

The perceived relationship between the shareholder primacy and the non-service of the bottom of the pyramid market (BOP).

Student name

Tsele Moloji

0202362y

Supervisor name

Dr Robert Venter

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ABSTRACT

The problems of poverty and other complex challenges society is facing has been a front burner issue in development discourse around the world. The limitations that multilateral and aid agencies are facing in addressing these issues have called for the involvement of business as creators of wealth to bring forth their capabilities and business core competencies in helping address these complex problems of our time.

This market based solution to poverty has brought about a proposition by CK Prahalad which is termed the 'Bottom of the pyramid proposition' (BOP), which argues that low income markets present prodigious opportunity for Multinationals to profit by bringing prosperity to the aspiring poor. The main objective of the BOP proposition is for business as creators of wealth to make substantial inroads on the social challenges that confront societies while at the same time earning financial rewards.

The problem of shareholder primacy has been cited as the Achilles heel for businesses when contemplating serving other stakeholders and society at large. This thesis sought to investigate the association between the shareholder primacy and the BOP market. In theoretical support of the shareholder primacy represented by the shareholder power and legitimacy of their interest, shareholder activeness within the business and the short-termism of those interests having a pernicious relationship with other stakeholders and society at large. Questionnaires were distributed to South African Business School students who are a closer approximation of business managers. The study achieved a turnover of 160 questionnaires with usable responses of 148 questionnaires. The statistical correlation was used to find an existence of relationship and simple regression analysis was used to test the hypotheses.

The data shows that prioritization of shareholder power and legitimacy of their interest may lead to increased non-service of the BOP market. The verdict on shareholder activeness and short-term shareholder interest is inconclusive. However, directions for future research are given.

These results suggest that all actors, such as Multinational corporations, business managers, researchers, management education, policy makers and government should be genuinely frustrated by issues that affect society and radically shift their mindset in viewing poverty as another opportunity to reconfigure their role in society and to the poor who are in the BOP market.

DECLARATION

I, Tsele P Moloji, declare that this research report is my own work except as indicated in the references and acknowledgements. It is submitted in partial fulfilment of the requirements for the degree of Master of Management in the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in this or any other university.

Tsele .P. Moloji

Signed at

On the day of 2015

DEDICATION

To the first lady in my life and my three beautiful daughters, Daddy loves you to bits.

And not forgetting my late father.

To my beloved mother, Mama don't you know you are my hero

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To the Almighty God for giving me strength to make this project a success.

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“I beg you Lord to grant us more politicians (and corporate leaders) who are genuinely disturbed by the state of society, the people and the lives of the poor” Pope Francis In his expressions of concern for the poor

CHAPTER 1: INTRODUCTION

1.1 Purpose of the study

The purpose of the study was to investigate whether the concept of shareholder primacy is perceived as a hindrance or not for big businesses and Multinational companies' (MNC's) managers in serving the Bottom of the pyramid market (BOP). The study sought to understand if business managers who have a high regard for shareholder primacy tend to have a lower regard for the poor at the BOP as a market that can be served profitably. The purpose of the study was to establish if this conspicuous non-service of the BOP market is informed by shareholder primacy. The study sought to establish the nature of the relationship between the shareholder primacy and the non-service of the BOP market.

1.1.1 Context of the study

Societal problems, such as poverty, that the world is facing are posing serious challenges to society and humanity at large. Many countries around the world are still poor, particularly in Africa, with most of their population riddled with persistent poverty (Begović, Matković, Mijatović, and Popović 2007). Most of these people are illiterate, facing malnutrition, suffering from killer diseases, living in rural areas, and shanty towns with no clean running water and sanitation. A 2014 Oxford University study of the Multidimensional Poverty Index (MPI) found that half of the world poor are so deprived they should be classed as 'destitute' (Akire, Chatterjee, Conconi, Seth and Vaz 2014). This has led to people being uncertain of what the future holds for them and their offspring. These are more than four billion people who are struggling to make ends meet.

While policy and strategies to address these complex issues exist, research is showing that even governments around the world have tried their level best to help the situation to no avail (Ayodele, Cudjoe, and Nolutshungu and Sunwabe 2005). The development organisations spearheaded by the United Nations have tried through Millennium

Development Goals (MDG's) with limited success as Banerjee and Duflo (2012) affirm, that "the critics have never failed to point out that billions of dollars have been spent on aid but the poor are still with us (no page number)".

There are success stories of philanthropy as a developmental tool, but it has been an underperformer in meeting global development goals (Moss 2013). It has proved to be unscalable, unsustainable (see SadreGhazi and Duysters 2008) and Shah (2012) has also shown some ulterior motive. Moyo (2009) posits that it has been placed as a curse and a seedbed for corruption and conflicts, while discouraging free enterprise. She argues further that there has been a positive correlation between aid-flows and poverty, mostly in Africa by showing that between 1970 and 1998, when aid-flows to Africa were at their highest, this was accompanied by a staggering rise in the poverty rate from 11 per cent to a 66 per cent (Moyo 2009). Abuzeid (2009) argues that the influx of massive amounts of foreign aid can have injurious effects on the governments of the receiving countries, is susceptible to doing more harm than good and needs to be overhauled.

The importance of those donations to charities and other welfare organizations is not going unnoticed, but we can conclude that they are not resulting in a long lasting measurable change (Kramer 2009). The evidence shows that when it comes to societal challenges, conventional institutions, such as the government and other multilateral agencies, have struggled to provide timely and effective interventions, which calls for new models that will help society prosper (Nicholls 2006).

The stubbornness and persistency of poverty has shown serious resistance to government, foreign aid and global philanthropy intervention and has called for an alternative strategy to curb this scourge and move masses of the people up the income scale (Kubzansky, Cooper and Barbary 2011). Looking at what these scholars (Kubzansky et al, 2011) are putting forward, London (2008) argued that market-based solutions offer an attractive alternative strategy to these societal challenges.

The importance of these market-based solutions led to CK Prahalad and his co-author S Hart, to put forward a very promising proposition that low-income markets present a prodigious opportunity for the world's wealthiest companies to seek their fortune and bring prosperity to the aspiring poor who reside at the BOP and are earning less than \$2 per day (Prahalad and Hart 2002). The source of future profit and growth, rather than lying in the small high- or middle-income market, lies in the billions of aspiring poor who are joining the market economy for the first time in the relatively unexploited

market at the BOP (Hart, 2005; Hart and Prahalad, 2002; Prahalad, 2006; Prahalad and Hammond, 2002). This is a call for MNC's to play a leading role in selling to the BOP market so as to reap the rewards of profits by bringing prosperity to the poor (Karnani 2007).

As his commitment to the development of the poor, Prahalad brought the term BOP to life, 70 years after it was first introduced by Franklin D. Roosevelt in his "The Forgotten Man speech," on April 7, 1932 where he said,

The unhappy times call for the building of plans that rest upon the forgotten, the unorganized but the indispensable units of economic power, for plans like those of 1917 that build from the bottom up and not from the top down, that put their faith once more in the forgotten man at the bottom of the economic pyramid. (Roosevelt 1932).

The BOP proposition has proved to be a very complex and contested territory, "which has been met with opposing and at times controversial views" (Poonyane 2010, P. 4). The paragraphs that follow will be zeroing in on the different arguments posed regarding the importance of BOP as a developmental tool. On the one hand, there is a set of scholars led by Prahalad arguing that the BOP proposition is critical as a developmental tool for the poor. On the other hand there is a set of scholars led by Karnani which have been very critical of BOP and argued otherwise. The purpose here is to set in motion the context and problem of the study.

The BOP proponent's arguments of BOP as developmental tool is underpinned by arguments that it is necessary for MNC's to produce simple low-cost products adapted and affordable to the poor. Prahalad's (2010) view is that through a collaboration of different sectors of the economy such as the poor themselves, civil society organizations, governments, and firms, they can innovatively develop products to help the poor escape poverty. He further asserts that entrepreneurship that successfully builds markets at the base of the pyramid (BOP) is at the heart of the solution to eradicate poverty and develop societies.

Prahalad (2004) argues that selling to the poor is empowering and improves the poor's welfare and prosperity and helps to eradicate or at least alleviate poverty. He further argues that offering consumption choices to the poor consumers gives them freedom of choice which helps to restore their dignity and respect. Prahalad (2005, p.20) succinctly puts it this way, "when the poor are converted into consumers, they get more than

access to products and services. They acquire the dignity of attention and choices from the private sector that were previously reserved for the middle-class and rich.” By serving this \$13 trillion market (p. 21), “I have no doubt that the elimination of poverty and deprivation is possible by 2020,” concluded Prahalad (p. 112).

In the same vein, according to Gordon, Dakshinamoorthy and Wang (2006) BOP can work as developmental tool to eradicate poverty because it is inclusive of the poor in the informal economy. They propound further that because the consumers receive better prices, expanded products offering and improvements in essential services, such as health care and education, it also helps in that most of the time communities obtain economic benefits as well as income rises from engaging in these market activities.

The other set of scholars also argue that BOP can indeed be critical as a developmental tool, yet not in the same way as propounded by Prahalad and his entourage. Instead, they argue that encouraging consumption cannot be a better way of developing society. They further argue that the other worrying factor is the inconsistencies in the definition of the poverty line by BOP proponents; their argument is that these inconsistencies will make it difficult to prescribe solutions for BOP or even know which products to sell to the poor when you are not sure of their per capita purchasing power (Karnani 2007, Landrum 2007, Jaiswal 2007). They further argue that there is a difference between a person who earns less than \$1 a day and those who earn five times more. They then propose an alternative perspective on how business can harness its powerful position to help alleviate poverty. The perspective of these scholars is that the only way to alleviate poverty is to raise the real income of the poor by providing sustainable employment for them. So in lieu of focusing on the poor as consumers, we need to view the poor as producers (Karnani 2007, Landrum 2007, and Jaiswal 2007).

Many BOP proponents have persuasively argued that MNC’s can sell profitably to the poor at the BOP while helping to eradicate or at least alleviate poverty (Karnani 2006). The arguments for profits is based on the opportunities that exist at the BOP with them using enticing words such as the untapped purchasing power (Prahalad and Hart 2002) and a four billion consumer market with combined 13 trillion dollar market place (Hammond, Kramer, Katz, Tran, and Walker 2007) that could be tapped through collaboration by different players such as MNC’s, government, and the non-profit sector

(Prahalad and Hart 2002, Pitta, Guesalaga and Marshall 2008).

Prahalad (2009, p. 27-28) considered it necessary to adopt a “better approach to help the poor, an approach that involves partnering with them to innovate and achieve sustainable win–win scenarios where the poor are actively engaged and, at the same time, the companies providing products and services to them are profitable.” These authors also argue that in order to tap into this market, rather than retrofitting what has been working for the affluent market, new business models are needed that appreciate and see the poor as a credible market (Prahalad 2010). They offer different business models such the reduction of prices but not the quality, moving away from the traditional 4P’s of the marketing mix (Product, Price, Place and Promotion) to 4A’s (Awareness, Accessibility, Affordability and Availability) of marketing mix and the different way of product packaging such as small packages so as to make them affordable for the BOP. Prahalad (2002, 2010) argues that repackaging of these products into small quantities is innovative in making them affordable for the poor because even the poor deserve world-class products and affordability should not be a deterrence for them to consume those products. Poonyane (2010) argues that BOP the need a business model focus for companies that is anchored on dual application of innovation and the replication principles.

There is a different set of scholars who view this proposition as nothing more than a mirage (Karnani 2007, Landrum 2007). They are questioning the viability of the BOP proposition (Crabtree 2007, Karnani 2007, Landrum 2007, Jenkins 2005), by stating that there exist huge risks for MNC’s to change their marketing focus to an unknown, geographically dispersed and culturally heterogeneous market which will increase costs that might actually lead to further exploitation of the already poor if they do indeed succeed. Others are even questioning its academic rigour (Mitchelson 2011), because it was overlooked by leading publications such as the *Journal of Macromarketing*. Adebayo (2013) is also proposing that it should be stripped of the status it has been enjoying of being a proposition, and reduced to being a hypothesis that needs to be tested and rejected or accepted if merited. His arguments are that academic tradition dictates that general statements that have not been tested or found to be true are called hypotheses.

Karnani (2007) took it further by categorically stating that it is a fallacy to claim that there is untapped purchasing power. He further questions the market size of the BOP as exaggerated and based on a fuzzy definition, which is doing more harm than good

to the poor.

Prahalad and Hart (2002) argue that this scholar's perception fails to take into account the growing importance of the informal economy that accounts for 40% to 60% of economic activity amongst the poorest of the poor in developing countries. His arguments are that those transactions may be small but pulling them together they make a larger part of the market which justifies it as a huge market that cannot be ignored.

In all of these differing views and controversies, the study will argue that BOP is an intellectual discourse with not much precedence to fall back on and without the full understanding of the intricacies of the market, and that trying to serve the BOP market is bound to go wrong, because of reliance on trial and error. Therefore, further contribution is needed from other scholars to take the discourse forward for the sake of the dual goals of business profits and prosperity of the poor.

The BOP market is not only critical as a developmental tool, but it also provides new opportunities for business to increase existing profits, as their traditional markets get saturated and it becomes very difficult for them to compete. Maturing markets, floundering business models and insecurities about the characteristics of future customers could be some of the reasons why corporations should pay attention to the BOP market (Simo 2013). With the profits dwindling in mature markets these businesses prefer to stay there and compete, rather than embracing new markets such as BOP markets with potential for new streams of revenue.

Despite the promising gold-mine that exists in the BOP market, research has shown that there is lack of MNC's serving the market. However, they have said little about why business is still sceptical to tap into the BOP even when evidence shows that there is a high potential of profiting.

There has also been inconclusive evidence supporting the viability of profitability within the BOP markets with less literature on businesses and corporates who have embraced this proposition and profited on the millions or even billions that are hidden in the BOP market. This can be witnessed from Landrum (2007) and Karnani (2006; 2007) arguing that success stories and examples offered by CK Prahalad are not classical BOP projects as some of them involve non-profits which do not qualify as MNCs.

The other reason might be, as Martinez and Carbonell (2007, p51) put it, that “Low-income consumers have been considered ‘accidental consumers’; and, when product marketing has met with success among them, most companies have been unable to explain it”.

The reason why business shows no intention of serving the BOP market is best offered by Pitta et al, (2008) when asserting that, traditionally, companies have been focused on serving the top of the pyramid, because their organisation, corporate culture and internal processes require economies of scale, which demand exploiting the richest target market. They go on to say that in many cases, successful companies have evolved into efficient machines whose foundation is a high structural cost, thus, targeting the most lucrative segment is vital for continued success. Pitta et al (2008) further argue that the BOP is so radically different that companies will have to ignore what they know as ‘truths’ that may not apply anymore, so a change of focus in the BOP will require new techniques and freedom from ‘accepted knowledge’.

The organizing principles behind corporate routines, systems, and controls are profit growth and maximization (Simanis and Milstein 2012, p.83) which is more in tandem with the more affluent customers or top of the pyramid (TOP) which is a ready-to-be-served market which makes it ideal for business and its profit maximization culture.

The aforementioned studies have tried to investigate what might be the hindrance for businesses to serve BOP when evidence shows that there is potential fortune that could be made by selling to the poor at the BOP.

The problem might be the enticing language of prodigious opportunities that exist at the BOP which lead to businesses entering the market with the intention of maximizing shareholder value through increased profitability from existing opportunities at the BOP segment (Poonyane 2010), yet those profits have not been forthcoming.

Some of the studies have described the same Profit maximization behaviour (Prahalad and Hart 2002, Prahalad and Hammond 2004, Hart 2010, Simanis and Milstein 2012, Mcfalls 2007 and Karnani 2007a, and Karnani 2007b) as a hindrance for MNC’s to successfully serve or even consider serving the BOP market.

The BOP proposition which is characterized by promised profits and a developmental

agenda also brought another controversial question on the role of business, especially in society. Does business have a role to play in the development of societies? In answering the question in a *New York Times* essay Milton Friedman argued that because of shareholders being "the owners of the business," there is one and only one social responsibility of business which is to use its resources and engage in activities designed to increase its profits as long as it stays within the rules of the game" (Friedman 1982, P.133).

This is the essence of shareholder primacy which has been considered a major obstacle for business to engage with issues that affect society as one of the stakeholders of business. Indeed some researchers (Agle and Mitchell 2008, Boatright 2002, Campbell 2007, Freeman 1994, Phillips 1997) have agreed that shareholder primacy has been an obstacle as it overlooks the interests of other stakeholders who are also very important to the existence of the company. These scholars' argument is that business should equally serve the interest of multiple stakeholders not only shareholders. However, Ronnegard and Smith (2010, P.4) assert that, "The shareholder primacy is ... part of a manager's fiduciary duty that requires managers and company directors to make decisions on behalf of the corporation that further the interests of shareholders."

Since the rise of shareholder primacy there have been differing beliefs on this issue with shareholder primacy exponents arguing that the role of business is to maximize profits for its shareholders and the stakeholder exponents arguing otherwise: that the overarching purpose of the business is to serve the interests of all stakeholders which goes beyond just financial claimants, but also inclusive of employees, customers, communities, and government agencies (Jensen 2008, Argandoña 2011, Agle et al 2008). Jensen (2001) takes it further by asserting that under some interpretations stakeholders of business also include the environment, terrorists, and blackmailers. As a consequence, the legitimacy of the shareholder primacy has been at the forefront of what has been termed the 'basic debate' in business ethics, between whether managers should focus on shareholder or on stakeholder interests (Agle and Mitchell 2008, Boatright 2002, Campbell 2007, Freeman 1994, Phillips 1997). The most important thing about these differing arguments is that they offer a rich opportunity to reconfigure how great solving capacities of corporations could be used to address these pressing societal problems (Aspen Institute 2014).

Previous studies have shown that with the existence of shareholder primacy in

business, other stakeholders will at all times subordinate the interest of the shareholders. In their study Anderson et al (2007)., when surveying Australian business directors, it was found that there is a negative relationship between shareholder primacy and other stakeholders represented by employees. The findings of the study was that the more that directors are high on shareholder propensity, the more they will have less regard for employees. Another study was conducted on Swedish business directors by Adams, Licht and Sagiv (2008) where they argued that shareholder primacy has an injurious effect on other stakeholders in the business. This is informed by their findings that business managers who are high in shareholder salience, are more likely to endorse entrepreneurial values such as higher achievement, self-direction values and lower universalism, benevolence, and conformity values. They tend to have paramount consideration for shareholder's interests, for those business managers who are high on stakeholder salience have shown high consideration for other stakeholders, yet in most cases tend to side with shareholders. Lastly, those who are profit-oriented tend to value the interests of shareholders highly.

Stout (2013) cites two articles, one by E Rock and the other by Adler and Kahan, showing the damaging effect the shareholder primacy can have on creditors as one of the stakeholders. They point out the danger of shareholder influence in public companies which pressures business managers to focus on share price without considering other factors, which can help shareholders while harming corporate creditors.

In her study Stout (2012) asserts that the shareholder primacy is not only hazardous to other stakeholders it is dogma that is an enemy to its own self. She demonstrates events where it prevails as its own enemy with examples of costly corporate scandals and disasters that led to the demise of businesses such as Enron, HealthSouth and WorldCom in the early 2000s, to the near collapse of the financial sector in 2008, to the BP Gulf oil spill disaster in 2010 and to the Walmart bribery scandal.

Given the fact that evidence exists to buttress the argument that the negative relationship or injurious relationship exists between shareholder primacy and other stakeholders. Given the relative importance of BOP as one of the stakeholders (Nel 2011, P.11), this study seeks to investigate and test that with the rise of shareholder primacy as part of MNC's DNA there will also be concomitant deleterious effects on the interest of the poor at the BOP market as one of the stakeholders. The study sought to

find out if there would also be a negative relationship between the shareholder primacy and BOP as one of the prominent stakeholders. The intention of the study was to understand if it is safer to conclude that shareholder primacy is antithetical to BOP or not. This simply means the study determines if any relationship exists between the shareholder primacy and the BOP market. The BOP proposition with its understanding that business thrives on opportunities and profits and the BOP thrives on development and prosperity. Their endeavour was to come with a viable middle ground workable solution and to tread carefully between these two maxims of societal problems or development agenda and profit maximization opportunities for shareholders.

So the organizing principle behind the Prahalad proposition is the goal of profitability for business subordinated by the ongoing prospect of poverty reduction, good living conditions for the poor and the alleviation of other societal challenges. This is what led to the business purpose of developing societies to be held hostage by the myth of shareholder primacy (Langstaff 2013).

The main concern for companies with shareholder primacy culture manifested by profit maximization is that the long-term vision might be lost along the way in the rush of pursuing this gold mine (Louw 2008). Entering the BOP market without really understanding the intricacies and the vulnerability that exist within the market, the notion will be of turning the poor into paying customers with 'paternalistic products'; produced for the poor without involving the poor (Lewis 2013). This is a problem that has led to products being ignored by the market and in the process profit maximization suffered. MNC's enter the market with the intention of maximizing shareholder value through increased profitability at BOP segment (Poonyane 2010), yet those profits are not forthcoming.

The problem is, as Kosdrosky (2010) puts it, that we may have been asking the wrong questions in our pursuit of this fortune, instead of asking how to co-create this fortune with the poor at the BOP, what we have been asking is how to tap into this already existing fortune at the BOP.

Most of these scholars have agreed on one thing which is that a mindset may be a barrier towards engaging the BOP market despite its promises and opportunities (Nel 2011). So the common ground has been that in order to successfully serve the BOP markets, the mindset should appreciate and perceive the BOP as a credible and commercially viable market to tap. This could be done by understanding the needs of

the market and learning how to best serve them. Lewis (2013) noted with thanks that economic development professionals, social entrepreneurs, and community activists are beginning to realize that programs designed for the poor, but without the involvement of the poor, are doomed to underperform, if not fail entirely. “Every smart, sophisticated, and caring social entrepreneur knows that good listening is axiomatic” (Lewis 2013, no page number).

It is in the best interest of the MNC’s to get a clearer understanding of the BOP market, its environment and practices so as to be able to adapt and transform their processes, practices and their business culture to be compatible with the BOP market, so as to make relevant strategic interventions that go beyond strategic planning frameworks. On the BOP proposition other scholars are arguing that in their noble proposition of alleviating poverty, Prahalad and Hart might have missed is the differing timelines between shareholder primacy, which rested mostly on short-term profit maximization that accrued to shareholders, and prosperity to the poor which rested on a long-term developmental agenda (Harjula 2007, Mitchelson 2011).

The dearth of development at the BOP might be the one that undermines the prospect of maximizing the profit, because the development agenda and profit maximization timelines are irreconcilable (Mitchelson 2011) and are also perceived to be trading off (Mitchelson 2011, Karnani 2005, 2007a, 2007b, 2009).

In order for the BOP proposition to succeed, businesses should be content with lower profits when engaging a developmental agenda (Mitchelson 2011). However shareholder primacy has constrained business managers into focusing on maximizing short-term profits and delivering its returns to shareholders (Kanter 2011, Aspen Institute 2014), while also trying to work on development agendas. The problem is finding the right balance between the developmental agenda which is embedded in the long-term and primacy of shareholder which rests on short-termism that might assist business to profit. (Anderson et al 2007 p.1) noted that “[With shareholder primacy at its extreme, this perspective suggests that directors will tend to favour the short-term financial interests of shareholders (shareholder value), being driven in that direction by capital markets fixed on share price and short-term returns.”

