & Peng, 2005).

Drawing from key marketing literature, this approach of constructing or designing new markets or institutional structures has been identified as "market driving" behavior of a firm (Jaworski, Kohli, & Shay, 2000). 'Market driving', at least in the context of advanced economies is a relatively well-researched approach and has been positively associated with generating sustainable competitive advantage (Berghman, Matthyssens, & Vandenbempt, 2006; Carrillat, Cano, & Jaramillo, 2004; Ghauri, Wang, Elg, & Rosendo-Ríos, 2016; Harris & Cai, 2002; Jaworski, Kohli, & Shay, 2000; Kumar, Scheer, & Kotler, 2000). Extant literature has discussed 'market driving' from perspectives of the 'external activities' and 'internal capabilities' of the firm (Ghauri, Wang, Elg, & Rosendo-Ríos, 2016; Jaworski, Kohli, & Shay, 2000; Kumar, Scheer, & Kotler, 2000). Ghauri, Elg, Tarnovskaya, and Wang (2011) identified four main external market driving activities: Changing customer perceptions, modifying competitive conditions, restructuring value chains and societal change. However, the majority of "'market-driving" literature is focused on advanced economies and scholars have typically focused on the first three external activities and ignored the dimension of "societal change" (which is a core focus of this research). Little is thus known about how market driving behavior can be enacted through influencing society (Berghman, Matthyssens, & Vandenbempt, 2006; Ghauri, Elg, Tarnovskaya, and Wang, 2011; Ghauri, Wang, Elg, & Rosendo-Ríos,

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2016; Tuominen, Rajala, & Möller, 2004). Considering this aspect important in an emerging market context, this paper sets out to answer the following research question:

How do market driving social enterprises create societal change and what are the implications of this in emerging markets?

Taking social enterprises as case examples, this research uses institutional legitimacy as a central concept (Mair, Marti, & Ventresca, 2012; Scott, 1995) to explore "market driving" behavior in emerging markets. In particular, this research utilizes Scott's (1995) three-part conceptualization of institutional legitimacy to understand how the market driving behavior of social enterprises happens in an emerging market context and the implications of this for the BoP.

In line with the call to address the paucity of research on emerging markets related to business marketing (Biggemann & Fam, 2011) this research enhances the literature on 'market driving' from an emerging market perspective. Contributions of this study showcase how social enterprises are enacting 'market driving' behavior by creating new healthcare markets, catalyzing new entrepreneurs, legitimizing new actors, creating new job opportunities and customers at the BoP.

As the first study to explore how institutional legitimacy is purported by market driving social enterprises in emerging markets, we find that an interplay of both normative and regulative legitimacies are required for market driving to happen. In particular, socio-cultural bridging and the formation of partnerships are necessary pre-conditions for establishing societal change. Study also demonstrates creation of new and more inclusive healthcare markets as an implication to market driving behavior in emerging market context.

The structure of the paper is as follows. First, background literature on market driving approach is presented, following a discussion on social enterprises in an emerging market context and institutional theory. Then, a conceptual framework is presented followed by details on the research setting and methodology. Next, findings of the research are presented. The paper concludes with a discussion and implications along with a section on limitations and future research.

2. Literature review

2.1. Market driving: internal vs. external dimensions

In marketing literature, the term 'market driving' stems from the concept of market orientation (McKitterick, 1957). Market orientation emphasizes the need to understand customer needs and subsequently adapt market offerings to gain competitive advantage (Berghman, Matthyssens, & Vandenbempt, 2006; Ghauri, Wang, Elg, & Rosendo-Ríos, 2016; Kohli & Jaworski, 1990). Jaworski, Kohli, and Shay (2000) proposed two approaches of market orientation, namely 'market driven' and 'market driving' approaches. In comparison to 'market driven', the 'market driving' approach was viewed more favorably as a proactive approach that could revolutionize the markets.