The study also sought to understand clearly if the shareholder primacy culture and values that mostly characterise short-termism are irreconcilable with the BOP culture

and values that characterise the long-term.

As the evidence shows, there is a business case for profit that is accompanied by a developmental case with the BOP market, but there is a clear lack of businesses serving that market. The rationale of the study is, if there is a case for profit at the BOP level, what makes other business managers sceptical to embrace the BOP market while others are promoting it? Are there any factors that influence their decision? Can it be the short-termism behaviour of shareholder primacy? The intention is to explain what makes service of MNC's to the BOP market so low. Could it be the perception of business managers about the BOP market? Could it be the conflicting goals of traditional business objectives of profits maximization seen in contrast to the developmental agendas that exist at the BOP? This will be explained using the construct of shareholder primacy and the non-service of the BOP market. The study would argue to the fact that in South Africa we are not immune to the global societal problems of poverty, unemployment, inequalities and other complex challenges (Johannes, Hoogeveen and Özler 2005). South Africa was declared as the most unequal society in the world (Oxfam 2013).

Given that South Africa is part of the emerging market (Gauteng provincial treasury 2013) that is riddled with underdevelopment that forces large parts of our people to remain at the periphery of the mainstream economy, South Africa might mostly be classified as BOP, which makes the study more relevant (Nel 2011).

The South African MNC's such as MTN and Vodacom has also embraced the BOP propositions in order to address socio-economic problems the country is facing (Masinge 2010, Infodev 2012), but with limited success. Different scholars have also tried their best to deepen the theory in order to identify different hindrances to penetration of the BOP market in South Africa, They have identified less favourable attitudes (Nel 2011) and market orientation (Mokoto 2009) as some of the hindrances to penetration of BOP markets. Despite some interest in understanding those hindrances, researchers have yet to put sustained attention on what hinders MNC's to serve in the South African BOP market.

These challenges as perceived by Nel (2011) and Mokoto (2009) are just a few of the many factors that might be perceived as the barriers for MNC's managers to serve the South African BOP market. The study urges more research on these hindrances so as to unlock potential of the BOP markets as a source of new streams of revenue for

MNC's, and as a fertile ground for social good. The study would argue that even MNC's and large businesses have a role to play in serving BOP markets and not only small business.

The intention of the study is to explain with clarity whether the shareholder primacy is the perceived determining factor for managers to ignore South African BOP markets. The study seeks to understand if this non-service of BOP that is being witnessed can better be explained by the shareholder primacy behaviour of the MNC's managers. The research will give a clearer understanding through the South African perspective by testing this construct of tradition that might hinder MNC's serving at the BOP market. The study also seeks to make managers conscious of their perception towards BOP so as to realise that their beliefs might not necessarily be true but just hinder progress that could be made towards the poor, so as to profit in the end.

The study argues that understanding shareholder primacy and its values might help to have a clearer understanding on how to blend it with the developmental agenda so as to champion it while helping to eradicate or at least alleviate societal challenges like poverty.

1.2 Problem statement

This research is based on the proposition forwarded by the late CK Prahalad and S. Hart in their seminal article named *Fortune at the BOP*, which posed a proposition about MNC's that huge profits can be made whilst simultaneously eradicating poverty by selling to the poor at the BOP, which is an untapped market consisting of more than four billion potential customers that earn less than \$2 per day (Prahalad and Hart 2002).

There are also obscured opportunities that business can achieve with the BOP market if they are determined. In this context, the BOP market represents a multibillion-dollar marketplace, which still remains unexploited from multinational or local companies (Simo 2013). With a growing number of organizations from the development, non-profit, and private sectors claiming to incorporate BOP ventures as part of their portfolio of activities (London 2007). However, the success of MNC's in penetrating these low income customers has been 'patchy' at best (Anderson and Billou 2007).

The elusiveness of the profits in this market has led to managers even believing that it is not a commercially viable project which led to many of them leaving the market and

focussing on the affluent market at the top of the pyramid, which they best know how to serve. “Consumers at the BOP are very price sensitive, which, again, makes profitability a difficult goal to achieve” (Pitta et al 2008, p. 395). Jaiswal (2007) argues that there is no fortune at the BOP because income of the poor is not significant for business to maximize profits. Moreover, the potential to maximize profits lies in the middle of the pyramid. Given shareholder primacy behaviour of corporates, “in such a paradigm, the lens through which all activities are seen is one of profits and consequently that which is seen as detracting from this objective is secondary at best” (Mitchelson 2011, p. 95).

Despite the promises by the BOP proposition “academic literature on corporations achieving actual profits in the BOP market segment has been rather limited and no conclusive evidence has been captured with respect to the viability of profitability within the BOP market segment” (Poonyane 2010, p.9).

There have also been arguments that the shareholder primacy and the BOP are conflicting concepts as it is not practical to maximize profits while also maximizing social performance (Husted and Salazar 2006). Jensen (2002) argues that the presented conundrum can be transcended if the dimensions were monotone transformations of one another. The reason might be the competing logics of shareholder primacy, which is defined by profits, and BOP, which is defined by the developmental agenda.

Some scholars went to the extent of pinning the blame on developmentally infused words such as BOP, the emotions associated with the BOP and the language of impact assessment. They proposed that they be curtailed to make way for business fundamentals and economic drivers to take course (Simanis and Milstein 2012). From the above conundrum the question that emerges is: does business need to jettison the developmental agenda to realise profits? Or does embedding the development agenda in profits translate to a successful business? Or does business have to let go of its ethos of profit maximisation in pursuit of shareholder value in order to maximize social value?

From these scholars it can be seen that the attitude towards the BOP market is not positive, which has led to Nel (2011, P. 12) posing a difficult question: “given the fact that certain firms choose to market to BOP and others do not are there other forces at play that influence these decisions?”

The assertion by Jaiswal (2007), Pitta et al, (2008) and Mitchelson (2011) as alluded to above also shows a clear case of profit maximization behaviour as informed by shareholder primacy of large business which might hinder its progress in serving the BOP market. The assertion by these scholars confirms what Da Silva (2006) noted that due to a myriad of preconceived judgments and other socio-political misconceptions, most marketers have often 'omitted' the low income market or 'bottom of the pyramid markets' in their business lists.

From the above statements by these scholars, it can be seen that there is a conspicuous non-service of BOP markets by MNC's. The study sought to investigate if shareholder primacy is a determining factor for managers to ignore and not serve the BOP. The two constructs to be interrogated are the shareholder primacy and the MNC's non-service of BOP markets.

1.2.1 Main problem

To establish if the shareholder primacy behaviour of South African MNC's is perceived as a hindrance towards serving the Bottom of the Pyramid market (BOP) and to ascertain whether they are really conflicting concepts.

1.2.1.1 Sub-problem 1

To establish if the shareholder primacy/ profit maximization behaviour of South African MNC's has been perceived as a hindrance towards serving the BOP.

1.2.1.2 Sub-problem 2

To establish and ascertain if the shareholder primacy and the BOP are conflicting concepts.

1.3 Significance of the study

Since Friedman's assertions in the early 1970's there has been a body of knowledge on shareholder primacy taking centre stage over and above other stakeholders such as employees, customers and society at large (Adams, Licht and Sagiv 2008, Anderson et al 2007, and Ronnegard and Smith 2010). There has also been a body of knowledge on the BOP proposition since the Prahalad maxim in early 2000 (Prahalad and Hart 2002, Prahalad and Hammond 2004, Hart 2010, Simanis and Milstein 2012, Mcfalls

2007, London 2008), yet there is no literature or body of knowledge that involves both shareholder primacy and the BOP.

The study fills this lacuna as there is limited research on the effect of shareholder primacy on the BOP market. The study intends to measure this effect. Anderson et al (2007) attempt to measure the injurious effect the shareholder primacy has on the interest of other stakeholders, employees in particular. Looking at the BOP as one of the business stakeholders, the study intends to fill the gap by measuring the deleterious effect the shareholder primacy has on the BOP market as one of the prominent stakeholders. There have been different factors put forward by many scholars (Mitchelson 2011, Mcfalls 2007, Simanis and Milstein 2012, Poonyane 2009, Nel 2011) which might be hindering progress at the BOP market, so the study intends to lead the way and help future research in its intentions of expanding and adding new factors that might hinder business to achieve profit that is commensurate with social impact.

This research seeks to address the research gap by investigating that with shareholder primacy at play, how it will impact the decision towards serving the poor at the BOP markets and not experimenting, but looking at the relationship that might exist between these two concepts.

The study argues that understanding of these will also help researchers on their quest to deepen theory in this subject most importantly in South Africa, reason being this subject is still in its infancy and there is only a little body of research on the South African perspective on the subject (Mitchelson 2011, Mcfalls 2007, Poonyane 2009, and Nel 2011). Insight is needed for South Africa on the subject as an emerging market with high levels of poverty, unemployment and inequality.

In their study, Goyal, Esposito, Kapoor, Jaiswal and Sergi (2014) analysed more than 50 BOP research papers between the UK and USA and they found that in the USA 25 out of 27 followed the qualitative analysis as did 14 out of 20 UK papers. This indicates a lack of quantitative data analysis on BOP studies which shows a big research gap that needs to be addressed by future research on the BOP.

Most of South African BOP research also follows qualitative research which leaves the same research gap to be addressed through quantitative data analysis: this study seeks to narrow that gap.

This dearth of quantitative data analysis is one of the reasons that led to this study so as to start addressing the research gap that exists within the BOP research papers (Goyal et al 2014).

A clearer understanding of what inhibits business to achieve profits while helping to alleviate societal problems is needed more than ever before, for society and business to prosper. An understanding of these concepts or behaviours as help or hindrance will benefit South African business managers in changing their perception of BOP as a market that can be serviced profitably rather than a burden that serves to reduce profits businesses make.

Barnard (2008) posits that, because BOP is a new market, there is a high risk of not getting the offering right. Organisational inertia, prior routines and a low CEO appetite for risk are barriers to a successful entry into BOP markets. "The BOP is not low hanging fruit" (Pitta et al 2008, p.398), this is a potential market that requires costly effort and innovative strategies to achieve success (Seelos and Mair 2007). MNC's and their business managers who are serious about including BOP in their offering will be better informed and will have a clearer understanding of the BOP market and will be at a better place to realign and adapt with the culture of the BOP market, so as to better address the problems faced when serving the market.

The study seeks to understand if an argument that shareholder primacy and the BOP markets are conflicting is misplaced or not. If it is misplaced the study would then serve as an encouragement to business managers to transform their corporate culture to be compatible with the BOP market. This will help the company to realise profits while also helping to alleviate societal problems. As Simo (2013 p.637) argues, "The transformation of the BOP and the creation of a new and emerging market requires a total transformation of managerial practices in established MNCs".

The study will further raise awareness of cultural differences that exist with the market and in lieu of premature exit out of the market or fixating on traditional corporate culture; the study offers guidance and encourages managers to take remedial measures to address the cause of misunderstanding so as to achieve the set shared goals. This study argues that understanding of the challenges outlined will help the MNC's to change their perception, which will ultimately change their mindset about the BOP market.

1.4 Delimitations of the study

According to Calmorin and Calmorin (2007) the scope and limitations of the study is an important section of a dissertation, since it includes the coverage of the study area and the constraints, which have direct bearing on the results. It acknowledges certain limitations. With the differing definitions and measurements that exist in defining a BOP market, the study is limited to the definition through South African lenses that is acknowledged by the South African planning commission in their National Development Plan 2030 (NPC 2012). The BOP in this paper is therefore referred to as the people that live on less than \$2 per day as forwarded by National Development plan poverty datum line. The other limitation is that the study is using a dollar denominated amount in their explanation and definition of the BOP market, taking precedent from previous studies.

The study chose Business School students as a unit of analysis. Different Business Schools around Gauteng province were selected so as to make it a representative sample to use for the study with the assumption that Business School students are a very close approximation of business managers, if not actually managing businesses themselves and studying part-time. They are duly qualified to participate in the study considering the rigorous selection criteria they meet in order to be accepted into Business Schools, which includes having more than three to five years working experience, with two of those years being at management level.

In sum the intention is to measure the business manager's perception of the relationship between shareholder primacy and the non-service of the BOP market using Business School students as proxy of business managers. By virtue of using them, the study will also not be sector specific. This makes the results of the study not pertain to any sector, but instead offer generalized views of Gauteng business managers.

The study focuses on part-time students who are holding full-time jobs, which makes them appropriate and relevant respondents. This study argues that the respondents participating in this study are exceptionally thoughtful and insightful, therefore this limitation should not cast any doubt about the validity and undermine the importance of the study in its pursuit to generate new thinking as it will still play an integral part as a point of reference for other researchers in this field of enquiry.

1.5 Definition of terms

1.5.1 Shareholder Primacy

Stout (2013) argues that the shareholder primacy view is that the overarching purpose of corporations is to maximize return to shareholders which is said to be measured through the share price and the maximization of the shareholders' short-term profits. This dogma empowers business managers with the sole purpose of maximizing wealth that accrues to shareholders.

The concept of shareholder primacy was persuasively positioned by financial economists led by Jensen and Meckling (1976) in their paper "Theory of the firm." They accused business managers of being in dereliction of their fiduciary duties of maximizing shareholders value by pursuing personal interest which is termed "agency theory".

1.5.2 Stakeholder Primacy

Stakeholder primacy theory suggests the purpose of the firm is to serve a broader societal interest that goes beyond economic value creation for shareholders (Jensen 2008).

A firm's stakeholders are all those diverse individuals and groups who affect or are affected by a firm's actions—including competitors, consumers, employees, investors, communities, regulators, suppliers, and governments, to name the most prominent (Jensen 2002).

1.5.3 Bottom of the pyramid

Mason, Chakrabarti and Singh (2013) defines the Bottom of the Pyramid (BOP) as the 'missing market' that consists of consumers with a spending power of \$2 or less per day and is dormant and ignored by multinational corporations (MNCs) yet possess a potential to contribute to both economic and social prosperity.

1.5.4 Multinational corporations

Fieldhouse (2000:167) defines a Multinational corporation as "a firm that owns or

controls income generating assets in more than one country". Multinational corporations are also known as Multinational enterprises (MNE) or Transnational corporations (Balaam and Veseth 2005).

1.6 Assumptions

Leedy and Ormrod (2010:62) asserts that "Assumptions are so basic that, without them, the research problem itself could not exist," thus the study acknowledges some assumptions so as to give existence to our research problem. The study assumes that:

- a. the participants are duly qualified to participate in the study considering the rigorous selection criteria they follow to be accepted at Business Schools including management level experience, so with this in mind, it makes them perfect candidates as closer approximations of business managers.
- b. The participants will have a fair knowledge of the poor, which inform the existence of the BOP or low income markets in order to be able to answer the questionnaire.
- c. There might be instances where other participants find it difficult to understand the characteristics of the BOP market, which will make it difficult for them to answer the questionnaire. Therefore a vignette on BOP customers was included in order to offer some understanding about the BOP market.

1.7 Outline of the study

Chapter 1

This chapter provides the introduction and background of the study, the formulation of the problem statement, the significance of the study, its assumptions and limitations.

Chapter 2

In this chapter literature is reviewed for the purpose of giving a clear insight into aspects of the BOP and shareholder primacy. Aspects such as the full definitions and descriptions of the BOP market around the world are narrowed to the South African perspective. Market based solutions to poverty and the challenges of MNC's in serving BOP market are outlined. The relationship between the shareholder primacy and the BOP, the short-termism of the shareholder primacy coupled with the stakeholder

primacy is discussed in this chapter. Then research hypotheses are formulated.

Chapter 3

The chapter focuses on the research methodology adopted by the study. Emphasis is put on the research approach, population and sampling method, followed by the research design and instruments used for this research, instruments validity and reliability will be discussed, how data is collected and analysed and the research validity and reliability are discussed.

Chapter 4

The analysis and presentation of data is outlined in this chapter

Chapter 5

This chapter focuses on the interpretation of the research findings. The results obtained are compared with the results of the previous studies and the literature reviewed.

Chapter 6

This chapter presents the conclusions of the study. The recommendations, implications and the future research directions are put forward.

The main objective of the BOP proposition is for business as creators of wealth to make substantial inroads into the social challenges that confront societies while at the same time earning financial rewards. Prahalad and Hart (2002) have shown that there is a fortune that is lying dormant in the BOP sector with few or no MNC's willing to capture it.

There have been different studies trying to figure out what brings about this low service of MNC's at the BOP market even when it has been shown that there are tremendous opportunities for profiting. Different scholars have put forward the concept of shareholder primacy as an Achilles heel for business to serve other stakeholders of the business. With BOP market as one of the prominent stakeholders (Nel 2011), this study takes a closer look at the relationship that exists between the shareholder primacy and the non-service of the BOP market.

CHAPTER 2: LITERATURE REVIEW

2.1. Introduction

This literature review attempts to identify the pertinent knowledge gaps which exist between the shareholder primacy and the BOP as one of the business stakeholders. There has always been a link between shareholder primacy and the interest of other stakeholders as illustrated by different scholars. Most of these scholars predict a tension between these two concepts. With the BOP having found its way to being recognised as one of the prominent stakeholders in business (Nel 2011) and importantly the most fragmented part of society. Therefore the purpose of this literature review is to establish with facts the possible kind of relationship between shareholder primacy and the BOP market, using the fundamental constructs such as the shareholder primacy and the non-service of BOP markets.

The study critically reviews the body of literature on the BOP market. The review starts by paying particular attention to the definition of the BOP market in the world and then narrows it to our South African perspective. The topic and its background is discussed. The review then explores the market based solutions to poverty and other societal challenges and highlights the challenges that hinder business from successfully serving at the BOP market. The study will look at what literature has to say about the differing timelines and the trade-off between shareholder primacy and the BOP developmental agenda. Then this leads to the exploration of the constructs of shareholder primacy as a hindrance for MNC's managers to serve the poor markets at the BOP.

The literature review also takes a closer look at the assumptions forwarded by Prahalad and Hart (2002), Prahalad (2004 and 2010) which show MNC's managers' dominant logic regarding the BOP as a market, which is chiefly what informs this prevalent non-service of BOP market by MNC's managers.

These assumptions and other literature will be of help in finding how shareholder primacy behaviour connects with the BOP market. This means finding the nature of the relationship between these two constructs.

The study delves deeper, guided by literature in determining if shareholder primacy hinders MNC's managers in serving the BOP market or if shareholder primacy is what informs this prevalent non-service of BOP market by MNC's business managers.

Although studies on BOP in South Africa have examined different hindrances to MNC's serving at the BOP markets, there has not been a study that tests these constructs to get the South African perspective, as such, this study seeks to provide additional insight on the shareholder primacy as perceived by MNC's managers towards the BOP market in South Africa. Understanding this perception about the market will simply mean an increase in serving the BOP market that will lead to profitability that is concomitant with alleviation of poverty and other societal challenges. The initial part in understanding the successful way to serve this market will be to understand the concept of BOP.

2.2 Bottom of pyramid conceptualization

The concept of BOP has taken greater prominence within the development agenda due to the realization that complex societal challenges if left only to government and multilateral agencies will not be adequately addressed. The persistent lack of basic needs for society such as nutrition, healthcare, education and other necessities have gravitated interest in business as creators of wealth to take charge on issues that affect society.

The BOP market is loosely defined as the disenfranchised, overlooked and the economically downtrodden sector that resides at the periphery of the mainstream economy and is living below the breadline. These are the poor of the poorest who reside at the lower part of the economic pyramid. Hence it is generally accepted that the term "poor" predates the term "BOP" (2011, p.15)

According to Prahalad (2002) the poor's income in US dollar terms is less than \$3.35 a day in Brazil, \$2.11 in China, \$ 1.89 in Ghana, and \$ 1.56 in India, yet BOP income per segment is huge: Eastern Europe -\$458 Billion. Asia - \$3,470 Billion, Africa - \$429 Billion and Latin America and the Caribbean - \$509 Billion and its total income segment is \$5 trillion (Hammond, Kramer, Katz, Tran and Walker (2007).

Their annual per capita income based on purchasing power parity in U.S. dollars is less than \$1500, the minimum considered necessary to sustain a decent life (Prahalad and Hart 2002). World bank (2003a) report as cited by Kirchgeorg and Winn (2006) affirms that over four of the world's more than six billion people have an income of less than \$1500 a year and almost three billion people live on less than \$2 per day, and over one billion on less than \$1 per day (Mendoza and Thelen 2007, Prahalad 2004, Prahalad

and Hammond 2002, Prahalad and Hart 2002).

The exact figure of people living at the BOP is highly debated and contested. According to Prahalad (2005) there are more than four billion people at the BOP living on less than \$2 per day purchasing power parity (PPP), in both developing countries and least-developed countries.

Karnani (2007) points out that in using the 2001 World Bank estimates, there are 2.7 billion people at the BOP living on less than \$2 per day (PPP); and furthermore Karnani (2009) estimated the figure of 2.5 billion people on the BOP. Jaiswal (2008) used the 2005 World Bank estimates of 2.4 billion people living in low-income countries.

Prahalad and Hart (2002) describe the BOP market as people who live in rural villages, or urban slums and shantytowns, who usually do not hold title or deed to their assets (dwellings, farms, businesses), lack formal education, are hard to locate through normal distribution, credit and communications, and the quality of products offered to them is generally low.

Santos and Lackzniak (2009) describe this market as being made up of people that are constrained by income, or lacking in wealth opportunity, literacy, market access and political factors.

Kirchgeorg and Winn (2006) and Simanis and Hart (2008b) suggest that the term "Bottom" has negative connotations and is insulting and they have chosen to use "Base" as a neutral term to classify Base/Bottom of Pyramid. Different scholars and researchers have chosen to use "bottom" and others have chosen "base" to classify BOP market. "Bottom" by definition means the lowest point or part of something (Merriman dictionary) whereas "Base" is the lowest starting part of something, especially the part on which it rests or is supported (Landrum 2007). Ferraro, Pfeffer and Sutton (2005:16) on the implication of economic language and assumptions point out that their research shows "the importance of language in affecting behaviour, judgement about others, and beliefs about what appropriate behaviours are in a given situation".

Taking from the arguments by Ferraro et al (2005), the study believes that the word "Base" seems to be the one undermining the progress at the BOP as simply means if "Base" is supporting what is at the "Top" then it might be difficult to pull people out of poverty at the base, because this simply means tampering with the base might make

the whole structure collapse, so by implication we should refrain from tampering with the base. Therefore for the interest of this study we will remain using “Bottom” for the term, BOP market.

The majority of the BOP live in rural areas (68% globally), which adds to the complexity and costs of reaching them (WEF and Boston Consulting Group 2009).

Prahalad (2010) concludes that for business that wants to engage on the opportunity that the BOP market present, their definition should fit the focus for productive engagement, as there is no single universal definition that can be useful.” In defining the BOP, as in defining poverty (Blackwood and Lynch 1994), a universally acceptable empirical definition is elusive” (London 2007, p.10). Differing views about the BOP definition demonstrate the heterogeneity of the segment within or across countries (Dawar and Chattopadhyay 2002, Mendoza and Thelen 2007).