The market driving approach is defined as changing the composition of roles or behaviors of players in a market (Ghauri, Wang, Elg, & Rosendo-Ríos, 2016; Jaworski, Kohli, & Shay, 2000). Jaworski, Kohli, and Shay (2000) categorize the implications of market driving approaches into 1) the deconstruction/elimination of players in the market 2) the construction/adding or building of new players to meet and deliver customer needs and 3) the modification or changing of integrating functions by key players. To date, the majority of research on market driving behavior among firms has been studied from two perspectives, related to either the 'external activities' or the 'internal capabilities' of the firm (Ghauri, Wang, Elg, & Rosendo-Ríos, 2016; Jaworski, Kohli, & Shay, 2000; Kumar, Scheer, & Kotler, 2000) as shown in Table 1. The internal perspective of market driving forces is guided by organizational capabilities and unique business processes (e.g. business model or business structure). The external perspective is typically focused on understanding the latent needs of customers to reshape 'customer perceptions' (e.g. through partnering with the customer), changing the 'competitive landscape' (e.g. by modifying competitive conditions) and redeveloping 'supply chain networks' (e.g. by creating strong collaborative ties with partners/suppliers) as well as generating societal impact (e.g. by engaging in politics and building local trust) (see Table 1). Table 1 provides an overview of market driving literature and categorizes studies based on their focus on 'external or internal' dimensions, type of market and type of enterprises.

Table 1 clearly shows that the majority of studies are focused on market driving approaches for for-profit firms within developed markets and reveals the paucity of research on the external dimension of 'societal change' in an emerging market context. Focus on societal impact to date has been narrow and limited to influencing political networks (see Elg et al., 2008). With an exception to Kumar, Scheer, and Kotler (2000), the majority of research focusing on emerging markets offers insights on adopted strategies of multinational firms venturing into new areas. For example Harris and Cai (2002) examine the market driving strategies of De Beers in the Chinese market. There is, however, relatively limited applicability of research exploring local firms in an emerging market context (Kumar, Scheer, & Kotler, 2000).

2.2. Social enterprises in emerging markets

The social enterprise is a typical form of a hybrid organization (Fig. 1). It is an organization created for a social purpose, mitigating a social problem or a market failure and to generate social value while operating with the financial discipline, innovation and determination of a private sector business (Alter, 2007). These hybrids blur the boundaries between for-profit and non-profit entities by placing equal emphasis on their common-good mission and financial performance (Boyd, Henning, Reyna, Welch, & Wang, 2009). However, social enterprises as hybrids could differ widely across the hybrid spectrum, depending on their closeness to non-profits and traditional for-profits structures (Alter, 2007; Bocken, Fil, & Prabhu, 2016).

Non-profits are identified as organized, self-governing, voluntary organizations that are separate from government and act for public rather than for shareholders benefits (Morris, 2000; Milligan & Conradson, 2006; Salamon & Anheier, 1992). They have a long history within the healthcare sector for ensuring the availability of health services at reasonable costs and quality (Marmor, Schlesinger, & Smithey, 1986) and have been well-researched under distinct terminologies (e.g. community-based sector, voluntary sector and third sector) (Wilson, Lavis, & Guta, 2012). Apart from a social orientation, social enterprises are influenced by non-profits, especially in how they drive marketing activities that are community-driven, geographically focused and volunteer driven (Reilly, 2016). Nevertheless, non-profits often suffer from constant funding issues, depending on grants and unstable incomes, however a social enterprise with a clear profit motive, has an advantage here to sustain itself and grow. Similarly, in comparison to for-profit companies, where anonymous public shares and focus on short-term shareholder value maximization distract the company from a longer-term sustainable approach (Bocken & Short, 2016), social enterprise governance models ensure clear focus on sustainability by 'corporate design'.

Social enterprises are rising in popularity, but few models to date significantly advance the interests of the world's very poorest while also earning revenue as these beneficiaries do not fall into the viable customer segments (Battilana & Lee, 2014). However, some organizations have developed models that simultaneously address both business and social goals for beneficiaries who are slightly wealthier, but still at the 'BoP' (Battilana, Sengul, Pache, & Model, 2014; London & Hart, 2004). So, while emerging countries such as India may have more loosely defined social enterprise structure, many entrepreneurs are pursuing social businesses to deliver positive impact. By reaching greater numbers of beneficiaries, social businesses can achieve greater levels of positive impact and by doing so as part of the social business (rather than a non-profit), reach economies of scale more effectively because of