2.3 BOP In South Africa

The BOP market is defined as the four billion people who are largely excluded from the mainstream economic activity (Louw 2008), mainly due to the way traditional business thinks about the poor. Bottom of the pyramid is a term that represents the population of the world that primarily lives and transacts in an informal market economy (London 2007, Hammond et al 2007). They explore economic activities and business development in the absence of a “Westernized” market environment that is characterized by legally recognized boundaries, enforceable contracts, and property rights protection (London and Hart 2004).

Much literature provides different poverty lines in the respective South African poverty analysis, with the most commonly used poverty line values being R250 per month in 1996 Rand, US\$1 a day, US\$2 a day, as well as R211 per month and R322 per month in 2000 Rand (i.e., the two official poverty lines proposed by Woolard and Leibbrandt (2006). Some of the data sets are problematic in a particular year or in more than one year, which in turn makes the comparison of poverty and inequality results across the years difficult (Yu 2010).

The South African National Planning Commission in their National Development Plan 2030 (NPC 2012) put their poverty datum line, which is defined as households with incomes of less than R432 per month per household member, which is roughly equal to

\$52.50. This is less than \$1.80 per person per day which is also less than the global poverty line of \$2,50 per person per day as purported by different BOP literature. Converting the \$1.80 per day into rand denomination is less than R20 a day. This is consistent with the finding of the study “Impact of Township Shopping Centres” by Meltzer (2009) where it was found that more than 18 million of South Africans live on less than R20 a day and of that 18 million, almost three million live on less than R5 per day which makes South Africa have two tiers of BOP market. This is the essence of the BOP in South Africa.

In his redefined BOP segment (Louw 2008) put forward two categories of BOP segment: BOP one which consists of populations with purchasing power of less than \$2 per day and the BOP two which is the population with purchasing power of more than \$2 per day, however Louw only provides the threshold, but does not explain the ceiling (Mokoto 2009).

Admittedly with BOP being a new phenomenon scholars in the field present differing and at some point contradictory definitions on what constitutes the BOP, but most importantly in their definitions words such as the poor, non-accessibility, low purchasing power, non-affordability, and non-profitability because of low transaction costs are found in the definition used by these scholars.

For the interest of this study and also because of the problems as given by Yu (2010) above, the National Development Plan measure serves as a better measure of poverty because it is recent and it is a policy document that serves to address poverty and inequality in South Africa and therefore fits the context of the research. The research will adopt its definition of BOP as the base of this study.

2.4 Market based solution to poverty

“Poverty is a disgrace to humanity” (Habib and Zurawicki 2010, p.23) especially when we consider that more than four billion of our people who are living on less than \$2 starve every day (Kim Hak-Su 2004).

“During the Conference on Hunger and Poverty it was stated that ‘poverty is a multi-faceted phenomenon, defined (and explained) as a situation in which a person lacks the necessary capabilities and entitlements to satisfy his or her basic needs and aspirations’ (Kirchgeorg and Winn 2006. p. 172). Kirchgeorg and Winn (2006) allude

that poverty is the antithesis of economic viability and social equity and a cause of income inequality and its effect is detrimental to social and environmental wellbeing. They further argue that it violates the moral rights, cultivates social unrest and destabilizes increasing interdependent society and it also results in struggles to survive which in turn lead to environmental degradation. Its reduction has become a front-burner issue in development discourse, business agendas and different policies are initiated by development funders and governments across the globe as a result (Adebayo 2013).

The initial approach to poverty and societal problems faced by the poor such as food, clothing, education and medical issues left them to rely heavily on government, non-governmental organisations (NGO's) and other charity organisations (Low 2008). However it is increasingly in the interest of business to be part of the solutions (Nelson and Prescott 2008).

Easterly (2006) notes that after nearly 60 years and more than \$2.3 billion donations and grants such aid continues to generate disappointing results, in part because incentives are misaligned. While Moyo (2009), shows that the most aid-dependent countries have exhibited an average annual growth rate of minus 0.2 per cent over the last thirty years and between 1970 and 1998, during the peak of the aid inflows to Africa, the poverty rate in Africa actually rose from 11 per cent to a staggering 66 per cent. Moyo's reason is that concessional loans and grants are a kind of a curse because it encourages corruption and conflict, while at the same time discouraging free enterprise.

In assisting to deepen engagement and addressing the issues of poverty and societal problems business came up with the strategy of corporate social responsibility. In an effort to create societal value, many companies engage in important corporate social responsibility (CSR) initiatives. International organisations such as the United Nations, the World Bank, and national development agencies such as the Department for International Development (DFID) in the UK, have embraced CSR in the hope that the private sector can play a key role in achieving developmental goals aimed at poverty alleviation (Newell and Frynas 2007, p. 669). Unfortunately, admirable as these activities often are, ultimately they depend on the commitment of current management and the profitability of the core business and they are not always easily sustainable from a traditional business perspective as they are often considered a cost, and the cost side of a business equation is forever vulnerable (Zimmermann, Gomez, Probst and Raisch 2014). Because of the vulnerability of this cost side, during market

downturns the CSR projects are the first projects that businesses consider relinquishing as the cost perception means that they believe CSR projects are putting an added strain on the cost side of the business. These organisations believed that CSR as a strategy of using growth generated by the private sector would be more inclusive, equitable and lead to reduction of poverty (Jenkins 2005). However, business needs to fully understand that when it comes to issues of poverty and other societal problems, profit-based solutions will move the needle far faster than tired models of traditional philanthropy (McElhaneey testimony in Polak and Warwick 2013). It is in the employment of companies' core competence that the greatest impact is made on society with the greatest potential to contribute to human development (Fitzgerald and Cormack 2006).

Taking from the literature above, aid and philanthropy has not been assisting, but has instead appeared as Robert Lefevre would put it, "a disease masquerading as its own cure." This dead end route suggested by literature has led to Newell and Frynas (2007, p. 669) to pose the question, "What new tools, strategies and methodologies are required to harness the positive potential contribution of business to development and deter corporate irresponsibility?"

Poverty alleviation that comprised aid funding proves that business as creators of wealth is needed more than before as an alternative strategy to solve problems society is facing (Prahalad and Hart 2002, WBCSD 2004a) and start treating the poor as a lucrative market segment that can be served. These multiple factors of pervasive poverty, high levels of informal activities, unemployment and failure of MDG's targets (Olivier et al 2013) indicate the need for alternative plans and strategies such as the market based solutions.

Market based solutions that are anchored on the business core competency are being called to the fore as an alternative strategy to fight societal challenges of poverty, unemployment and inequalities to name but few (Kubzansky 2011). Prahalad (2010) posits that the historically organized business sector which includes NGO's, aid agencies, large businesses and government all have reached implicit agreement that market-based solutions to poverty are just illusory and would not lead to poverty reductions and economic development. He further notes that most charitable organizations believe that the private sector is greedy and uncaring and cannot be trusted with societal problems and poverty alleviation, therefore shareholder value

maximization or shareholder primacy and poverty alleviation do not mix.

Poverty means that even the basic needs of people cannot be met and markets which have to serve those needs are largely absent (Seelos and Mair 2006). Safeguarding the environment and improving the well-being of the poor are mutually related (Boyce and Shelley 2003: 1). The corporate leaders are beginning to recognise the importance of this issue as are acknowledging that poverty hinders economic success as well as goals such as peace and sustainability (Wilson and Wilson 2006).

Porter and Kramer (2011) support a shared value approach to catalyse longer-term market-based solutions and recommend that business decisions and opportunities should be made through the lens of shared value. Nelson Mandela (2005) echoed the same at the G8 'The Campaign to Make Poverty History,' stating, "I have said before that trade justice is a truly meaningful way for the developed countries to show commitment to bringing about an end to global poverty" (no page number). According to Ferguson (2005) the problem of poverty is not in the long-term best interests of the private sector, but visionary business leaders are beginning to understand that this problem could be addressed through market based solutions that balance social investments with private gain, which is a targeted investment and social policy that will benefit all. In this instance both parties are on the winning side, what is needed is both parties to bring their capabilities to the fore: on the one hand, "Corporations possess unique resources and capabilities – in consumer research, product design and development, financial discipline, operational efficiency, and scaling – that let them bring goods, services, and benefits into the lives of low-income consumers in ways governments and non-profits cannot. On the other hand, low-income consumer markets can play a valuable role in helping companies meet the unrelenting pressure to generate new sources of growth and profits" (Simanis and Milstein 2012, p83).

Prahalad (2005 and 2010, p.30) provides three assumptions why it is important to have market based solutions to poverty and engage the BOP market:

- BOP represents a latent market and that active engagement of private enterprises at the BOP is critical in creating inclusive capitalism, as competition for the market will foster attention on the poor as consumers and create choices for them as they will not solely depend on what is available in their villages. He further points out that if large firms approach the BOP market with its consumers' interests at heart, it can also lead to significant growth and profits for them therefore poverty alleviation needs to be a business development task

shared among the large private sector firms and local BOP entrepreneurs.

- The BOP, as a market, provides a new growth opportunity for the private sector and a forum for innovations as old and tired solutions cannot create markets at the BOP.
- BOP markets must become an integral part of the work of the private sector. They must become part of the firms' core businesses; they cannot merely be relegated to the realm of corporate social responsibility (CSR) initiatives. Successfully creating BOP markets involves change in the functioning of MNCs as much as it does change in the functioning of developing countries. BOP markets must become integral to the success of the firm in order to command senior management attention and sustained resource allocation.

Rangan, Sehgal and Rajan (2007) in their book called *Business solutions for the Global poor* presented research at the Harvard Business School's conference on business approaches to poverty alleviation. They draw on practical and dynamic how-to insights from leading BOP ventures from more than twenty countries world-wide. They reflect on poverty's multi-faceted nature and a broad range of actors from MNC's and local businesses, entrepreneurs, civil society organizations and governments who are playing a role in poverty alleviation. Indeed these players have a crucial role to play in poverty alleviation, most importantly MNC's can play a crucial role in these poor markets that represent new frontiers for corporate expansion (Polak and Warwick 2014).

2.5 The role of MNC in BOP

Looking at the structural problems facing societies around the world, most importantly at the developing countries, a question often raised is whether globalization has brought fair gains that proportionately benefit the poor (Nissanke and Thorbecke 2010). At the centre of the globalization is MNC's who are trying very hard to diffuse their services, products and technologies around the world in pursuit of homogenising markets (Emde 1999) and at the same transforming societies.

There has been a call for MNC's to use their technological and managerial know-how to satisfy the demand of low-income markets by providing useful and affordable products and services and to also create business and employment opportunities that improve sustainably of the life of the poor (Sánchez, Ricart and Rodriguez 2007 and Simanis, Hart and Duke 2008). This call suggests that MNCs should look at

problems in the developing markets as opportunities (Ackermann 2010). Indeed MNC's can serve as impact enterprises by creating shared value at the BOP market using their core businesses to generate economic value through social progress (Hills, Russell, Borgonovi, Doty and Iyer 2012).

The BOP market is not only about poverty alleviation, it is an enormous, untapped consumer market hungering after the products of MNC's who are serious about pursuing growth and profit opportunities (Simanis 2012), yet this enormous potential of accelerating economic growth and development and reducing poverty has been uneven and even marginal in some regions, such as in much of sub-Saharan Africa (SSA) (Nissanke and Thorbecke 2010). Indeed there are many challenges being faced by MNCs who are entering the BOP market, which calls for new ways to curtail those challenges faced by the MNC's willing to enter the BOP market.

2.6 MNC's challenges in serving BOP market

In their seminal paper (Prahalad and Hart 2002) propound that there are prodigious opportunities at the BOP that could only be harnessed by doing good to society. Different scholars assert that you profit by creating social impact. However the profit that is accompanied by social impact has been elusive to say the least. Evidence has shown that there is business potential at the BOP, Hammond and Prahalad (2004) note that despite the vastness of this market, it remains largely untapped by MNC's. Mokoto (2009) propounds that it is imperative for business to take the leading role in poverty alleviation through profitably serving the poor. There are sets of different challenges that MNC's face when entering new markets. The challenges of new competitors, new suppliers, new distribution channels and new sets of consumers with unique preferences are often most important and pressing (Wood, Pitta and Franzak 2008). Market challenges are business environment factors that influence the business entry decisions in the market (Jansson and af Sillén 2013). Business starts by identifying opportunities in the new market, the risks involved, as well as the potential market barriers before they decide to enter the market (Chikweche and Fletcher, 2012).

Scholars who take interest in the BOP discourse have built an impressive body of work on different hindrances and challenges that inhibit the MNC's in serving the BOP market, which makes the opportunities of profiting elusive. Karamchandani, Kubzansky, and Lalwani (2011) identified five different market barriers in the BOP:

1. uncertain cash flow,

2. gauging demand,
3. sales and distribution challenges,
4. disaggregated providers and
5. undeveloped business ecosystems.

Countries with a large BOP market are often the most complex areas to conduct business in, based on a number of factors, many of which are macro-environmental limitation factors such as poor infrastructure, lack of purchasing power and welfare (UNCTAD, 2012, Bustrup 2007).

Wood et al (2008) posit that for a business to thrive in the new markets, it obtains strength not only in terms of revenue, but also in terms of knowledge that significantly enhances their capabilities to compete. Because of its differing characteristics with developed markets, Prahalad and Hart (2002) argue that for companies to succeed they must adapt and rethink their business model when entering a BOP market, (Prahalad 2008) as it is diverse from their core market. Lack of basic needs such as infrastructure, water and electricity are often other factors (Prahalad 2002, Jansson and af Sillén 2013).

Effective public-private and civil society partnerships, NGOs and similar institutes that have deep knowledge of the local customers are of paramount importance in creating the appropriate frameworks and incentives that fully leverage businesses contribution (Prahalad 2010, Engel 2011, Pitta et al 2008). This means that business as usual is not an option at the BOP (Engel 2011).

Paternalistic views of the poor and the BOP market (Prahalad and Hart 2002, Metcalfe 2007, Refficco and Rueda 2012, Martinez et al 2007, Karnani 2007a, and Karnani 2007b) was also put forward as one of the hindrances. While other challenges such as the profit maximization culture of the MNC's in pursuit of maximizing shareholder value (Prahalad and Hart 2002, Reficco and Rueda 2012, Zeithaml, Rust and Lemon 2001, Prahalad 2004, Pitta et al 2008, Simanis and Milstein 2012, Mcfalls 2007 and Karnani 2007a, and Karnani 2007b) were also forwarded.

Different scholars believe that this cultural difference between business imperatives and BOP market needs to be overcome in order for profit and prosperity to be realised at the BOP. Pitta et al (2008) posit that it is logical that culture shocks will affect future attempts to understand the BOP market, so in order to succeed at the BOP market

Klein (2008) asserts that we will require new mental maps to manage organisational problems and opportunities while also bringing innovative models to the fore. For MNC's to overcome some of these hindrances they will need to break out of their ivory towers and come closer to the people so as to understand what it is that needs realigning in their culture and business processes as WBCSD (2013) noted that the solutions to these hindrances lie within direct control of companies themselves.

As a follow up to the literature above the literature review looks at the challenges that are facing MNC's to best serve the BOP market. This is done through examining the theory of shareholder primacy culture as a hindrance to managers in serving BOP markets or choosing to focus on affluent markets at the top of the pyramid. This concept of shareholder primacy is further discussed below. Each of these concepts leads us to the presentation of the hypotheses to resolve the research problem.

2.6.1 Shareholder primacy premises and its values.

The shareholder primacy concept is understood as stating that the overarching purpose of business is to create shareholder value (Stout 2012). The Aspen Institute (2002) conducted a study where it found that the Business School graduates believed that wealth maximization for shareholders is the primary, if not sole purpose of the firm. Similar results were found in a study conducted by Brookings governance studies of the curricula of top Law and Business Schools, as cited by Stout (2012). As a result, "students believe that the primary purpose of the corporation is to maximize shareholder value, and they believe this is how current corporate leaders behave when they are making business decisions." (Stout 2012:1). The concept of profit maximization informed by shareholder primacy was also persuasively positioned by classical economists led by Milton Friedman (1970) that the only social responsibility the business has is to increase its shareholders' profit. In realising that Friedman's assertions were not being adhered to, Jensen and Meckling (1976) introduced a new concept called agency theory. Their central argument was the coercing wayward behaviour of business managers (who are said to be agents) in discharging their duties of faithfully serving shareholders' interests (who are called principals) and said to be rightful owners of the businesses (Jensen and Meckling 1976). From the assertions by Jensen and Meckling (1976) it can be witnessed that the philosophy of shareholder primacy was brought to the fore as a cure for "agency cost" problems of corporate managers serving their own interests at the expense of shareholders' interests.

According to the Financial Times (2009a), everyone benefits as companies provide goods and services people want, by competing for consumer purchases. The company that competes well by winning sales from consumers is rewarded by profits. The article further alludes that since those profits ultimately redound to the owners' advantage, holding managers accountable to shareholders best ensures that companies remain profitable and keep their products attractive to customers.

"Shareholder primacy norm" is part of a business manager's fiduciary duty to take decisions that are in the best interest of shareholders who are said to be owners of corporations, and this has been a hindrance for business to address societal challenges and to attend to other stakeholders beside shareholders (Ronnegard and Smith 2010, Campbell 2007, Evan and Freeman 2003).

Shareholder primacy is structured to ensure that corporations work in the interests of shareholders. However, it has not been formally identified in statutory law (Ronnegard and Smith 2010, Fisch 2006), therefore it is not a legally enforceable norm (Ronnegard and Smith 2010). Gentile (2004) and Rose (2007), in their separate studies found that managers believe that the law requires them to maximize shareholder wealth and forbids them from pursuing interests that conflict with the interests of the shareholders.

The Aspen Institute study found that there are differing views on the issue of shareholder primacy with most business manager's dominant logic being corporations are legally or ethically obligated to maximize shareholder value (2014:4) and shareholder primacy is what defines and provides purpose and goals of the firm to do what is good and right, so as shareholders are the life blood of corporations, by serving them first, ultimately everyone benefit. The prioritization of shareholders above other stakeholders might have been derived from business managers understanding that they are compelled by law to discharge their legal responsibilities by conforming to the needs and the interest of the shareholders.

Stakeholder theory proponents have been questioning "legitimacy" of shareholder primacy (Aspen 2014, Stout 2013, Mitchell, O'Donnell and Ramsay 2005, Agle, Mitchell and Sonnenfeld 1999) and agreeing that shareholder primacy rested on two related fallacies that shareholders are rightful owners of corporations and by virtue of being owners expecting financial returns to accrue to them. Shareholder primacy might have worked before but is outdated and can be harmful considering societal problems of the

21st century (Aspen Institute 2014).

Baumol and Blackman (1991) emphasizes that in perfectly competitive markets where imperfect markets are perfectly contestable, the firm that engages in social value which is a wasteful expenditure, will lose market share to more efficient rivals, because such wastefulness reduces the firm's competitiveness and would lead eventually to either bankruptcy or takeover by a more efficient firm. On the other hand Jensen (2002) set out an efficiency argument for a single objective function, on the level of the goal of the corporation. Freeman argues that the shareholder primacy single goal of maximizing profits is not consistent with the real world as he observed that, "If a business tries to maximize profits, in fact, profits don't get maximized, at least in the real world."(2008:18).

2.6.1.1 Short-termism of shareholder primacy

Stout (2012) argues that the main problem of shareholder primacy ideology is it focuses on the interests of only a narrow subgroup of shareholders, who are mostly opportunistic and myopic, and willing to impose external costs on others because of being indifferent to ethics and the interest of others. She further posits that shareholder primacy thinking can lead business managers to focus myopically on short-term earnings reports at the expense of long-term performance which discourages investment, innovation and ends up luring companies into reckless and socially irresponsible behaviour which harms other stakeholders and ultimately harms the same shareholders it intends protecting. Indeed its short-termism nature is strongly viewed as the culprit and as a continuing threat to the economy (Duruigbo 2012). Short-termism is defined as the characteristic by which corporate managers succumb to pressure from investors or acting to bolster their own position into achieving short-term profitability, in expense longer-term considerations (Duruigbo 2012, Lavery 2004). Different scholars have argued that it has brought more harm than good to other stakeholders especially the wellbeing of society.

In their study, the Aspen Institute (2014) found that the problem of shareholder primacy is that it tends to lean towards the short-term decision making and approaches, because of short-term drivers such as the stock price, pension funds and mutual funds because they create short-term awareness of the business and enjoy concrete measures and are more easily observable than the more hidden matters like wellbeing of other stakeholders, such as society and customers. Duruigbo (2012) notes that the short-termism problem of shareholder primacy also goes beyond issues of stocks,

pensions and mutual funds; it also involves pressure exerted by shareholders on business managers to invest in short-term projects in order to keep earnings accrued to them. It says business managers should regard the shareholder return as their operative goal and its most extreme version suggests that business managers should single-mindedly aim to increase the stock price even in the short run. Indeed strong shareholder return is captured from the capital gains from share price and flow of dividends (Financial times 2009a).

The problem about short-termism is it promotes tendencies to overvalue short-term rewards and ignore or undervalue the long-term consequences which might affect their future profits and also be injurious to other stakeholders (Lavery 2004), even business managers have conviction that it is their fiduciary duty to serve shareholders; they are pressured and even incentivised through corporate perks to follow established protocols and satisfy the short-term returns of the shareholders to the detriment of the corporation itself and some other stakeholders.

Agle, Mitchell and Wood (1997) developed a stakeholder salience or importance model as a way of flexibly measuring which stakeholder is more important in the business based on the idea that relative stakeholder importance will depend on the perception by CEO's on the power held by stakeholders and the relative urgency and legitimacy of their claims (Anderson et al 2007). The literature measures shareholder primacy norms through the stakeholder salience model.

2.6.1.2 Power and legitimacy of shareholder's interest

Different scholars have a belief that if shareholders have legitimate claims on companies' wealth they are empowered as claimants, therefore it means legitimacy is coupled with an implicit power of shareholders (Agle, Mitchell and Wood 1997). They further argue that a business may have legitimate standing in society, or it may have a legitimate claim on the firm, but unless it has either power to enforce its claim in the relationship or show that their claim is urgent, business managers would not listen to such a claim. By "legitimacy" we mean actions of business managers acting on behalf of shareholders "are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions" (Suchman, 1995:574). Weber (1947) in his definition of the legitimate use of power, proposes that legitimacy and power are distinct attributes that can be combined to create authority. Etzioni (1964:59) defines power as "an extent to which a party has or can gain access to coercive (physical means) utilitarian (material means or a normative {prestige, esteem or social}) means

to impose their will.”

In the stakeholder salience model of Agle et al (1997) they show that shareholder salience is paramount to other stakeholders of the firm. In the model, besides power and legitimacy, urgency to the claims of stakeholders is important aspects which say that immediate attention should be considered for the claims which are considered to be legitimate (Agle et al 1997). They further argue that “urgency is based on the following two attributes:

- (1) time sensitivity - the degree to which managerial delay in attending to the claim or relationship is unacceptable to the stakeholder, and
- (2) criticality - the importance of the claim or the relationship to the stakeholder” (1997:867).

This suggests that shareholders should be considered to be the first claimant of the value of the business as they have power and their claims are legitimate and should be given immediate attention.

In their study Anderson et al (2007) found that CEOs have a belief that shareholders have the power to influence management and that their demands and wishes are legitimate which means satisfying and prioritizing those needs and wishes or interests as of paramount importance to the CEO’s which happens at the interest of other company stakeholders. Importantly, those needs, wishes or interests of shareholders are happening independently of any direct pressure from shareholders themselves which simply means shareholders have power over directors without even actively exerting it (Anderson et al 2007).

2.6.1.3 Shareholder activeness

The shareholder activeness arises when there is belief that management does not act in the best interest of shareholders in improving corporate performance (Admati and Pfleiderer 2009). The conflict between the shareholder interests and the management decision-making which is termed the agency theory is what prompted the notion of shareholder activeness within companies (Hu 2008). Grossman and Hart (1986) argue that shareholders with a large stake in the company are more willing to be active in corporate decisions because they partially assume the benefits from their monitoring effort. Indeed with shareholders having clear objectives of maximizing their value they are justified to control all major decisions and always delegate the decision to

management (Harris and Raviv 2010).

With the belief that CEO's understand their fiduciary duty of serving the interest of shareholders, Anderson et al (2007) found that they do not believe in shareholders being active in pursuing their demands and wishes and to actively seek the attention of the management team which simply means management do not believe in shareholders having direct involvement in the business decision making.

2.6.2 Stakeholder theory

Freeman (1984) posed a compelling question so as to rethink the concept of the firm: For whose benefit and at whose expense should the firm be managed? Indeed business managers are obliged under common law and the corporations act to be accountable to a certain extent to shareholders (Jones, Marshall, Mitchell and Ramsay 2007), but this does not necessarily mean that the interests of other stakeholders should play second fiddle to those of shareholders (Deakin, Hobbs, Konzelmann and Wilkinson 2001). Freeman and Evan (2003) argue that those times are long gone where corporations will be used as a legal device through which private business transactions of individuals may be carried on. Freeman (1984) argues that managerial capitalism needs transformation of replacing the concept that managers have a duty to shareholders with the concept that business managers bears fiduciary duty to all stakeholders and not only shareholders. The stakeholder theory holds that each of the stakeholder groups other than shareholders has a right to participate in determining the future direction of the firm in which they have a stake (Freeman 1984). The basic idea is that business managers should manage interest of and act to create value for customers, suppliers, employees, communities, and financiers (or shareholders) and careful attention needs to be paid on how these relationships are managed and how value gets created for all these stakeholders (Freeman 2007).

Business ethics as an academic field has also been in constant disapproval of the shareholder primacy (Ronnengard and Smith 2010) and agrees that the limited rights enjoyed by shareholders are too restricted for them to dictate how business should be run (Mitchell, O'Donnell and Ramsay 2005). While not denying the importance of profitability as a goal of corporations, but the primary purpose of the corporation should be to uphold and manage the interests of stakeholders (Freeman 1984). The study further posits that the driving force behind great corporations is not to create wealth for shareholders, but a great mission, purpose and goals that goes beyond what is

quantifiable. In general this “means that the private corporation has responsibilities to society that go beyond the production of goods and services at a profit... a corporation has a broader constituency to serve than stockholders alone” (Buchholz and Rosenthal 2002:303).

In an interview with *Guardian Sustainable Business*, CEO of Unilever, Paul Polman makes a passionate plea with business leaders, politicians and NGOs to acknowledge and recognize that they cannot deal with the world's complex societal challenges by conforming with Milton Friedman's target of maximizing shareholder value” (Pearson 2012). “This maxim that the social responsibility of business is to maximize profits within the bounds of the law goes against the inspiration of most business and society work that examines the impact of business power on society” (Davis 1983 as cited by Husted and Salazar 2006:56). Jack Welch condemns shareholder primacy by calling it the dumbest idea in the world (Guerrera 2009). Indeed if business serves a broader constituency, this results in increased business performance as observed by Angelopoulos, Parnell and Scott (2012) in the findings of their study, “The relationship between stakeholder/shareholder orientation and perceptions of organisational performance” conducted in South Africa, Peru and the United States. Ronnegard and Smith (2010) argue that the problem is unlike shareholder primacy, stakeholder primacy promotes a multitude of objectives to be followed rather than a single objective. Phillips et al (2003) argue that stakeholder theory's argument is to advise business managers to manage stakeholder interests in order to reach corporate goals. Hillman and Keim (2001) found that a high regard for stakeholder primacy leads to improved shareholder value.

According to Prahalad (1994) shareholder primacy proponents argue that business should engage in social endeavours only if those are meant to enhance the prospects of short-term or long-term financial returns accruing to shareholders. He further alludes that shareholder proponents believe that social programmes not linked to shareholder returns are seen as matters of personal initiatives, private charities and foundations or responsibility of government.

Different studies also acknowledge in their findings that there is still a dominant logic of shareholder primacy (Anderson et al 2007, Australian government report 2006, Agle, Mitchell and Sonnenfeld 1999, Mitchell, O'Donnell and Ramsay 2005, Francis 1997). “It has become dogma: a belief system so widely accepted that most of those who embrace it cannot recall where they first learned of it or explain what evidence supports

it over other theories” (Stout 2013:8). It is what Galbraith described as an “institutional truth” where the dominant logic which is not necessarily truth, but a lie people choose to believe in order to progress in their careers. Even big organizations such as the OECD have been a victim of this dogma, in their OECD Principles of Corporate Governance document in 1999, the emphasis was that corporations should be run, first and foremost, in the interests of shareholders. The reality is this dominant logic obscures the capacity of corporate power and responsibility and it is in conflict with other stakeholders and society at large (Selznick 1996).

2.6.3 Conflicts between Shareholder primacy and the bottom of the pyramid (The great trade-off)

According to Prahalad there is no trade-off between profits and social goods at the BOP when asserting that “it is absolutely possible to do well while doing good” (Time, 2005). Fitzgerald and Cormack (2006) argue that social good is a legitimate aspect of business leadership, is not in conflict with growth and profitability and is an integral part of successful management practice and sustainable business building. Karnani (2010) refutes these assertions by saying that the idea that corporations around the world have a social responsibility to achieve larger social goals without sacrificing their financial wellbeing and profitability is an appealing proposition at best and very vague and fundamentally wrong. Like Friedman, Karnani asserts that companies have responsibility to do well for their shareholders and individuals just as citizens have the responsibility to do good. Grant reiterates the same in the Financial Times (2009b) that most modern management tools are directed towards creating shareholder value, either directly or through contributing to it by increasing revenue, reducing cost, boosting productivity or reducing risk, so by trying to balance the interests of multiple stakeholders such as owners, employees, customers, suppliers and society at large, the outcome is management paralysis, because of the difficulty of trying to reconcile multiple conflicting objectives (2009b) of business and other stakeholders such as the BOP market. Jensen (2002) asserts that it is legitimate to maximize the total market value of the firm as it is the legitimate strategy to resolve the trade-off problem among multiple constituencies. He further suggests that this could be done by maximising the shareholder value as this is the best solution for agency theory and efficiency problems. Indeed shareholder primacy provides simplicity, as its mandate and purpose to business managers is simple and quantifiable, unlike others which are abstract and vague so difficult to measure (Skapinker 2009, Aspen 2014). Stakeholder theory fails to

provide clear objective functions and it also falls short of providing an algorithm for day to day managerial decision making due to its abstract manner (Phillips, Freeman and Wicks 2003). These authors further argue that even the shareholder primacy still suffers from the same deficit, because the notion of maximizing shareholder value stands mute when queried. This is exactly what makes it unconvincing to many scholars in the field, given that they seek to reconfigure the role of business in society, while optimizing its social performance (Wood 1991). It is an argument that seeks to position business as a self-contained entity and a profit making machine that does not connect with society, especially the poor and the disenfranchised who are residing at the BOP. Business needs to find its way to connecting with society and make contributions to the betterment of society. This argument shows realisation of the complex societal challenges faced by humanity so “they recognize that the corporate landscape has changed. Rather than ruminating over old, well-chewed problems, they look ahead to identify the challenges that the new terrain presents” (Stout 2013:8). Hence BOP proponents led by Prahalad and Hart after realising these challenges pioneered contributions by bringing to life an emerging new literature with their BOP proposition.

The main thesis is how we integrate the profit maximization agenda of shareholder primacy with the development issues which seems to be conflicting. The downside of shareholder primacy is that in pursuit of extracting shareholder value, the business managers tend to externalize risk onto other stakeholders which have a negative effect on their wellbeing (Stout 2013) and this in itself will not augur well with the poor at the BOP. On the same point, if they do well by being cognizant of the needs of the poor market at the BOP this seems to undermine their effort of maximizing profits. There seems to be a trade-off on the profit maximization and the developmental agenda of the BOP.

In his attempt to shift attention from this seemingly conflicting concept of profit maximization and the BOP, Hart (2010) came with an article, “The great trade-off illusion,” where he propounds that managers were predisposed to think of environmental and social issues as negatives for business and seemed clear that social or environmental concerns could only serve to reduce the profits the business is trying to maximise. The same was argued by Yunus, Moingeon and Lehmann-Ortega (2010) that many MNC’s have greater belief in the notion of the triple bottom line of financial, social and environmental benefits, yet both social and environmental voices have been silent and only financial profit is at the centre of the stage. Hart (2005)

further propounds that the interests of shareholders, both public and private, over time, will be best served by companies that maximize their financial performance by strategically managing their economic, social, environmental, and ethical performance and that the profit motive can accelerate (not inhibit) the transformation toward global sustainability, with non-profits, governments, and multilateral agencies all playing crucial roles as collaborators and watchdogs.

The position has been postulated that there is a place for profitability and social value that can be extracted if the company engages in strategic programmes that assist in alleviating societal problems, most importantly at the BOP.

Jensen (2002:238) posits that there are constraints that make it 'logically impossible to maximize in more than one dimension at the same time unless the dimensions are monotone transformations of one another'. This constraint implies that profits and social performance cannot be maximized simultaneously, which simply means there is a trade-off between profits and social performance (Husted and Salazar 2006) as the goal of profitability is aligned with discourses of economic efficiency, incentives, returns on investments, and monetary risks (Varmani 2012). Mitchelson (2011) found that there was inconclusive evidence supporting the trade-off theory in South Africa as for some businesses they experienced the trade-off between the profitability and the welfare of the poor while others did not. Shareholder primacy is firmly entrenched in short-term decision making and approaches (Aspen Institute 2014), which makes it difficult to blend it with developmental agendas of BOP which is embedded in the long-term. Short-termism is the response of business managers from the pressure exerted by shareholders and investors or being motivated by incentives of corporate perks to divert their attentions from long-term aspiration and vision of the business for short-term profit maximization (Australian Government Corps. and Marketing Advisory Committee 2006). Duruigbo claims that "Short-termism refers to the investment approach in which investors 'push managers to invest in short-term projects in order to keep earnings high" (2012:531), and the problem is it tends to ignore long-term consequences in pursuit of instant gratification. The same shareholder primacy premises problem of short-termism versus long-term is shared by Aspen (2014) and Duruigbo (2012) by providing a response from a participant who opined that

Shareholder value, as it's currently thought about, is a very short-term orientation and current share price really does discourage corporate managers from making investments that really might be good not only for society in the long run, but even for the shareholders themselves. So shareholder value in

general, and a relentless pursuit of that objective, can have negative social consequences. And then the particular manifestation of shareholder value we see nowadays, namely current share price, involves a very short-term orientation that is even more socially destructive than a longer term perspective would be. It can discourage investments in environmental sustainability, because that involves expenses today that may or may not generate shareholder value in the longer run. A shareholder value approach encourages companies to do the bare legal minimum as far as environmental concerns are concerned. It may also mean cutting corners with respect to workplace conditions, paying bare minimum wages and benefits to workers, selling products that maybe don't have any real social value or maybe are unhealthy. Crappy TV or fast food or tobacco, you name it. There are lots of ways in which a focus solely on shareholder wealth maximization really can be harmful to society as a whole and to particular constituencies in particular. (p.39)

In an environment where there is an overvaluation of short-term rewards and undervaluation of long-term, then it becomes a tall order to reconcile two conflicting ideals considering that BOP rested on a long-term developmental agenda and profit maximization rested on short-term. In their study, Jones, Marshall, Mitchell and Ramsay (2007) found that directors who give high priority to shareholders in the short-term will not consider their relationship with stakeholders, employees in particular as that of partnership in the business, because of the pluralist conception that views such relationships as inherently conflictual. This conflicting notion of shareholder primacy that relies on short-term rewards and the long-term developmental agenda is best captured in the New York Times by Harvard business professor Bill George on the conflicts within the biotechnology industry between short-term and long-term gains. George (2010) alludes to the fact that the biotechnology industry is an innovative industry in which enormous investments and extended time frames of 10 to 15 years are required to create drugs that are critical in saving millions of lives within society and for long-term shareholder value. Yet consider the rise of investor activists like Carl Icahn, who advocate maximizing short-term shareholder value, by buying and selling biotechnology companies to pharmaceutical companies who have struggled to create life-saving drugs in their own laboratories and are often reluctant to tackle the complex diseases that the biotechnology industry has pursued (George 2010). This process kills promising industry that is keen on tackling tough societal challenges people are facing.

The other crucial part of shareholder value is it has clear and concrete matrices and

measurements to employ while a development agenda is more resistant to measurement (Aspen 2014, Mitchelson 2011) with evidence showing that most companies have poor indicators of welfare buttressed by little evidence showing welfare measurement (Mitchelson 2011). This therefore makes it difficult to be treated as compatible concepts that can go together.

In a capitalist system where maximization of shareholder value is a golden rule compared to the social agenda of development, the reconciliation of these two will always remain problematic (Yunus, Moingeon and Lehmann-Ortega 2010). The answer of profit-welfare competing goals or tensions which Mcfalls (2007) refers to as “competing logics” could be found in the argument that capital should be patient in order for it to be compatible with the BOP proposition. Kennedy and Novogratz (2011) argue that with acceptance of patient capital the companies should expect lower returns in the short-term with the view that they will increase over time with the maturity of the projects which will be beneficial for the long-term interest of the shareholders. They further argue that patient capitalists are needed more than ever before as the vanguard for the needs of the poor.

According to the Financial Times (2009a), good business results often require long-term relationships based on trust between business managers and other stakeholders , provided that long-term trust and respect for each others’ interests is anchored in something deeper than the effect of short-term results. The long-term trust and respect for each other’s interest will be reconciled through patient capital that overvalue long-term and undervalue the short-term as Kennedy and Novogratz (2011) have argued. With the existence of patient capital both the profit maximization agenda and the development agenda of the poor are converging in agreement, depending on the time-frame in which one measures success (Langstaff 2013). “Patient capital is not a grant; it is an investment intended to return its principal plus interest, which may be at or below the risk-adjusted market rate” (Kennedy and Novogratz 2011:48). Looking at the innovations and advances undertaken by firms at the BOP usually takes time to pilot, develop, and grow which often require non-traditional financing which makes patient capital the relevant type of financing for the market (Kennedy and Novogratz 2011).

2.6.4 Non-service of bottom of the pyramid (BOP) market

With the promising BOP proposition of opportunities and profits that exist at the BOP market, most business have not or are reluctant to seize these prodigious

opportunities. “Indeed, most MNCs have elected to ignore these consumer segments, and focus on the ‘low hanging fruit - customers in the middle and upper income brackets” (Anderson 2006:1) reason being the commercial viability of the proposition is yet to be proven (Poonyane 2010).

What is needed is a paradigm shift in managers’ mindsets (Prahalad 2004) which allow business to come closer to people and help to alleviate societal problems. However, not many large business or MNC’s have considered serving the BOP market, since by tradition this has been the role played by charities and non-governmental organizations (NGOs) to serve the world’s poor for no profit (Pitta et al 2008). The resistance on the side of MNC managers to tap into the BOP market and make profit while helping to alleviate societal challenges is informed by the assumption that the BOP market cannot be a profitable and attractive market segment to tap into, because of the well-known explanations of non-existent distribution channels, illiteracy, poverty and sometimes war or violent insurgencies which deter companies’ enthusiasm to serve people living in poverty (Anderson 2006). However, Prahalad (2010), Prahalad and Hammond (2004) believe that this is nothing more than business managers who have become the victims of their own “dominant logic” which conditioned them to mainly think of the rich as the source where they can maximize profits and not the BOP market. In explaining what they mean by dominant logic of business managers (Prahalad 2004, Prahalad 2010, Prahalad and Hart 2002), they put forward different assumptions that MNC managers put forward for non-service of the BOP market which led to the belief that it will not be possible for profit maximization to be realized. The study offers the truncated version of the assumption so as to make them simpler, because they are the constructs that will help us in measuring the non-service of the BOP market. The assumptions are as follows:

Assumption 1: The poor are not our target consumers because with our current cost structures, we cannot profitably compete on that market (Prahalad and Hart 2002:4). This assumption means that the dominant logic of MNC managers states that MNC’s will not profit by entering the BOP market, so by virtue of the assumption this will be termed **Non-profitability**.

Assumption 2: The poor cannot afford and have no use for the products and services sold in developed markets (Prahalad and Hart, 2002:4). This assumption means dominant logic of MNC managers states that BOP will not afford products from MNC’s, so by virtue of the assumption this will be termed **Non-affordability**.

Assumption 3: The distribution access to a BOP market is difficult and, therefore, represents a major impediment for participation (Prahalad 2010:37). This assumption means that the dominant logic of MNC managers states that BOP will not afford to get to buy products from MNC's, so by virtue of the assumption this will be termed **Non-accessibility**.

Assumption 4: The BOP is not critical for the long-term growth and viability of our business. We can leave BOP to governments and non-profits (Prahalad 2010:32 Prahalad and Hart 2002:4). This assumption means the dominant logic of MNC managers states that the BOP will not be a viable market for MNC's products, so by virtue of the assumption this will be termed **Non-viability**.

Assumption 5: Intellectual excitement is in developed markets. It is hard to find talented managers who want to work at the BOP so MNC will not assign their best managers to work in market development in the BOP market. After all managers are not excited by business challenges that have a humanitarian dimension. This assumption means that the dominant logic of MNC managers states that BOP is not an attractive market for MNC managers, so by virtue of the assumption this will be termed **Non-attractability**.

The study will put forward the framework schematically and it will be informed by the MNC managers' dominant logic as forwarded by Prahalad in his assumptions.

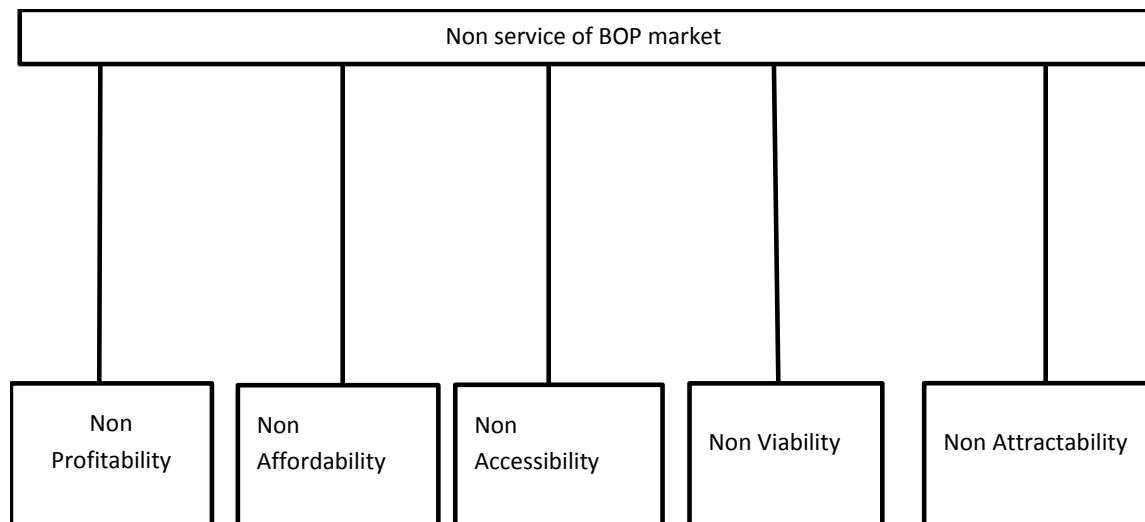


Figure 1: Non-service of the BOP Market

Much of the literature in this area focuses on this dominant logic which is being put forward by MNC managers as deterrence to serve the BOP market and choose to

serve affluent markets at the top of the pyramid, which is largely attributable to the rise of 'shareholder primacy' which advocates for focusing on creation of shareholder value through maximization of profits.

From these assumptions MNC managers decides to focus on the affluent market at the TOP even if the market no longer shows any prospects of profiting. They allow those assumptions to obscure prodigious opportunities that exist and the value that could be extracted at the BOP (Prahalad and Hart 2002).

These assumptions will be explored further below, as they form a major part of the theoretical framework followed by this study in exploring the profit maximization behaviour of MNC managers that led to the conspicuous non-serving of the BOP market.

2.5.3.1 Assumption 1: Non-Profitability

"The poor are not our target consumers because with our current cost structures, we cannot profitably compete on that market" (Prahalad and Hart 2002:4).

Prahalad (2005 and 2010) asserts that one of the dominant logic by business managers is that the poor market segments are unprofitable due to low purchasing power which is not compatible with their cost structure. Many researchers (Zeithaml, Rust and Lemon 2001, Prahalad 2004, Pitta et al 2008, Simanis and Milstein 2012, Mcfalls 2007 and Karnani 2007a and 2007b) have put forward similar perceptions about the market, with Karnani (2006) persuasively forwarding that not only is there no fortune, there is also no glory at the BOP and it is a fallacy to claim that there is 'untapped' purchasing power for businesses to profit at the BOP.

MNC's corporate culture and internal processes require economies of scale and they have evolved into efficient machines whose foundation is a high structural cost, which demand exploiting the richest target markets, hence profit maximization has been a central phenomenon for MNC's who are used to serve the TOP where it inevitably means a focus on profits instead of revenues (Pitta et al 2008). This simply means the BOP market is not compatible with the profit maximization culture of the MNC's and hinders its progress within the market. Karnani (2009) further asserts that if a private company is not motivated by economic profits, but by social responsibility, then of course there are many opportunities for marketing to the poor.

Cost structures in low-income markets that include operational expenses, such as distribution are much higher than in developed markets, also acquisition and retention for new products often demand unusually intense, costly and levels of high-touch engagement (Simanis 2012a). The heterogeneity of the poor culturally and their geographically dispersed nature makes it difficult for businesses to exploit economies of scale and it increases costs even further. Another factor is the nature of their transactions which are small in size, even though its cost are high. All these factors combined make the BOP a barely profitable market (Karnani 2006). Therefore this notion of simultaneously maximizing profits and eradicating poverty at the BOP is “at best a harmless illusion and potentially a dangerous delusion” (Karnani 2006:2).

As an example of this argument an example is provided by the Economist (2005) from ICICI Bank where its directors are reckoning that to provide a loan of \$1.3 million to its microfinance clients requires 40 times more manpower than a corporate loan of the same size. Voveryte (2011) argues that this is a clear indication for MNC's to bring to the fore new BOP strategies that are locally embedded in order to address specific needs and overcome particular challenges at local level as it has been proven beyond doubt that a one size fits all strategy is not working. He further says that new technology and innovation might be a catalyst of cost reduction and increasing the efficiency of BOP strategies.

Simanis (2012a) argues that to cover the higher costs of operating in low-income markets and to work around the restrictions of slower growth and limited volumes, companies need to generate a high contribution from every sales transaction. To achieve this (Simanis 2012a) offers a three-pronged margin-boosting approach which is: the localized base products sold as a bundle, an enabling service, and customer peer groups.

The focus in the BOP literature should be on business models that can better serve BOP market (London and Hart 2004, Simanis and Hart 2009). A BOP business model that could be adopted is transferring BOP-produced goods or services to wealthier markets (Smith and Pezeshkan 2012) which might simply be referred to as the BOP producer approach (Rangan et al 2007, London 2007, Ramachandran et al 2012) as this might be the best way to serve the BOP market (Smith and Pezeshkan 2012, Karnani 2006, Karnani 2007, Karnani 2009). However, Karamanchandi et al (2011) argues that the producer strategy, noble and good as it might be, it still has significant obstacles of its own, although small scale producers are lowest cost producers, the

expense of distributing inputs, collecting outputs and monitoring and training suppliers can still be prohibitive.

The BOP market has different barriers to overcome. It defies managers' conventional logic, but does not necessarily mean the market is not large and unexplored profitable growth territory (Prahalad and Hart 2002), so MNC's managers will have to rethink their business strategies if they are to be profitable in the BOP market (Prahalad and Hammond 2002, Karamanchandi, Kubzansky and Lalwani 2011). By virtue of it being vast the poor represent a significant latent purchasing power that must be unlocked in order to realise profitability in the BOP market (Prahalad 2010).

If they can be adaptable and able to develop new cost structures, it is going to be possible for them to reach breakeven in a BOP market, but if they continue to use the same business strategy as in their core market, the risk of failure would be greater (Jansson and af Sillén 2013). However Simanis (2012a) and Simanis and Milstein (2012) posit that businesses do not need new cost structures, and must at all costs refrain from making unrealistic expectations because it will surely fail at the BOP the same as they will fail in a developed market. They further suggest that MNC's must revert to basic business tenets of profit growth, reason being the high costs of doing business at BOP emanate from high contribution per transaction, and companies must embrace the reality that high margins and price points are not just a top-of-the-pyramid phenomenon; they're also a necessity for ensuring sustainable businesses at the BOP.

However, Prahalad and Hart (2002) refute this by suggesting that traditional pursuit of high margins will miss the opportunity at the BOP market; instead, profits are driven by low-price, low-margin, and high-volume. Simanis (2012a) asserts that for the "low-price, low-margin, and high-volume" model to work well, two conditions need to be met which are:

1. No extra cost that goes to infrastructure, and the company can leverage an existing infrastructure that serves wealthier customers to offer a product or service to poor consumers and
2. No extra cost that goes to education of the consumer, and the consumers already knows how to buy and use the offering as the steep learning curve to consumers can increase marginal costs.

2.5.3.2 Assumption 2: Non-affordability

“The poor cannot afford and have no use for the products and services sold in developed markets” (Prahalad and Hart 2002:4).

There is an assumption forwarded by MNC’s that the poor only spend their income on basic needs like food and shelter and do not buy luxury goods which is in fact a reflection of a narrow and largely outdated view of the developing world, the very fact of the matter is the poor in fact often do buy ‘luxury’ items (Prahalad and Hammond 2002, Martinez and Carbonell 2007).

Martinez and Carbonell (2012) reiterates the importance of integrating poor consumers into the formal system with the same rights and obligations as the rest and in turn the business will receive their loyalty because once poor consumers have grown in strength as people, the poor pay, they pay well, and even their purchase guidelines and demands are the same as those of high-income consumers and their credit repayment has no difference in terms and conditions, to the envy of many finance entities. Therefore, “MNC’s need to sell to the poor and treat them as consumers, so that while they reap prosperity in profits, the poor can be enabled to reap the benefits of respect, choice, and self-esteem and have an opportunity to climb out of the poverty trap” (Prahalad 2004:99). Prahalad (2010) posits that the notion that the poor cannot pay and afford the products produced in the developing countries is a fallacy, proof is that the poor are in fact paying premium for goods (Martinez and Carbonell 2007, Subrahmanyam and Gomez-Arias 2008) through poverty penalty (Prahalad 2010). Prahalad (2010) further offers an example of poverty penalty at Dharavi, a shanty town outside Mumbai, but also asserts that these poverty penalties are not Dharavi phenomena, but are universal and just differ in magnitude from country to country. He further suggests that it is also within the large businesses’ reach to unlock this poverty penalty. However, different studies have been questioning the reliability and transferability of Prahalad principles (Landrum 2007), as it was found in a study in Mexico that this poverty penalty did not exist (Rost and Ydren 2006).

Subrahmanyam and Gomez-Arias (2008) assert that the poor and the low income household spend a major part of their income on luxury goods or socially visible products as a way of compensating for lack of status in society in which (Gronmo 1988, Woodruffe 1997, Woodruffe-Burton, and Elliott 2005) termed the concept of compensatory consumption. This theory may explain why BOP consumers purchase luxury products for their children instead of nutritional items and spend above and beyond their means on festivities, cosmetics and even negative goods (Gupta and

Jaiswal 2013:32). In their study, Banerjee and Duflo (2007) found that over 10 percent of their poor's income is spent on festivals and significant amounts of other forms of entertainment. In his article in *The Times*, Johnson (2005) shows an example of how the poor spent their money by a quote of Unilever marketing manager for the Vietnam operation, Arijit Ghose, who was quoted saying, "I have been to tiny villages where there is no electricity and no running water indoors, and yet there's Sunsilk and Oxo." The same can be said about the South African BOP market where it is a struggle for communities to even survive, yet many shacks have DSTV satellite dishes (for premium viewing options).

This argument that the poor pay and consume luxury is refuted by Karnani (2006) when asserting that the poor people who live on less than \$2 per day are in fact price sensitive as they can barely meet their basic survival needs, which makes them unlikely to buy luxury items as it will be detrimental for them to divert their already 'meagre income' from these basic needs to luxuries.

"Civil society organizations have often argued that targeting the poor as a market might cause them to wastefully spend part of their already meager income on low priority products, services and imitative consumption," (Karnani 2007b:5, Clay 2005, Jaiswal 2007, Gupta and Jaiswal 2013). The money wasted could be used to purchase products and services that are essential to survival (Pitta, Guesalaga, and Marshall, 2008, Gupta and Jaiswal 2013), therefore the poor do not spend much on luxury goods as they cannot afford them due to meagre incomes which, again, makes profiting a very difficult exercise (Karnani 2006b, Landrum 2007). Companies following the BOP proposition often fail because they overestimate the purchasing power of the poor people and try to market products/services at too high a price point (Karnani 2006).

Karnani (2009) argues that the view of the poor as value conscious consumers is just a romanticized view and does not help the poor, but actually harms them, because it is silent on legal, regulatory, and social mechanisms to protect the poor, reason being it is known that (Karnani 2008, Chakravarti 2006) the poor are vulnerable because of illiteracy, lack of information, economic, cultural and social deprivations and that they do not act in their own self-interest nor are they able to choose the lives they have reason to value. So the market needs to be restricted to protect the poor from exploitation (Karnani 2007, Gupta and Jaiswal 2013).

The important thing for the poor will be to facilitate selective consumption by restricting

both undesirable inclusion, and exclusion by the MNC's which simply means choosing to enable or restrict consumption, based on the characteristics of the goods to be consumed and the effect they will have on the wellbeing of consumers"(Jaiswal 2007:16).

A position is postulated by the BOP rejecters' led by Karnani (2009) that we should limit consumer choice of the poor as they are prone to making irrational economic decisions, with Gupta and Jaiswal (2013) taking it further by concluding that the extremely poor segment of the BOP market should not be given the luxury of market choice, but be subjected to CSR initiatives as a strategy to alleviating poverty. The study argues that there is a strong case for consumer protection "when the profit maximizing behaviour of firms results in negative consequences to public welfare" (Karnani 2007:17), but consumer protection is good for every consumer because consumer exploitation for profits knows no choice of consumer but affects consumers from all walks of life, all over the world, in pursuit of profits. Both poor and rich get exploited in the same way. It is also patronizing and arrogant to think we occupy a best position to decide what is best for the poor (Hammond and Prahalad 2004).

The same is reiterated by Lewis (2013) who argues that indeed not all consumer purchases at the BOP will be particularly smart, healthful, prudent, or virtuous but it is inevitable for human beings regardless of income status, education level and capability, they are bound to make mistakes, therefore intrinsically choice empowers all of us even the poor to make mistakes so as to learn from them. The poor cannot be deprived of that opportunity to make their own mistakes and learn from them, like any other human being, so that they too can grow to become savvy consumers. He further asserts that the poor can handle their own shopping without our brilliance to decide what is good for them.

Mitchelson (2011) offers an example from an interview with one of the business managers serving the BOP market who argues that:

But also I think a little more on a, let me say, a psychological side is also seeing that the BOP consumers have a bit more choice, because, I think that is something that is often overlooked that although a person only has a meagre income, it is still a person and he would still like to have a choice as to what he spends his small disposable income on. I see it almost as an empowerment of the individual, the fact that although you do not have a lot of money to spend, you have a choice on what to do with your money and I mean that we know

closely linked to earning money is also the ability to spend that and the feel good factor from when you spend your money on something that was your choice. So as I say that is more on the social side and physiological side, it is not a concrete thing that you can measure as you can measure the improvement in people in the health and wellbeing from a pure nutritional or disease-free criteria” (Mitchelson 2011, p. 68).

John Anner, president of the ‘East Meets West Foundation’ cited by Lewis (2013) reiterates the importance of listening to BOP customers before subjecting them to products we feel are good for them. Asserting that “Listening is tricky” we need multiple ways to verify what people really want as it can be hard to cross the barriers of language and culture to truly understand what people need and want (good or bad). This is why the best way to figure it out is to provide a range of options and let people vote with their own money. However, Gupta and Jaiswal (2013, and Karnani 2007) claim irresponsibility and unethically on the part of corporations who know very well that spending on non-essentials and luxury products by the poor consumer is not in their self-interest.

Lewis (2013) asserts that listening means honouring voices that voted for government and if we can rely on people to elect wise governmental leaders, surely we can rely on them to make wise shopping decisions. It should be about empowering people to decide about all the things that affect their lives and trusting that they are capable of knowing community priorities. The impact of not listening to BOP customers is significant and crippling for a business trying to develop a product or service, because it destroys connections and understanding and bars MNC’s from genuinely valuing and learning from BOP customers (Rao 2013). Zeithaml, Rust and Lemon (2001) propound that given the limited resources companies have, MNC’s should focus their investment on the market that promises higher return on investment and should be discouraging or even “firing” investment in serving a low income market with no prospect of return.

In their examples (Kamath 2002, Bhattacharya 2004) show that in its quest to maximize its profit Hindustan Lever (HLL) retreated from the BOP strategy of competing on price which was inadequate to turn profit, and shifted to a differentiation strategy which focuses on its more affluent customers at the upper part of the pyramid and for the first time they managed to turn a profit which confirms the validity of the new direction undertaken by that strategy. Another example is forwarded by

(Bhattacharya 2005) of Coca-Cola shifting from its low price, affordability strategy, which hinged on raising the overall consumer base by offering carbonated soft drinks in smaller pack sizes of 200 ml at Rs 5, in which they shifted when other business managers started to complain that the strategy is undermining their pursuit of maximizing profits and is denting their bottom line, after prolonged negotiations they began to raise prices. There is a clear indication that the small packages strategy definitely does not increase affordability as the packaging cost per unit is higher for small packages, and also the environmental sustainability of this single serve packaging is in question (Bendell 2005, Jose 2006, Hopkins 2005, Karnani 2006a, 2996b, and Landrum 2007), the reduction of per unit price is the only realistic way of increasing real affordability (Karnani 2006).

Karamanchandi et al (2011) suggested that to overcome the issue of affordability MNC's should consider the pay per use strategy which will allow the customer to pay for the asset without bearing the full capital cost.

2.5.3.3. Assumption 3: Non-Accessibility

"The distribution access to a BOP market is difficult and, therefore, represents a major impediment for participation" (Prahalad, 2010:37).

Pitta et al (2008) argue that traditionally, for businesses to maximize profits in a market segment they require a set of four conditions, which means the segment, must be identifiable, measurable, substantial, and accessible and for the TOP, these conditions are readily met, because infrastructures are developed sufficiently. However, unlike in the TOP, distribution channels in the BOP markets can be fragmented or non-existent and the task of simply getting products to people can be a major hurdle to overcome (Anderson and Billou 2007:14).

The main factor is macro-environmental limitations, such as poor infrastructure and lack of purchasing power. Hence, most companies reject the BOP market, since they evaluate the market based on income (Prahalad and Hart, 2002). Karnani (2006) argues that weak infrastructure (transportation, communication, media, and legal) further increases costs of doing business by increasing distribution and marketing costs and it results in business finding it difficult to exploit economies of scale. He further asserts that it will be much better for business to focus on urban poor who are often geographically concentrated into slums. To curtail the problem of distribution, Prahalad (2004) and Kaur and Dey (2013) argue through an example of Hindustan Unilever

Project Shakti in India where they train and provide sales tools such as bicycles and mobile phones to women micro distributors of their products, whom are called Shakti Amma.

The other important factor is MNC's relies heavily on exported products (Jenkins 2005) which makes it difficult for them to improve distributions in order to reach BOP market (Jose 2006) and as a result they sell to BOP market above poverty line (Jenkins 2005, Karnani 2006a, 2006b). Without fully locating at the BOP distribution costs alone will undermine poverty alleviation goals (Jenkins 2005). However Landrum (2007) argue that it is advisable for MNC's to export to these markets rather than locating within these new and emerging economies, as it is low risk and a low investment strategy for entering new markets without commitment to the market until determining its potential for success, reason being these markets are riddled with uncertainty which makes it a very expensive and risky project for MNC's to venture into (Refficco and Rueda 2012).

Bhushan (2003) argues that the rural market is a tempting market, big opportunity, large masses to be tapped into, yet fraught with challenges which makes success in terms of profit maximization elusive for MNC's. He goes on to offer an example from the 700 million potential consumers in rural India and Nestle India's executive Chairman Mr Donati who pointed out that the rural market presented both an opportunity and a problem, given that this market has been characterised by unbalanced growth and infrastructural problems. He concludes by recommending that companies "should focus on high GDP areas – whether the population is urban, semi-urban or rural."

Bustrup (2007) posit that deficient and weak infrastructure services should not deter businesses to serve the BOP market, but just require a level of attention and action that goes beyond what is needed in high income markets. This relies on an in depth knowledge about the special possibilities and constraints of the specific location. He further asserts that to overcome the distribution constraints business can choose between three channels to reach BOP markets which are direct selling through agents and distributors, sales to humanitarian organisations or government agencies who would then distribute to those places deemed ineligible and lastly sales to corporate clients who would sell to their employees, and most importantly in doing this, one critical dynamics to be able to understand segmentation between urban/rural poor. The same is reiterated by Osborn (2011) that the needs and values of the lower income consumers pertaining to where they live, what they purchase and how they behave

need to be understood if business is serious about success in their distribution. Andersson and Billou (2007) suggest that they will also need to explore alternative methods of delivering their products and services to even the most isolated BOP communities and to achieve that (Osborn 2011), frugal engineering principle need to be applied to address the product specification, product cost and cost to access. If we could successfully deliver quality products to the poor at affordable prices this would also be able to overcome the high price of poor distribution (Martinez and Carbonell, 2007).

2.5.3.4 Assumption 4: Non-Viability

“The BOP is not critical for the long-term growth and viability of our business. We can leave BOP to governments and non-profits” (Prahalad 2010:32, Prahalad and Hart 2002:4).

There have been serious questions about the correct market size of the poor markets at the BOP so as to make it a credible and commercially viable market for business to engage and be able to maximize profit, with different scholars arguing that there are four billion people at the BOP (Prahalad and Hart 2002, Prahalad and Hammond 2004, Hammond et al 2007) and others (Crabtree 2003, Karnani 2006, Karnani 2007) arguing that the correct size of the poor is less than that of BOP proponents in population size and monetary value which will not warrant it as a viable market to maximize profits.

“Certainly, the buying power for those earning less than U.S.\$2 per day cannot be compared with the purchasing power of individuals in the developed nations, however by virtue of their numbers, with \$13 trillion market size (Prahalad 2005) the poor represent a significant latent purchasing power that must be unlocked” (Prahalad 2010:35, Martinez and Carbonell 2007) and MNC’s who are choosing to ignore this market, are doing that at their peril (Prahalad 2011).

A position is postulated that viewing the poor as a credible and commercially viable market could help to unlock this latent purchasing power which combined makes it a \$13 trillion market. This simply means with such a huge market size and regardless of their low disposable income the reason exists for BOP to be viewed as a credible and commercially viable market to tap into. However, there are opposing authors who are questioning long-term viability of this market where it is a struggle to even survive (Louw 2008, Landrum 2007, 2012, Karnani 2006a, 2006b, and Jenkins 2005). Their

argument is that BOP proponents over-exaggerated the BOP market size and environment which makes MNC's who are following this argument often fail, because they overestimate the purchasing power of the BOP market and try to market products/services at too high a price point (Karnani 2006). The actual buying power of this market is overestimated by including those who are relatively well off by a developing country's standards (Jenkins 2005). It is this vagueness of the estimated BOP size that leads to vague estimates of purchasing power at the BOP (Landrum 2007).

According to Prahalad (2010) the BOP as a market provides a prodigious growth opportunity for the private sector and also offers an added value as a forum for innovation as old and tired solutions cannot create the market at the BOP. However, the commercial viability of this proposition has yet to be proven (Poonyane 2010:4). Prahalad (2011) shows that there are growing sectors at the BOP such as low cost cars and wireless telecommunications. He notes that the innovative growth is not only India's phenomenon but is happening across the world and it will be in a company's interest to take note of this growth wave, so business should, therefore, understand the dynamics at play in these markets and the process of innovation therein which is a shift from the traditional four P's of marketing to a commitment to BOP focused four A's (awareness, access, affordability, and availability). But to do so, business should know that understanding and effectiveness in the BOP markets is a requirement to participate in this growth within the BOP sector.

In his revised book of *Fortune at the BOP*, Prahalad (2010) shows a disturbing agreement among politicians, bureaucrats, and managers of large domestic and global firms that the poor are wards of the state and responsibility for them lies with government and NGO's. The same is persuasively reiterated by Louw (2008) in his definition of the BOP market, as consisting of a person who is poor which goes beyond just not having money, but lack freedom, possibly sick, wearing creased and possibly dirty clothing, maybe confused with a beggar, is constantly hungry and shows signs of malnutrition. The problem about this definition put forward over pessimism and is also misleading as it provides no clear and balanced account of the BOP market and this account (Prahalad and Hart 2002) discourages inspiration and confidence for MNC's to proactively market and engage commercially with the BOP. Therefore, by virtue of these two assertions it makes profitability just wishful thinking. It is what makes MNC's misguided assumptions about the poor without hearing their voices. This hinders

MNC's progress to serve the BOP market, declaring the market as not viable, thus relegating the needs of the poor to the realm of corporate social responsibility (Prahalad 2010), which has its own shortcomings.

This realm of charity towards the poor is not only prevalent among private-sector actors but also among members of the BOP communities themselves, as the population targeted "is very used to grant- and gift-based philanthropy (Reffico and Rueda 2012). These are problems such as the entitlement mentality that seems prevalent within the BOP markets that stifle prosperity within the market. Reffico and Rueda (2012) find out that some of the BOP programs were being hurdled by an ecosystem built on "assistentialism" and "a substantial number of outside (public and private) agents whose intervention offerings are intended to reproduce clientelistic relations, fostering the charity culture.

The other thing is that most solutions at the BOP, developed by nongovernmental organizations (NGOs), tend to be nonscalable solutions (Prahalad 2011:9), so scalability is a 'sine qua non' in order to realise commercial growth and viability of the market (Prahalad and Hart 2002, Prahalad 2011, 2010, Polak and Warwick 2013, Voveryte 2011). For the market to be viable "scaling up of such BOP strategies may be implemented through new approaches such as dissemination of locally adapted strategies from one community to another and through innovative B2B solutions such as relying on local entrepreneurship" (Voveryte 2011:4). Hart and Christensen (2003) assert that the theory of disruptive innovation suggests that traditional markets that are saturated are the wrong place for business to seek growth and viability. They further posit that it is in the MNC's best interest to take a great leap down to the BOP markets where they can innovate, create and incubate products and technologies that are capable of having a competitive advantage to disrupt the market and have an extraordinary potential to generate growth for business and prosperity for poor people who reside at the BOP.

Prahalad and Hart (2002) note that if we could stop thinking, assuming and seeing the poor as victims or as a burden and also stop seeing the typical pictures of poverty (Prahalad 2005, Martinez and Carbonell 2007) and start recognizing them as resilient and creative entrepreneurs and value-conscious consumers, a whole new world of opportunity will open up and businesses will be able to maximize profits while helping to alleviate societal challenges. It could also be the best solution against the paternalism that impregnates Business Social Action (BSA) initiatives, which are

businesses that are striving for double bottom line of profitability and social goods (Martinez and Carbonell 2007).

2.5.3.5 Assumption 5: Non-Attractability

“Intellectual excitement is in developed markets. It is hard to find talented managers who want to work at the BOP; we cannot assign our best managers to work in market development in BOP markets. After all managers are not excited by business challenges that have humanitarian dimension” (Prahalad 2010:32, Prahalad and Hart, 2002:4)

According to Prahalad and Hart (2002) one of the assumptions that hinder progress and obscures value at the BOP is that, “It is hard to find talented managers who want to work at the BOP market, the same is shared by Reficco and Rueda (2012) who posit that there is disconnection of interest between middle-management and the people who are trying to champion the BOP initiative within businesses and coordination among company management levels only becomes viable when the new initiative fits in with the organization’s culture, values, processes and routines.

Mcfalls (2007) concludes that early language around the inclusive capitalism or BOP discourse referencing the eradication of poverty through profits or highlighting the unlimited business opportunities may set unrealistic expectations for business executives. Provocative claims of “prodigious opportunities” and catchphrases that are emotionally tinged and exaggerated like the four billion consumers and the market size of trillions of dollars do not make the business case for business managers who are tasked to make the market work and this only set them up for failure and should be a course for concern. Even the strategy of setting up a stand-alone BOP focused business with different timelines will be a struggle for middle managers to sell to higher level managers as it lacks clear rooting in business objectives (Simanis and Milstein 2012).

The BOP objectives and targets are not in line with management objectives and targets which make senior managers discontented about BOP projects. Varman (2012) argued that the public policy framework is also to blame for not being able to provide guidance for reducing the gulf between poverty alleviation and private gains, which is inherent in the BOP initiative.

Simanis and Milstein (2012:82) note that the early adopters of the BOP concept

encountered more perils than profits. Most left the space entirely (e.g., Nike's World Shoe venture), or shifted their efforts toward corporate social responsibility (CSR) and philanthropic goals (e.g. PandG's PuR water purification) reason being the fundamental misalignment of the BOP concept and BOP business strategies which fail to connect up with corporate reality on multiple levels. Karnani (2007a and 2007b) posit that the differences between business realities and development imperatives are not easy to reconcile, each goal has different motivations, demands, and mechanisms to satisfy and they can be contradictory.

Reffico and Rueda (2012) found out that the MNC's feels that the relationship between social and economic value is a zero-sum, and imbuing a company's business strategy with a social dimension feels artificial and forced and (Harjula 2005) also the traditional timelines for achieving social goods versus profits differ reason being the differences between business realities and development imperatives are not easy to reconcile, they have different goal, motivations, demands, and mechanisms to satisfy and can sometime seem contradictory (Pitta et al 2008). Profitability timelines are mostly shorter and periodical and development timelines can take lifetime. Therefore rather than focusing on developmental goals that distract core business goals, business managers should work on key business economic drivers, as they are very critical management tool for focusing time and attention and ensuring alignment from leadership down to the field (Simanis and Milstein 2012).

Simanis (2012a) asserts that it becomes an expensive proposition to deploy talented managers and also find substantial number of people with sales skills and deep product knowledge, in low-income areas, where illiteracy and innumeracy is rampant.

Large business executives are pressured to identify lines of business with relevant bottom-line impact as their career development and financial rewards and reputation depend on making the numbers work for the benefit of the company so the Opportunity costs also apply to managers' time, every hour they spend on a low-margin or uncertain project is an hour not invested in developed markets they already know how to profitably service. (Reficco and Rueda 2012).

The transformation of the BOP and the creation of a new and emerging market requires a total transformation of managerial practices in established MNCs (Simo 2013:637).

Simanis and Milstein (2012) posit that BOP is framed, first and foremost, as a market-

based approach to poverty alleviation and this has led to business concepts of growth and profitability being lost in the process. They conclude by suggesting that we need to put change into this practice by moving back to business fundamentals that are aligned to the day-to-day realities of middle managers which we can start by dropping the term “Bottom of the Pyramid” which is connected to poverty alleviation and shifting to the (developing and emerging) “DandE Consumers” or “DandE Markets” as this at least is central to the company’s goals and performance and gears managers for action; secondly, business managers need to drop rhetoric such as billions of dollars market potential and just focus on market segment that offers bigger return and maximize profits for the business.

What Simanis and Milstein (2012) fail to understand is that the BOP proposition first and foremost propagates profits that are subordinated by developmental agenda as it is written as a “Fortune at the bottom of the pyramid” and its catchphrase that “Low-income markets present a prodigious opportunity for the world’s wealthiest companies — to seek their fortunes and bring prosperity to the aspiring poor” (Prahalad and Hart 2002:1).

Prahalad (2010) asserts that emerging market is an emotionally neutral term, however it does not change anything. The important thing is to engage in the BOP there is no universal definition that can be useful, but must fit the focus for your productive engagement, most importantly it shows the business manager’s commitment and respect to take their understanding of the sector and its opportunities forward.

These business managers are starting to get to terms with and understand that the challenge of new and creative approaches are needed to convert poverty into opportunity for all concerned (Prahalad 2004) which involves willingness from managers to experiment and innovate (Prahalad 2010).

Simanis and Milstein (2012) reiterate that the ultimate goal and the DNA of business is profit growth and maximization, social and environmental values are just boundary conditions that set the limits and parameters within which corporations pursue their goals of profit maximization and wealth creation.

2.6 Developing the hypotheses

The literature reviewed has shown with evidence from the BOP exponent that there is a

fortune and opportunities in abundance to be captured at the bottom of the pyramid if MNCs are also amenable of the development agenda of the BOP market. There is also literature that provides evidence that MNC's or business are still sceptical of capturing this fortune that is existing in the BOP market. The literature, through BOP proponent's talisman Prahalad, explains this conspicuous non-service of the BOP market by forwarding the assumptions that MNC's managers are using as deterrence for them to consider serving the BOP market.

From the literature review it has been observed (admittedly without a completely clear picture) that in pursuit of profit maximization in the interest of shareholder's wealth maximization business managers will prefer to exploit the market that is ready and willing to pay and shun the one with no prospects of profiting. In this instance in the face of profit maximization, shareholder primacy will be a hindrance for MNC managers in serving the BOP market. Therefore as it is not clear from literature the study sought to find if the relationship exists between these two concepts and if it exists what kinds of relationship were to be witnessed? The relationship that can be witnessed can either be positive or negative and the study sought to establish the kind of relationship, if there is any in existence.

The MNC managers thrive on simplicity of measurable metrics that are used to measure profitability and shareholders' wealth rather than complex societal issues that are prone to resist measurement (Aspen 2014). The BOP market is long-term and does not feed the short-term interest of the shareholders and diverge from the shareholder primacy premises and values, so the solution will be to stick to the market you know how to serve and in this instance would be to stick to the affluent at the upper-end of the pyramid market.

The statements above on our hypothesis development including the literature reviewed above, observe that business managers' "dominant logic" as forwarded by Prahalad and Hart (2002), and Prahalad (2004 and 2010), is what informs the non-service of the BOP market by these MNC managers who hold the interest of the shareholder in high esteem or who believe that the overarching purpose of business is to maximize shareholder value. This is the essence of shareholder primacy of MNC managers which in this instance shows resistance in serving BOP market and exacerbate the non-service of the BOP market.

The shareholder primacy of the MNC managers will act as the predictor of the non-service of the BOP market. The significant correlation will be witnessed between

shareholder primacy and the non-service of BOP. The study sought to determine if the relationship exists between these two concepts of shareholder primacy and non-service of BOP. The study will also report the kind of relationship in existence.

2.6.1 Hypothesis 1

The study used the stakeholder salience or importance framework developed by Agle et al (1997) as a way of flexibly measuring shareholder primacy norm. The same was done by Anderson et al (2007) in their pursuit to measure the relationship between shareholder primacy and business employees as one of the stakeholders in business. The study found that CEOs have a belief that shareholders have the power to influence management of the business and that their demands and wishes are legitimate which means satisfying and prioritizing those needs and wishes or interest are of paramount importance to the CEO's which happens in the interest of other companies' stakeholders. Importantly, it is those needs and wishes or interests of shareholders are happening independently of any direct pressure from shareholders themselves which simply means shareholders have power over directors without even actively exerting it (Anderson et al 2007). Therefore this study would do the same so as to measure the relationship between the shareholder power and legitimacy and the non-service of the BOP market as one of the prominent stakeholders within business.

In light of the previous research on shareholder primacy cited on the framework above and consistent with the research problem of the proposed research as stated above, the following hypothesis is framed:

H1: Power and legitimacy significantly predicts non-service of BOP

2.6.2 Hypothesis 2

The shareholder activeness arises when there is belief that firm's management does not act in the best interest of shareholders in improving corporate performance (Admati and Pfleiderer 2009). With the belief that CEOs understand their fiduciary duty of serving the interest of shareholders Anderson et al (2007) found that shareholders do not believe in shareholders being active in pursuing their demands and wishes and to actively seek the attention of the management team which simply means management do not believe in shareholders having direct involvement in the business decision

making. Therefore this study would do the same so as to measure the relationship between the shareholder activeness and the non-service of the BOP market as one of the prominent stakeholders within business.

In light of the previous research on shareholder primacy cited in the framework above and consistent with the research problem of the proposed research as stated above, the following hypothesis is framed:

H2: Shareholder activeness significantly predicts non-service of BOP

2.6.3 Hypothesis 3

Stout (2013) argues that shareholder primacy thinking can lead business managers to focus myopically on short-term earnings reports at the expense of long-term performance which discourages investment, innovation and ends up luring companies into reckless and socially irresponsible behaviours which harms other stakeholders and ultimately harming the same shareholders it intends protecting. Indeed the problem about short-termism is it promotes tendencies to overvalue short-term rewards and ignore or undervalue the long-term consequences which might affect their future profits and also be injurious to other stakeholders (Lavery 2004).

Therefore this study would do the same so as to measure the relationship between the shareholder short-term interest and the non-service of the BOP market as one of the prominent stakeholders within business.

In light of the previous research on shareholder primacy cited in the framework above and consistent with the research problem of the proposed research as stated above, the following hypothesis is framed:

H3: Short-term shareholder interest significantly predicts non-service of BOP

2.6.4 Hypothesis 4

Shareholder primacy concept is understood as stating that the overarching purpose of business is to create shareholder value (Stout 2012).

Jensen and Meckling (1976) argue that the philosophy of shareholder primacy was brought to the fore as cure for the “agency cost” problem of corporate managers serving their own interest in the expense of shareholder’s interests. Yet there are signs

of the cure bringing troubled side effects (Stout 2003). Stout argues that the problems overlooking the interest of other stakeholders is troubling as the shareholders would go to an extent of even imposing external costs to other stakeholders because of being indifferent to ethics and the interest of others. Therefore this study would do the same so as to measure the relationship between the shareholder primacy and the non-service of the BOP market as one of the prominent stakeholders within business.

This is to test the overall hypothesis of shareholder primacy and the non-service of the BOP market, which will be put as:

H4: Shareholder primacy significantly predicts non-service of BOP

2.7 Conclusion

While the literature reviewed above does not provide completely clear picture (Pitta et al 2008) due to differing arguments, but some instance of profit maximization behaviour or shareholder primacy which lead to non-service of BOP markets have been observed. Different scholars' beliefs are that business success depends on the firm's ability to satisfy the needs of an array of stakeholders other than those of shareholders (Prahalad 1994) which also includes the BOP as one of the prominent stakeholders. These scholars further argue that as such business should develop partnerships with broader range of stakeholders to achieve and sustain higher financial performance accrued to shareholder because business success depends on addressing the needs of these constituencies.

Different scholars and researchers have found that business goals of profitability and the prosperity of the BOP markets are deviating and not compatible (Prahalad 2005, 2010, Harjula 2007, Mcfalls 2007, Pitta, et al, 2008, Simanis and Milstein 2012).

The reconciliation of the tension between shareholder primacy premises of maximization of short-term shareholder value and the vision of business which depends on substantial investments of creating long-term shareholder value and significant blocks of time to develop products that are critical to society (George 2010) is needed more than ever before for BOP market to be credible and a viable market.

The willingness that is being witnessed by BOP exponents and practitioners to engage and serve the BOP market will help to eradicate or at least alleviate societal challenges

that are faced by many billions of lives residing at the BOP and at the same time create enormous long-term shareholder value. The real question is whether we have business managers who are willing to wait for an extended time horizons and to make the long-term investments that will yield a decent shareholder value in the future.

However, there is some merit on the argument forwarded by these scholars and that until we address the hindrances of Shareholder primacy and its premises of short-termism, we will always have a market that is stifled from flow of competition and innovation that will ultimately help to alleviate poverty.

“Until companies better understand the needs of emerging consumers and adapt their business models to serve them more efficiently and effectively, their growth will be limited” (D’Andrea et al 2004:3). Jack Welch, the former chief executive of General Electric, termed the shareholder primacy “the dumbest idea in the world” (Mauboussin 2009) with Roger Martin, dean of the Business School at the University of Toronto, argued that the time has come for us to “scrap shareholder value theory” (Martin 2009) so as to seamlessly serve the poor at the BOP.

BOP exponents have agreed that traditional profit maximization behaviour has been a deterrence on the prospect of serving the poor profitably and have agreed that the traditional mindset has led to the promises of the BOP proposition to be largely illusory (Prahalad 2010). The organisational culture and more specifically resistance to change are major challenges towards the divergent thinking necessary to innovatively serve the BOP, therefore the paradigm shift in mindset is needed more than ever before so as to reconcile these hindrances if we are serious about capturing the promises provided by the BOP proposition (Gardetti 2007).

In his seminal formulation of Stakeholder Theory Freeman (1984), argues that the primary purpose of the corporation is to manage stakeholder interests while pursuing profitability as another goal of the corporations. This study will argue that this theory should be the foundation within MNC’s who are serving or aspiring to serve at the BOP market where they can be able to alleviate poverty while pursuing the goal of profitability.

What makes shareholder primacy stance hold most of the time is it enjoys a clear and

concrete measures that feed corporate success such as the stock price, so as to make them compatible with the developmental agenda we first need to address and find ways to measure what we view as “abstract.” In that way we will be able to address short-term approaches posed by shareholder primacy (Aspen 2014), that will be the solution needed to reconcile a profit maximization agenda and developmental agenda at the BOP.

The study also agrees that in all of this government have a role to play as Varmani (2012) posit that in a BOP market, the role of a governmentality should be to serve as a policy framework to resolve the conflicts between poverty alleviation and profit-seeking. Kirchgeorg and Winn (2006) emphasizes on market driven solutions to the poor that will necessitates higher levels of competition, regulations and governance.

There has been over-optimism and over-pessimism forwarded by different scholars about the BOP as a market. The over-optimism account suggests through provocative language that BOP market is a market where prodigious opportunity of capturing a fortune exist (Prahalad 2002) which is a 4 billion consumer market with \$13 trillion budget to spend to businesses that seeks to capture this fortune. This over-optimistic account does not assist the market but only harms it as Karnani (2007) put it. This over-optimism about BOP market prompt MNC’s to enter the market with their eyes glued on the promised and prodigious opportunities that are existing within the market (Prahalad 2004).

The other dangerous effect of over-optimistic account that exist at the BOP market lead to the MNC’s looking to maximise profits in pursuit of shareholder value informed by shareholder primacy stunts at all cost which might lead to the exploitation of the poor at the BOP market. With the over-optimism the only opportunity that they see is only profits that will be maximised within the market.

The over-pessimistic account suggests that BOP market “there is no fortune or even glory within BOP market and it is just a mirage Karnani (2007) and it is harmless illusion and dangerous delusion to even think that there is glory at the BOP as Karnani (2007). Because of illiteracy and other diseases that ravage that market (Louw 2008) BOP market being perceived as a market that needs government intervention, NGO’s or corporate responsibility or a market that need to be decided which product they will consume. This over-pessimistic view that is the one that hurts the market as the MNC’s penetration is not wholehearted, but full of paternalistic behaviours of not really taking

the market seriously. The other problem of this over-pessimism is it also leads to MNC business managers to even prematurely deciding that BOP is not a profitable and commercially viable market to be pursued.

The position that this study holds is over-optimism and over-pessimism forwarded by these researchers about the market does not assist MNC's that relies on their information to penetrate the BOP market, but it only caricatures the BOP environment and stifles progress that needs to take place, before business profits and societal prosperity can be realised.

The study will urge the researcher to give a clearer and fairer account of the BOP market so as to help MNC's managers to fully prepare themselves before entering the market. We will have to tread very careful as we find ourselves deeply attracted to BOP promises and hopes, a space where there are no precedence, because of its infancy full of undocumented and unanticipated perils that may lurk in this new world (Walsh, Kress and Beyerchen 2005).

The study sought to test if there is compatibility between the shareholder primacy and the BOP market. This is one of the ways of offering the fair account of the BOP market in existence of shareholder primacy.

The BOP proponents have collectively agreed that a paradigm shift in the mindset of business managers is needed for the BOP proposition to work well. This is the mindset that views the BOP market as a credible market that can be served profitably, MNC managers are open to innovation so as to make their products affordable to the BOP market, find innovative way of distributing their goods to the BOP market so as to make them accessible to the BOP market, view the market as viable for growth prospects and as a source for a new stream of revenue and to attune their business managers to BOP markets so as to make them view the market as an attractive market for business to maximize long-term profit for shareholders. The stakeholder primacy proponents agrees that a mindset that appreciates every stakeholder and undervalues the short-term return of shareholders for the long-term return that is in the interest of all stakeholders including the creation of long-term shareholder value.

In light of the above statement it can be posited that the Business managers who undervalue the shareholder primacy for the interest of all stakeholders including BOP market as one of the stakeholder will help reduce the non-service of BOP market.

CHAPTER 3: RESEARCH METHODOLOGY

3.1 Introduction

The purpose of this chapter is to give the detail overview of research methodology that was followed in compiling and analysing the research data. The aim of the research was to examine the perceived relationship between the Shareholder primacy of business managers and the non-service of the BOP markets. The starting point will be to discuss the literature pertaining to the quantitative data analysis, followed by the research design and instruments to be used for this research. Instruments validity and reliability will also be discussed, how data will be collected and analysed will be outlined and the research validity and reliability will also be discussed.

3.2 Research approach / paradigm

The research was based on a positivistic paradigm, which is consistent with quantitative, objectivist, scientific, experimentalist or traditional research (Cooper and Schindler 2008:164). Kruger and Struwig (2012) assert that the positivistic paradigm is consistent with a deductive quantitative strategy where relationships between theory and research are tested and emphasises the quantification of the data collected and analysed. Positivist approach applies methods of natural science to the study of social reality and hinges on five principles (Bryman 2012) which are:

- Only phenomena confirmed by the senses can be warranted as knowledge, which is termed the principle of phenomenalism
- The objective of developing theory is to hypothesise, test and assess, which is termed the principle of deductivism
- Knowledge is captured through facts gathering which are basis of laws, which is termed the principle of inductivism
- Science should be conducted objectively
- Objectivity becomes sine quo non for scientific researcher who resist being emotionally attached, which distinguishes it clearly from the normative paradigm.

The study opted for the quantitative methodology as a way of gathering data that was to assist in answering the hypotheses formulated. Quantitative data analysis becomes more relevant to the nature of this research, which is to show the relationship between literature and research as deductive and inclined to positivist paradigm and objectivist conception to social reality (Bryman 2012).

According to Cooper and Schindler (2008:162), the purpose of quantitative research is to measure consumer behaviour, knowledge, opinions or attitudes. The purpose of a quantitative study is to discover the strength of the relationship between two or more variables (Mortenson and Oliffe 2009). Quantitative research calls for typical research designs where the focus of research is to describe, explain and predict phenomena, uses probability sampling and relies on larger sample sizes as compared to qualitative research designs (Cooper and Schindler 2006).

In their study Goyal, Esposito, Kapoor, Jaiswal and Sergi (2014) analysed more than 50 BOP research papers between UK and US and they found that in US (25 out of 27) followed the qualitative analysis and in UK (14 out of 20) followed qualitative analysis and the lack of quantitative data analysis on BOP studies shows a big research gap that needs to be addressed by future research on the BOP.

The study followed the same rationale as most of South African BOP research follow qualitative research (Mokoto 2009, Variawa 2010, Osborn 2011, Ramsundhar 2009, Poonyane 2010, Mitchelson 2011, Louw 2008) which leaves a huge research gap that need to be addressed through quantitative data analysis. This clear lack of quantitative data analysis is one of the reason that led to this study so as to start addressing the research gap that exist within the BOP research papers (Goyal et al 2014).

The purpose of this research was to explore the relationship between the independent variables (Shareholder primacy), and the dependent variable (non-service of BOP market).

3.3 Research design

With the purpose of the study not on causality but focusing on understanding the association (Levin 2006) between the shareholder primacy and the non-service of the BOP, and the time constraint being considered in the strategy of this study, it is only done for a short period of time and data was collected at a single point in time, with this

in mind a cross-sectional design was followed by this study.

The correlational research design approach is implied by the research design the study followed. A correlational approach is deemed to be appropriate for correlative questions because this approach allows insight into the event without altering the variables under study (Greenidge 2010). The design of the study will seek to determine the extent of a relationship between shareholder primacy score and the non-service of BOP score, using statistical data. With the data being collected simultaneously for the study and with no room to manipulate the independent variable the study did not offer a causal relationship between the variables (Bryman 2012). The study shows only relationship between variables.

The study was conducted to identify whether the variable of shareholder primacy score which is the independent variable has statistically significant relationship with non-service of BOP market score which is the dependent variable. The study's intention was to investigate the effect of this independent variable, and perceived ease of use on dependent variables, i.e. non-service of BOP market.

The unit of analysis in this study was the individual scores of the Business School students. The individual student's perception of shareholder primacy and the non-service of the BOP market are measured. The intention is to measure the business manager's perception on the relationship between shareholder primacy and the non-service of BOP market using Business School students as proxy of business managers.

3.4 Population and sample

The purpose of the study is to understand the effect of shareholder salient behaviour of MNC managers to non-service of BOP market.

3.4.1 Population

"A population is any complete group of people, companies, hospitals, stores, college students or the like that share some set of characteristics" (Zikmund 2003:369). The population consisted of big corporations business managers who enjoy big decision making within their businesses. The population was limited to the Business School students from four Business Schools based in Gauteng north who were used as the

proxy to corporation's business managers.

The use of students as a unit of analysis should not be a base for doubting the reliability and the validity of this study as the results of this study might not be that different to other different subpopulations such as business managers. The reason being the Business School students are a sufficiently close approximation of business managers, as most Business Schools typically consist of working professionals. The other reason should be the rigorous selection process Business School student goes through during selection for places. The other requirement is that they should be holding five years experience in managerial position. Therefore the population of the study is business managers in general (Nel 2011) and the population used in this study is limited to Business School students.

3.4.2 Sample and Sampling methods

Zikmund (2003:369) asserts that "the basic idea of sampling is that by selecting some of the elements in a population, conclusions can be drawn about the entire population".

The sampling method was a purposive sampling method. Tongco (2007) asserts that purposive sampling is a suitable methods for situations where a researcher needs to reach a targeted sample quickly and that sample has capacity and willingness to participate in the research. The sampling unit was business managers.

For the interest of this study the sample will be comprised of Business School students representing business managers, who will be sourced from three Business School's data base so as to attempt to increase the sample size and have "a diverse population. In order to avoid the possibility of a bias results which might occur when one specific sector of the market is considered (Munger 2006), so this deemed the study not sector specific.

The other reason for this sampling method and the selection of these participants is that unlike high-level executives, production managers, or professional traders who are often difficult or impossible to source, students are not that difficult to source and are readily available to participate (Croson 2010). Students, most importantly Business School students, are real business managers as most of them have met stringent criteria required by Business Schools, such as to hold managerial position which makes them real business managers. There is also that level of empathy within them to help you with your survey as they might also need you with their survey that they are

expected to do before finishing their studies.

There have been different previous studies that have set precedent by supporting and undertaking this approach of using students as unit of analysis (Aspen Institute 2002 and 2014) have studied the concept of shareholder primacy among Business School students and Nel (2011) who have studied the attitude towards the BOP market. Using Business School students as proxies of business managers and other scholars such as those (Urban 2011) who have also used students as closer approximation of entrepreneurs in his study.

Zgheib (2005) and Phau and Kea (2007) followed similar methods in choosing population for their studies and forward a justification that even if the students are not yet managers it is a given fact that they are bound to become managers and practitioners in future (Nel 2011). Charney and Libecap, (2004) and Peterman and Kennedy, (2003) forward a reason for using students as units of analysis by asserting that graduates tend to start more ventures, grow bigger ventures, and accumulate more assets in the process.

The sample was drawn from three different Business Schools all of whom are geographically positioned in the Johannesburg north geographical area, they were chosen due mainly to practical and cost constraints in conducting this study. To ensure a meaningful comparison to other studies and also to increase the sampling size the study focused on participants who are employees and are only part-time or attend in the evening programmes at masters, post graduate diploma and the MBA. "A sample size has a direct influence over the accuracy of the research findings" (Zikmund 2003:423). With the intentions of bringing accurate result to life the sample population of 250 MBA, masters programme and post graduate part time students was selected and deemed sufficient, with the view also that these individuals are holding higher or managerial positions in their organizations and are familiar with investment decision making within the organizations.

The questionnaire was given to 250 respondents covering three Business Schools in the Johannesburg north geographical area as alluded to above. Of the 250 questionnaire distributed, 155 questionnaires were returned. This meant that a 62% response rate was obtained. Of these 155 returned questionnaires 148 were used for analysis which deemed the usable response rate achieved to be 59.2%, with the remainder deemed spoiled and impossible to be used.

3.5 Research Instrument

The hypotheses were designed to establish whether the relationship existed between the shareholder primacy and the non-service of BOP markets.

Data was collected using a structured/close-ended questionnaire (See appendix A for questionnaire). The operational definition or measurement instrument for the non-service of BOP markets was developed hinged on literature reviewed and linked to a 5 point Likert-type interval scale anchored by 1 strongly disagrees and 5 strongly agree. For the shareholder primacy measurement instruments were adapted from Anderson et al 2007, Mitchell, O'Donnell and Ramsay (2005), Jones, Marshall, and Mitchell and Ramsay (2007). The advantage of the questionnaire is that it is a practical instrument that can be used for this research data and are relatively easy and quicker to administer and analyse. It is also a cost effective instrument that the study with no resources can use. The study also used Business School students which might be easy to pin them down, the advantage in this case is they are convenient since respondents can complete it at a time and place that is convenient for them (Eiselen et al 2005).

The intention of the study was to compare the score of the two construct shareholder primacy and the non-service of BOP market so as to establish if the relationship indeed exists. So the measuring instruments consistent of one questionnaire of which measure the shareholder primacy and the non-service of BOP market and two scores were compared to establish relationship.

The set of questionnaire consisted of the first section which has control variables such as the demographic questions of the sampled population which would enable to determine if a relation exist between the results and demographic characteristics. The study argues that even if there is not much in the literature about the demographics of the MNC managers it is necessary to have the demographic profiling of the participants as they participate in their personal capacity as business managers and not as representatives of the company which might have an impact on the results. This was followed by organizational questions which were important in ascertaining if our respondents are indeed business managers from the large companies or MNC's as well as informing us if they are indeed business managers which made them relevant for the study.

The second section consists of the questionnaire intended to measure the non-service

of the BOP market construct. This is designed to record the results showing their behaviour towards the BOP market. The questionnaire was developed and adapted from the BOP literature, anchored on five assumptions forwarded by Prahalad (2002, 2004 and 2010) as MNC manager's dominant logic of not serving the BOP market. The questionnaire consisted of 25 items measuring Prahalad's five assumptions, namely:

Assumption 1: Non-profitability

The poor are not our target consumers because with our current cost structures, we cannot profitably compete on that market (Prahalad and Hart, 2002:4).

Table 1: Non-Profitability

1.2 Please complete the following questionnaire on a scale of 1 to 5. 1-strongly disagree and 5-strongly agree:	Strongly disagree	Disagree	Neither disagree nor	Agree	Strongly agree
The poor are not our target consumers because with our current cost structures, we cannot profitably compete on that market Non-Profitability					
1. Maximizing profit cannot be achieved at the Bottom Of Pyramid	1	2	3	4	5
2. There is no purchasing power at the BOP	1	2	3	4	5
3. Business cost will not allow business to profit at the bottom of the pyramid	1	2	3	4	5
4. It is a costly exercise to serve the poor at the bottom of the pyramid	1	2	3	4	5
5. Only small businesses can profit at the BOP	1	2	3	4	5

Assumption 2: Non-affordability

The poor cannot afford and have no use for the products and services sold in developed markets (Prahalad and Hart, 2002:4).

Table 2: Non-Affordability

1.2 Please complete the following questionnaire on a scale of 1 to 5. 1-strongly disagree and 5-strongly agree:	Strongly disagree	Disagree	Neither disagree nor	Agree	Strongly agree
The poor cannot afford and have no use for the products and services sold in developed markets Non-Affordability					

1. The poor spend their money on necessities only	1	2	3	4	5
2. There is no money at the BOP for business to profit	1	2	3	4	5
3. BOP consumers are price sensitive	1	2	3	4	5
4. The poor will not pay for luxury products	1	2	3	4	5
5. It's better to focus on the lucrative segment of the market to maximize profits	1	2	3	4	5

Assumption 3: Non-accessibility

The distribution access to a BOP market is difficult and, therefore, represents a major impediment for participation (Prahalad, 2010, p. 37).

Table 3: Non-Accessibility

1.2 Please complete the following questionnaire on a scale of 1 to 5. 1-strongly disagree and 5-strongly agree:	Strongly disagree	Disagree	Neither disagree nor	Agree	Strongly agree
The distribution access to a BOP market is difficult and, therefore, represents a major impediment for participation Non-Accessibility					
1. Poor infrastructure at the bottom of the pyramid increases cost of doing business	1	2	3	4	5
2. Poor infrastructure at the bottom of the pyramid makes it difficult to distribute goods	1	2	3	4	5
3. Higher distribution cost makes it difficult to exploit economies of scale	1	2	3	4	5
4. Poor infrastructure makes bottom of the pyramid a risky market	1	2	3	4	5
5. High distribution cost makes bottom of the pyramid a risky market	1	2	3	4	5

Assumption 4: Non-viability

The BOP is not critical for the long-term growth and viability of our business. We can leave BOP to governments and non-profits (Prahalad 2010:32 and Prahalad and Hart, 2002:4).

Table 4: Non-viability

1.2 Please complete the following questionnaire on a scale of 1 to 5. 1-strongly disagree and 5-strongly agree:	Strongly disagree	Disagree	Neither disagree nor	Agree	Strongly agree

The BOP is not critical for the long-term growth and viability of our business. We can leave BOP to governments and non-profits Non-Viability					
1. We can rely on innovation to make bottom of the pyramid a viable market	1	2	3	4	5
2. The poor are a charity case, so is bottom of the pyramid	1	2	3	4	5
3. Bottom of the pyramid should be a responsibility of government	1	2	3	4	5
4. Bottom of the pyramid should be a responsibility of NGO's	1	2	3	4	5
5. Bottom of the pyramid is best served through corporate social responsibility	1	2	3	4	5

Assumption 5: Non-attractability

Intellectual excitement is in developed markets. It is hard to find talented managers who want to work at the BOP; we cannot assign our best managers to work in market development in BOP market. After all managers are not excited by business challenges that have humanitarian dimension.

Table 5: Non-attractability

1.2 Please complete the following questionnaire on a scale of 1 to 5. 1-strongly disagree and 5-strongly agree:	Strongly disagree	Disagree	Neither disagree nor	Agree	Strongly agree
Intellectual excitement is in developed markets. It is hard to find talented managers who want to work at the BOP, We cannot assign our best managers to work in market development in BOP market. After all managers are not excited by business challenges that have humanitarian dimension Non-Attractability					
1. Bottom of the pyramid is not an inspiring market for MNC's managers	1	2	3	4	5
2. There is an opportunity cost of deploying talented managers at the bottom of the pyramid	1	2	3	4	5
3. MNC's managers prefers developed markets that is ready for their product	1	2	3	4	5
4. MNC's managers are not inspired by business challenges with charitable agenda	1	2	3	4	5
5. MNC's managers are well-off servicing the affluent in the developed market	1	2	3	4	5

As a precaution from making dangerous assumption that our participant are well aware

and have a clear understanding of the BOP market, a vignette was also developed to offer participant clear picture of the BOP market. The reason being that by giving participants who might not have a clear understanding of the BOP market will help to reduce the confusion and errors that might occur in the study. Lewis-Beck, Bryman and Liao (2004) asserts that a vignette's is used as stimuli to research participants with a sole purpose of selectively portray aspects of reality to which participants are asked to respond. The vignette developed was adapted from literature review definitions from different researchers. Refer to appendix for the BOP vignette used for this study.

The third section consists of shareholder salience scales adapted from Anderson et al (2007) with the sole intention of measuring the shareholder primacy construct. The scale consisted of 17 items (Anderson et al 2007, Mitchell, O'Donnell and Ramsay 2005, Jones, Marshall, Mitchell and Ramsay 2007) measuring power and legitimacy of shareholders, shareholder activeness and the shareholder's interests (short and long-term).

The study and its finding have nothing to do with the attitude towards the poor but will only investigate the constructs of shareholder primacy and the non-service of BOP. The intentions of the study is to point out the prevalence of shareholder primacy towards the BOP or poor markets which hinders MNC's managers from serving this particular market, since our survey items are stripped of attitudinal content towards the poor.

3.5.1 Scale validity

According to Cooper and Schindler, (2011) scale validity is the ability of the research instrument to measure what it is supposed to measure. To enhance validity of the research instrument, the questionnaire was given to the supervisor and the statistician to validate and the necessary corrections was made so as to ascertain that it measures what it intended to measure (Struwig and Stead 2001). To further enhance the validity of the research instrument and to also ensure that they curtail and control for problem of response bias that might arise, a pilot study was undertaken.

The pilot study was conducted as one of the instrumental options in ensuring that the research instrument as a whole functions well (Bryman 2012) as the study does not have an existing standardized instrument to measure the non-service of the BOP market. The other reason for a pilot study according to Welman and Kruger (2001) is to

detect flaws that might arise with the instruments in the measurement procedure such as ambiguity in the instructions, inadequate time limits and testing whether the independent variable primes the sample effectively.

The study argues that it was important to anticipate the response bias problem as the study that involves the poor and the disadvantaged might invoke emotions which might lead to participants being biased towards what they deem as morally right answers and this social desirability bias represents an error in the measurement of the construct we intend to measure (Bryman 2012).

In further ensuring that the construct of the study is valid and measures what it intends or purports to measure, exploratory factor analysis (EFA) is suggested. Hence Nunnally (1978), cited by Thompson (2004:5) purports that “factor analysis is intimately involved with questions of validity ... Factor analysis is at the heart of the measurement of psychological constructs”.

The study achieved a response turnover of 160 respondents with usable turnover of 148. The study note that there has been differing views and lack of *consensus* on the sample size. Tabachnick and Fidell (2007) agree that at least 300 cases are needed for factor analysis. Arrindel and Van der Ende (1985) argue that a sample size of less than 100 is capable of producing stable factors when using exploratory factor analysis. Comrey (1973) in his guide to sample sizes propounds a sample size of 100 as poor, 200 as fair, 300 as good, 500 as very good, and 1000 or more as excellent. However this sample size guidance is criticised by MacCallum, Widaman, Zhang, and Hong (1999) who assert that often it does not take into account many of the complex dynamics of a factor analysis and this makes it misleading at times.

Hair et al (2010) suggest that a sample size of at least 100 is recommended to perform exploratory data analysis. Taking into consideration this assertion and views by Hairs et al (2010), this study with a sample size of 148 makes this sufficient to conduct exploratory factor analysis, maintain adequate power and undertake statistical analyses and modelling (Mthanti 2012). The other uses of factor analysis are,

Firstly, factor analysis reduces a large number of variables into a smaller set of variables (also referred to as factors). Secondly, it establishes underlying dimensions between measured variables and latent constructs, thereby allowing the formation and refinement of theory (Williams, Onsman, and Brown 2010:2).

By virtue of the study using non-existing scales of non-service of the BOP market, exploratory factor analysis becomes relevant, because of its heuristic nature which allows a researcher to explore the main dimensions to *generate* a new theory, or model from a relatively large set of latent constructs often represented by a set of items (Williams, Onsman, and Brown 2010).

3.5.2 Scale Reliability

This use of a pilot study will also help to ensure the reliability of our research instruments. According to Cooper and Schindler (2011), reliability is the degree of measurement in supplying consistent results.

Item analysis is done to assess the reliability of the different dimensions or constructs in the questionnaire via Cronbach's Alpha values. Dimensions can also be referred to as constructs or concepts.

Interpretation of Cronbach's Alpha values:

The overall Cronbach's alpha value for reliability can be interpreted as follows:

Cronbach's alpha above 0.8 - good reliability

Cronbach's alpha between 0.6 and 0.8 - acceptable reliability

Cronbach's alpha below 0.6 - unacceptable reliability

Some authors use another cut-off of 0.7, which is suggested by Nuanally (1978) for acceptable reliability.

Hair et al (2010) suggest that high construct reliability indicates that questionnaire items consistently represent the same latent variable.

3.5.3 Pilot Study

The pilot testing or pretesting of a questionnaire is critical in conducting successful questionnaire research (Bryman 2012). The pilot study was given to part time MBA students from other Business Schools which do not make part of the sampled population, reason being selecting from the sampled population have potential of affecting the representativeness of the sample (Bryman 2012). Fifteen MBA students were selected to make part of the pilot study. The questionnaire was sent using the e-mails provided by the targeted group with the web-based survey link provided in the e-mails. No response was achieved after trying many times to remind the respondents to answer and return the survey. The study had to organise another population of fifteen part time MBA students in which the questionnaire was given to them manually without

using any online platform. The purpose of the study was outlined to every participant who were subsequently asked to complete the instrument and offer us some feedback on uncertainties and difficulties they encountered in their answering the questionnaire.

This strategy of manually using the questionnaire proved to be a success as a sample size of twelve respondents was achieved, with only ten being analysed. So for the pilot there was a usable response rate of 33.33%. A number of amendments were made to the questionnaire based on the feedback of this selected sample which informed the final questionnaire that was sent out for data collection of the study.

3.6 Procedure for data collection

Learning from our pilot study where no response or zero percent response rate was achieved after using the web-based survey, the study chose to collect the data manually without using any web-based survey tools and was subsequently captured into the system. The study chose manual collection in the interest of time and the difficulty of pinning respondents down. The other reason was to easily convince them to commit to answering the questionnaire and to have full control of when we get the questionnaire back. Web-based surveys are often a challenge to get response on time as people tend to take time in answering non-urgent e-mails.

The questionnaire was given to 250 respondents covering three Business Schools each with a covering letter bearing the university logo on it with a belief that it will reinforce the authenticity of the study and help in offering credibility to the research request at the same improve the response rates. The University logo on the covering letter was placed so as to provide the research true identity and address the problem of disguised or covert observation which will give respondents a fair chance of deciding upon knowing the true identity of the researcher if they want to participate (Bryman 2012).

By virtue of collecting data manually the study could not ensure and guarantee the anonymity of the respondents but their confidentiality was ensured. The respondents furnished us with their e-mail addresses so as to send electronic reminders for them to fill in the questionnaire.

3.7 Data Analysis and Interpretation

“Data analysis refers to the transformation of raw data into a form that makes it easy to understand and interpret” (Du Plessis 2010:30). The first port of call to data analysis is management of raw data so as to establish any obvious flaws that might arise (Bryman 2012). A process of data cleaning for errors, inconsistencies and flaws was undertaken as part of preparing data for analysis, so as to avoid forwarding misleading results. Armed with 148 completed hardcopies of questionnaires, the starting point was to convert the hardcopy questionnaire into the electronic soft copies by immediately capturing them into a Microsoft excel spreadsheet, so as to provide clear data for analysis. The process was done in five days. The next phase then was to import the data into the statistical software package IBM “Statistical Package for Social Sciences” (IBM SPSS) for analysis.

According to Zikmund (2003), data analysis is the application of reasoning in understanding and interpreting data collected. The process of data analysis is made to reduce the large corpus of information gathered into a manageable data set that makes sense, because without this process it would be impossible to interpret the material and to provide answers (Bryman 2012).

The first step in the analysis of the data was the demographics of the respondent distribution by gender, race, and age. It was followed by organizational questions such as the managerial position the respondents hold in their current jobs, the company holding pattern, how many countries does the company operate, how many years had the company been operating in South Africa, business units within the company and the employment status of the respondent. In analysis of these nominal scales descriptive data analysis was used as the starting point. Descriptive statistical analysis involves the usage of average means, standard deviation, histograms and frequency distributions for each variable. A frequency distribution is a way showing in absolute or relative terms the occurrence of a particular value or characteristic of a variable and for display it can make use of frequency tables, histograms or bar charts. By virtue of them being categorical, the biographical and the organizational questions were given a frequency distribution of the responses. After the data had been sorted into group questions according to applicable constructs under test Statistical analyses such as an analysis of scale reliability using Cronbach’s alpha (Cooper and Schindler 2011) and average inter-item correlations (Gulliksen 1945) were conducted on the data.

The scale reliability and normality were checked with the view that if it was found to be reliable and normally distributed the main research hypothesis was to be evaluated

using multiple regressions. The relationship between demographic variables and the subscale was to be analysed using t-test and the Anova. Multiple regression assists in describing the relationship between two or more intervally scaled variables and its objective is to use several independent variables (IVs) to predict the single dependent variable (DV), (Hair et al 2010). The authors further allude that it is appropriate for analysing the degree and character of relationships between a single DV and several IVs. In using multiple regressions there is a multicollinearity assumption among the IVs that must be taken into consideration and was therefore going to be assessed using pairwise correlation (Hair et al 2010). The authors further state that Multicollinearity occurs when any single Independent variable is highly correlated with a set of other independent variables.

The other possibility for the data was if it is not normally distributed the chi-squared was to be used to evaluate the main hypothesis. The relationship between demographic variables and the subscale was to be analysed using the non-parametric equivalence of the t-test and the Anova.

3.8 Validity and reliability of research design

3.8.1 External validity

Struwig et al (2001) propound that external validity entails the extent to which the result of the study can be applied to other external populations. Nel (2011) notes the strength of sample of Business School students presents a broad presentation of senior staff. The strength of this particular study will be that it does not use every Business School student, but a sample of Business School students on part-time programmes because of holding fulltime senior positions with lots of experience. These are also men and women with different cultures who will make it even more diverse in nature.

3.8.2 Internal validity

This study is descriptive and cause-and-effect relationships will not be conducted. On this basis, the study will have low internal validity as there will be no evidence of causality. Mitchel (1985) posits that non-experimental designs such as the observational, correlational and quasi-experimental designs lack internal validity, and therefore can make no inference of causation. The study is only interested in the correlation between the shareholder primacy and the non-service of the BOP market

and it is not interested in the causality, therefore the study cannot claim internal validity.

3.8.3 Reliability

Joppe (2000:1) defines reliability as “the extent to which results are consistent over time and an accurate representation of the total population under study is referred to as reliability and if the results of a study can be reproduced under a similar methodology, then the research instrument is considered to be reliable.” Each step of the study will be carefully documented to ensure that the process is replicable. The application of the data analysis process will also ensure the consistency. Charles (1995) suggests that reliability of the study can be ensured through the test-retest method at two different times. The study will recommend future retesting of the study to determine its reliability.

3.9 Conclusion

This chapter had an extensive look at the research method to be adopted by this study. The chapter discussed the organization of the survey, the research paradigm to be adopted and the literature pertaining to the quantitative data analysis. The chapter highlighted the research design and instruments to be used for this research, and the reason for choosing the self-administered questionnaire. The reason for pilot study and its importance was also discussed. Data cleaning, processing and the statistical techniques that will be used for its analysis were discussed. The instruments' validity and reliability was also discussed. The next chapter focuses on data analysis.

CHAPTER 4: DATA ANALYSIS

4.1 Introduction

The purpose of this chapter is to analyse the acquired data through the questionnaire (refer to appendix for questionnaire). The ILRI–ICRAF Research Methods Group (RMG 2014) asserts that the aim and purpose of data analysis is to ensure an extraction of as much information as possible that is pertinent to the subject under consideration. A relationship exists between data analysis and its interpretation and this involves the analysis of data collected and its translation into results (Du Plessis 2010). “When data analysis and interpretation are not well performed, the success of the study cannot be guaranteed” (Madiba, 2009:P. 130).

The statistical analysis was processed using IBM SPSS. In order to assist in the description of data, descriptive statistics involving charts were employed to clearly show the trends and relations that exist in this study. The focus of this chapter is to illustrate the results gathered. The categorical data is described which includes the demographic profile of respondents and organizational data through frequency distribution using bar graphs. This is followed by testing for validity and reliability of constructs using the exploratory factor analysis and Cronbach alpha respectively. Then the descriptive statistics, the description of the distribution of construct, then the results pertaining to the testing of hypotheses. All necessary tables and figures are included with a summary of the chapter will concluding it.

4.2 Descriptive statistical analysis

4.2.1 *Demographic profiling of respondents*

Acquired response reveals that out of a total of 148 respondents, 67 counts of respondents were female, ie. 45 % of female respondents, as illustrated in figure 2 below, while the remaining 81 respondents were male which amounts to 55% male respondents.

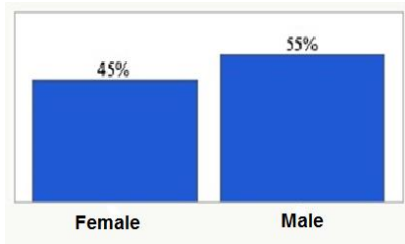


Figure 2: Frequency distribution of respondent Gender

Table 6: Frequencies

Level	Count	Prob
Female	67	0.45270
Male	81	0.54730
Total	148	1.00000

The distribution of data acquired pertaining to age as illustrated in Figure 3 reveals that 27 count of respondents were 25 years of age or younger which amount to 18% of total count of respondents, it also shows that 83 count of respondents were between the age of 26 to 35 years, while 33 count of respondent were between the ages of 36 to 45 years which makes it 22% of respondent, with the remaining 5 count of respondents were 46 years and older which amount to a mere 3%. The reason for this low percentage of respondent of 46 and older might be that most of them have already done their business education which might put some limitation into the results of this study

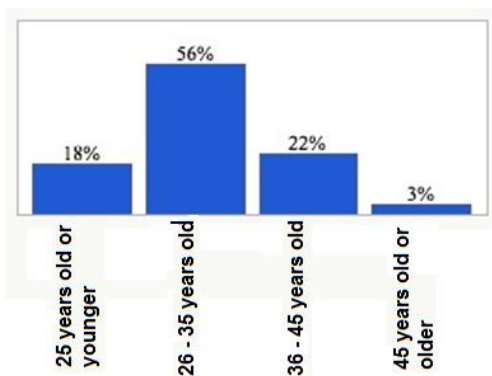


Figure 3: Frequency distribution of respondent Age

Table 7: Frequencies

Level	Count	Prob
25 years or younger old	27	0.18243
26 - 36 years old	83	0.56081
36 - 45 years old	33	0.22297
45 years old or older	5	0.03378
Total	148	1.00000

Out of the acquired respondents as figure 4 would show that 16 counts of 148 of respondent were self-employed which makes 11% of entrepreneur respondents, with a whopping 126 count of respondents being employed full time which brings it to 85% of respondents who are employed at the MNC's. The study had only 6 respondents out of 148 respondents who were employed on a part-time basis which is only 4% of respondents. The study sought for respondents who are employed hence we had 0% unemployed respondents.

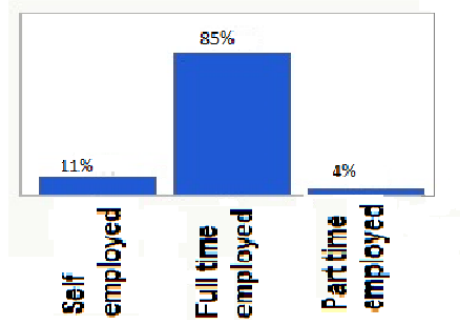


Figure 4: Frequency distribution of respondent Employment status

Table 8: Frequencies

Level	Count	Prob
Self Employed	16	0.10811
Full time employed	126	0.85135
Part time employed	6	0.04054
Total	148	1.00000

4.2.2 Organizational profiling of respondent

Figure 5 shows that out of 148 acquired respondents 113 respondents hold senior management positions where they are working which brings to 76% of respondents who are holding senior management positions which is in line with the study's unit of analysis which require business managers. 34 respondents who make up only 22% of the study hold middle management positions in their firm which is also in line with the study's unit of analysis.

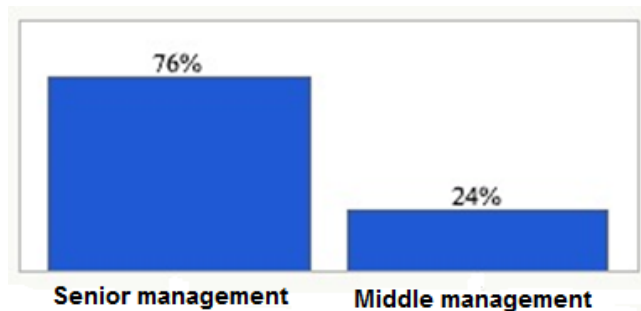


Figure 5: Frequency distribution of respondent Managerial position

Table 9: Frequencies

Level	Count	Prob
Senior management	113	0.76351
Middle management	35	0.23649
Total	148	1.00000

Figure 6 illustrates that 77 counts which make 52% of respondents are working for companies that are privately held, while 71 which make 48% of the respondents are working for listed companies as illustrated in figure 6 below.

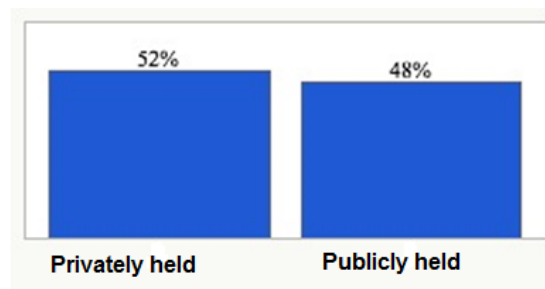


Figure 6: Frequency distribution of respondent on organizational Holding pattern

Table 10: Frequencies

Level	Count	Prob
Privately held	77	0.52027
Publicly held	71	0.47973
Total	148	1.00000

Figure 7 shows that 68 respondents which is 48% of respondents were working for multinational companies with presence across 1 to 10 countries, while 40 respondents were working for multinationals with presence across 11 to 20 countries which makes it 27% of respondents, with 18 respondents with organizational presence of 21 to 30 countries which makes it 12% of respondents and 22 respondents had organizational presence in more than 31 countries which brings them to 15% of respondents. This presence in more than one country illustrates an important part of the study which requires Multinational corporations.

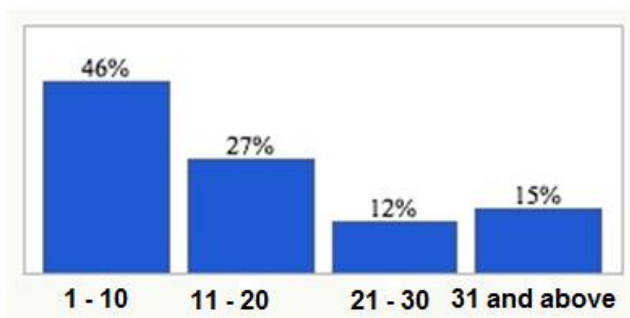


Figure 7: Frequency distribution of respondent on organizational presence in countries

Table 11: Frequencies

Level	Count	Prob
1 - 10 countries	68	0.45946
11 - 20 countries	40	0.27027
21 - 30 countries	18	0.12162
31 and above countries	22	0.14865
Total	148	1.00000

Figure 8 illustrates how many years the companies had been in existence which also shows that the companies are large and old enough to be part of the study. One of the requirements of this study is to look at the large, and world wealthiest MNC's with many years of existence, taking precedence from BOP propositions which analysed large, wealthiest MNC's adapted from a list of MNC's compiled in December 2000 by the Washington-based Institute for policy studies. Therefore this study's findings show that it has analysed large, old and wealthiest MNC's.

With 33 respondents or 22% having been working for a company with 1 to 10 years in existence, while 40 respondents or 27% are working for a company with 11 to 20 years of existence and 26 respondents or 18% working for a company with 21 to 30 years in existence with the remaining 49 respondents or 33% being with a company with more than 31 years of existence.

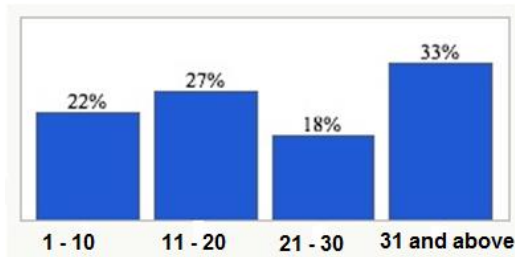


Figure 8: Frequency distribution of respondents on organizational years in existence

Table 12: Frequencies

Level	Count	Prob
1 - 10 years	33	0.22297
11 - 20 years	40	0.27027
21 - 30 years	26	0.17568
31 and above years	49	0.33108
Total	148	1.00000

Figure 9 clearly shows how many units the companies have, which also illustrates the important requirement of the study which is companies need to be large if not multinationals. 13 respondents or 9% are working at a company with 1 department, with 36 or 24% of respondents working for a company with 2 to 5 departments, while

55 or 37% work for a company with 6 to 10 departments and the remaining 44 or 30% of the respondents with a company with more than 11 departments. This means more than 100 of the respondents or 65% of respondents are working for large multinationals with more than 6 departments which makes it relevant to the requirements of the study which seeks large multinational businesses.

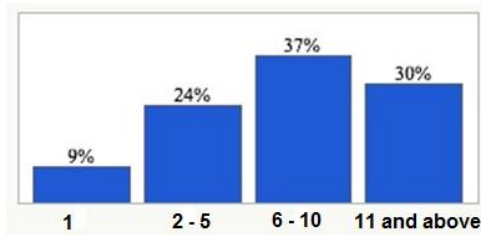


Figure 9: Frequency distribution of respondent on organizational business units

Table 13: Frequencies

Level	Count	Prob
1 business unit	13	0.08784
2 - 5 business units	36	0.24324
6 - 10 business units	55	0.37162
11 and above business units	44	0.29730
Total	148	1.00000

4.3 Validity of constructs

As previously suggested, scale validity is used to ascertain whether the constructs of the study are measuring what it intends to measure. To ascertain if the scales are valid, the study performed exploratory factor analysis. Table 14 clearly shows that sufficient correlations exist amongst variables which justifies the study to proceed with the application of factor analysis as the sampling adequacy measure of The Kaiser-Meyer-Olkin (KMO) was satisfactory at 0.67, and Bartlett's test of sphericity was significant (sig<0.001).

Table 14: Tests of assumptions of factor analysis of Non-service of BOP market items

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.669
Bartlett's Test of Approx. Sphericity	Chi-Square
	850.038
	df
	300
	Sig.
	.000

Factor loading was conducted so as to analyse the underlying structure of interrelated variables and group them into factors. This was done using a principal components analysis (PCA) with varimax rotation method. PCA method helps to determine out of large number of inter-related items, which ones “hang together” as a group or are answered in a similar pattern by the respondents (Ringim, Razalli and Hasnan 2012); this will be done to assess the convergent and discriminant validity. Convergent validity refers to the degree to which the scales correlate positively or in the same direction with other measures of the same construct (Ringim, Razalli and Hasnan 2012: P.205), while Discriminant validity refers to the degree to which the measurement scale is not distinct with other measures (Malhotra, 1999). The principal components analysis (PCA) was carried out for the items of the variables of this research work. The central idea of principal component analysis is to reduce the dimensionality of a data set in which there are a large number of inter-related variables, while retaining as much as possible of the variation present in the data set (Ringim, Razalli and Hasnan 2012: P.205).

The study has noted with vigour lack of consensus on the thresholds to use for factor loading cut-offs, with Field (2005) taking precedence from Guadagnoli and Velicer (1988) to use a cut off of 0.6 regardless of sample size, while Stevens (1992) suggests using a cut-off of 0.4, irrespective of sample size, for interpretative purposes. Tabachnick and Fidell (2007) follow Comrey and Lee (1992) in suggesting using more stringent cut-offs going from 0.32 (poor), 0.45 (fair), 0.55 (good), 0.63 (very good) or 0.71 (excellent). MacCallum et al (1999, 2001) advocate using a cut off of over 0.60 or an average commonality of 0.7 to justify performing a factor analysis with small sample sizes. Hair et al (2010) suggest using 0.6 for sample size less than 100.

The study considers that with the sample size of 148 it will use a cut off of 0.4 for its factor loading. According to Hair et al (2010) a minimum of 5 items per construct is needed in order to conduct factor analysis. This requirement is fulfilled by the study.

The test in Table 14 shows rotated factor loading which has extracted five factors for the dependent variable non-service of the BOP market highlighted in red in table 15 below.

Table 15: Rotated Factor Loading for Non-service of BOP market

	Factor 1	Factor 2	Factor 3	Factor 4	Factor 5
Q1.2.1	0.08	0.58	0.05	0.12	0.02
Q1.2.2	-0.1	-0.2	0.12	-0.1	-0.0
Q1.2.3	0.03	0.63	0.08	-0.1	0.02
Q1.2.4	0.06	-0.2	0.04	-0.3	-0.0
Q1.2.5	0.13	0.44	0.27	0.28	0.08
Q1.2.6	0.24	0.05	0.29	0.09	0.51
Q1.2.7	0.11	0.52	-0.0	0.02	0.39
Q1.2.8	0.27	0.02	0.19	0.06	0.13
Q1.2.9	0.11	-0.0	-0.0	0.22	0.41
Q1.2.10	0.24	0.37	0.01	-0.0	0.46
Q1.2.11	0.65	0.21	0.15	-0.0	0.14
Q1.2.12	0.54	0.16	-0.0	0.02	0.30
Q1.2.13	0.65	0.24	-0.1	0.10	0.10
Q1.2.14	0.48	-0.1	0.25	0.27	0.14
Q1.2.15	0.55	0.39	0.14	0.18	-0.1
Q1.2.16	-0.0	-0.0	-0.1	0.01	0.04
Q1.2.17	0.10	0.07	0.02	-0.0	0.50
Q1.2.18	-0.2	-0.1	0.53	0.20	0.14
Q1.2.19	0.21	-0.0	0.60	-0.0	0.13
Q1.2.20	0.45	0.09	0.74	-0.1	0.02
Q1.2.21	0.07	0.27	0.32	0.36	0.16
Q1.2.22	0.27	-0.1	0.07	0.06	0.09
Q1.2.23	0.26	-0.0	-0.0	0.66	-0.0
Q1.2.24	0.09	0.04	0.05	0.66	0.15
Q1.2.25	0.31	0.11	0.11	0.28	0.32

The principle components method with Varimax was employed for extraction and five factors were extracted with eigenvalues ranging from 0.28 to 4.97 as can be witnessed in table 16 below. The study will not use the “eigenvalue greater than 1 criterion” as its threshold or its cut-off point as it has shown to be another debated territory, with Kaiser’s rule (Kaiser 1960) taking precedence from the Guttman (1954) *Psychometrika* article advocating for eigenvalue greater than 1 criterion as the rule of thumb in deciding which factors be retained in factor analysis, while other scholars such as Gorsuch (1983) and Mulaik (1972) agree that this is a very conservative approach in

determining factors to be retained, with others finding paradoxically that as the Monte Carlo simulation continued to accumulate evidence to the fact that “eigenvalue greater than 1 criterion” was one of the worst possible criteria available for determining factors to be retained, with many of the major statistical software packages making it the default criterion under their factor procedure (Zwick and Velicer 1986, Dixon, 1992; Nie, Hull, Jenkins, Steinbrenner, and Bent, 1975; SAS Institute Inc., 1985, 1999; SPSS, 1999).

The five factors extracted for dependent variable non-service of the BOP market accounted for 47.52% of the cumulative percentage of variance in Table 11. The cumulative percentage of variance of 47.52% should not cast any aspersions as the cumulative percentage of variance criterion is another area of disagreement in different disciplines with Williams, Onsman and Brown (2012:6) asserting that, “No fixed threshold exists, although certain percentages have been suggested.” These factors are operationalised as follows and table 16 below also illustrates:

Factor 1: Non-Accessibility

Factor 2: Non-Profitability

Factor 3: Non-Viability

Factor 4: Non-Attractability

Factor 5: Non-Affordability

Table 16: Components loading after Varimax for Non-service of BOP.

Components loading after Varimax for Non-service of BOP.	Factor 1	Factor 2	Factor 3	Factor 4	Factor 5	Eigenvalues
Non-Profitability						
1. There is no market in this village	0.08	0.58	0.05	0.12	0.02	4.9706
3. There is no purchasing power at this Market	0.03	0.63	0.08	-0.1	0.02	1.7961
5. Only small businesses can profit in this market	0.13	0.44	0.27	0.28	0.08	1.4972
7. This village market will not afford our products	0.11	0.52	-0.0	0.02	0.39	1.3104
Non-Affordability						
6. This market should spend their money on basic needs	0.24	0.05	0.29	0.09	0.51	1.4119

9. This market will not pay for expensive products	0.11	-0.0	-0.0	0.22	0.41	1.004 2
10. It's better to focus on the lucrative segment of the market to maximize profits	0.24	0.37	0.01	-0.0	0.46	0.912 1
17. Their combined purchasing power do not make a difference for Multinationals (MNC's) long-term growth	0.10	0.07	0.02	-0.0	0.50	0.489 3
Non-Accessibility						
11. Poor infrastructure at this village will increase the cost of doing business	0.65	0.21	0.15	-0.0	0.14	0.868 5
12. Poor infrastructure makes this market a risky market	0.54	0.16	-0.0	0.02	0.30	0.755 5
13. Poor infrastructure at this village will make it difficult to distribute goods	0.65	0.24	-0.1	0.10	0.10	0.694 3
14. Higher distribution cost makes it difficult to exploit economies of scale	0.48	-0.1	0.25	0.27	0.14	0.658 6
15. . High distribution cost makes this village a risky market	0.55	0.39	0.14	0.18	-0.1	0.588 2
Non-Viability						
18. This village market should be a responsibility of government	-0.2	-0.1	0.53	0.20	0.14	0.477 9
19. This village market should be a responsibility of NGO's	0.21	-0.0	0.60	-0.0	0.13	0.458 2
20. This village market is best served through corporate social responsibility	0.45	0.09	0.74	-0.1	0.02	0.424 7
Non-Attractability						
23. MNC's managers prefers developed markets that is ready for their product	0.26	-0.0	-0.0	0.66	-0.0	0.309 2
24. MNC's managers are not inspired by business challenges with charitable agenda	0.09	0.04	0.05	0.66	0.15	0.280 9

The first factor included 5 items with all of them being the original non-accessibility, items. The second factor which is non- profitability included 4 items predominated by original items with only item which was originally on the non-affordability scale. The third factor which is non-viability retained only three items from the original five items and dropped two items. With the fourth factor which is non-attractability loading only two items from the original 5 items developed which has casted a limitation to the study. The last factor which is non-affordability has predominantly included items from

the original Items with only one item to make it 4 items.

All five factors were used and analysed by the study with the acknowledgement that the non-attractability construct was supposed to be dropped because its factor loading has loaded two items which makes it insignificant for analysis and has cast a limitation for the study. The study would like to acknowledge that the factor is very important to the study therefore cannot be dropped, but it would be recommended that in future research a closer inspection is needed regarding this limitation.

In Table 16, the non-viability construct item 20, cross loading has occurred with item loading on factor 1 and factor 3. Cross loading may be a result of ambiguity in an item. This will need future research for closer inspection and revision. The same of process of factor loading was done for independent variable shareholder primacy. Before the process could take place the factor analysis assumption test was conducted as shown in Table 17 below. The table clearly shows that sufficient correlations also exist amongst variables which justifies the study to proceed with the application of factor analysis as the sampling adequacy measure of The Kaiser-Meyer-Olkin (KMO) was satisfactory at 0.66, and Bartlett's test of sphericity was significant (sig<0.001)

Table 17: Tests of assumptions of factor analysis of Shareholder primacy items

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	of	.652
Bartlett's Test of Approx. Sphericity	Chi-Square	527.793
	df	136
	Sig.	.000

The test in Table 18 below shows rotated factor loading which has extracted four factors for the independent variable shareholder primacy highlighted in red.

Table 18: Rotated Factor Loading for Shareholder primacy

	Factor 1	Factor 2	Factor 3	Factor 4
Q1.3.1	0.26	0.22	0.19	-0.1
Q1.3.2	0.31	0.21	0.14	-0.0
Q1.3.3	0.34	0.04	0.13	0.03
Q1.3.4	0.72	0.19	-0.3	0.02
Q1.3.5	0.48	0.10	-0.0	-0.3
Q1.3.6	0.22	0.45	0.11	-0.1
Q1.3.7	0.02	0.96	0.10	0.05
Q1.3.8	0.31	0.41	0.03	-0.2
Q1.3.9	0.51	0.28	0.12	-0.2
Q1.3.10	0.42	0.38	-0.0	0.25
Q1.3.11	0.43	0.03	0.13	-0.1
Q1.3.12	0.12	0.08	0.60	0.11
Q1.3.13	-0.0	0.15	0.74	-0.1
Q1.3.14	0.17	-0.1	0.55	0.61
Q1.3.15	0.19	-0.0	0.05	-0.5
Q1.3.16	0.02	-0.0	0.10	0.32
Q1.6.17	0.14	0.06	0.14	-.02

The principle components method with Varimax was employed for extraction and four factors were extracted with eigenvalues ranging from 0.36 to 1.36 as can be witnessed from Table 19 below. The study will not use the “eigenvalue greater than 1 criterion” as explained above. The four factors extracted for independent variable shareholder primacy accounted for 48.8% of the cumulative percentage of variance. The cumulative percentage of variance of 48.8% should not cast any doubts for the same reasons explained above. These factors are operationalised as follows:

Factor 1: Power and legitimacy scales

Factor 2: Shareholder active scale

Factor 3: Short-term shareholder interest

Factor 4: Long-term shareholder interest

Table 19 : Components loading after Varimax for Shareholder primacy

Components loading after Varimax for Shareholder primacy.	Factor 1	Factor 2	Factor 3	Factor 4	Eigenvalues
Power and legitimacy scales					
4. Satisfying the demands or wishes of shareholders should be important to management team	0.72	0.19	-0.3	0.02	1.3624
5. Management should have a fiduciary duty to serve the interest of shareholders over and above other interest	0.48	0.10	-0.0	-0.3	1.2981
9. Shareholders should demand and hold management accountable in serving their interest	0.51	0.28	0.12	-0.2	0.7134
10. Reducing cost is important to a company	0.42	0.38	-0.0	0.25	0.6642
11. Dividend policy is important to a company	0.43	0.03	0.13	-0.1	0.6059
Shareholder active scales					
6. Shareholders should urgently communicate their demand and wishes to the company	0.22	0.45	0.11	-0.1	1.0549
7. Shareholders should pursue demand and wishes which they feel are important	0.02	0.96	0.10	0.05	0.9972
8. Shareholders should actively seek the attention of management team	0.31	0.41	0.03	-0.2	0.8869
Short-term shareholder interest scales					
12 Short-term return to shareholders is important	0.12	0.08	0.60	0.11	0.5393
13 Maximize profit for short-term shareholders interest is important	-0.0	0.15	0.74	-0.1	0.4930
14 Offering special dividends is important to shareholders	0.17	-0.1	0.55	0.61	0.4635
Shareholder salience (long-term)					
15. Long-term return to shareholders is important	0.19	-0.0	0.05	-0.5	0.3622

The first factor included 5 items with items predominated by original items with two items not on the original power and legitimacy scale but taken from short-term shareholder interest and loaded on the power and legitimacy scales. The dividends policy was loaded on the power and legitimacy scales reason being it is believed that it makes part of power and legitimacy of business managers. Etzioni (1964:59) defines

power as “an extent to which a party has or can gain access to coercive (physical means) utilitarian (material means or a normative (prestige, esteem or social) means to impose their will”, while Suchman (1995:574) defines legitimacy as a generalised perception or assumption that the actions of an entity are desirable, proper or appropriate with some socially constructed system of norms, values, beliefs and definitions. While Miller and Modigliani (1961) have declared dividends policy irrelevant, different scholars (Ghosh and Le Sun 2013, Easterbrook 1984, Zwiebel 1996 and Gomes 2000) have agreed that it is legitimate for business managers to prioritise dividends policies as it mitigates and addresses the agency theory that might arise between the shareholders and the business managers. If business managers believe that the interest of shareholder characterized by demand, they believe that a dividends policy is legitimate as it falls under the important interest of shareholders. The literature justifies dividends policy items being grouped within the power and legitimacy construct. The theory also justifies cost reduction items being grouped on the power and legitimacy construct. (Ghosh and Le Sun 2013:660) argues that “the reduction in agency costs and improvement in information dissemination reduce the cost of funds, and investment at more competitive cost of capital enhances firm value”. This in itself shows the importance and legitimacy of cost reduction by business managers within the business.

The second factor which is shareholder active scales retained only 3 items from original items and dropped two items. These justify factor analysis as factor loading retained only the original items as adapted from the study by Anderson et al (2007). The third factor which is short-term shareholder interest retained only three items from the original five items after which two items were loaded on the power and legitimacy scales. All items retained by factor loading are justified as they form a major part of short-term shareholder interests as suggested by literature. With the fourth factor which is long-term shareholder interest scales loading only one item from the original 3 items developed which has cast a limitation on the study. Only three factors were used and analysed by the study with the long-term shareholder construct dropped because its factor loading has loaded one item which makes it insignificant for analysis and has cast limitations for the study. In future research a closer inspection is recommended regarding this limitation.

In Table 19 short-term shareholder construct item 20, cross loading has occurred with item loading on factor 1 and factor 3. Cross loading may be a result of ambiguity in an item. It is also because the ambiguity of special dividend being a long-term or short-

term phenomenon. Taking from the literature which clearly illustrates special dividends is a short-term phenomenon (Anderson et al 2007), hence it is loaded on shareholder interest. This will need future research for closer inspection and revision.

4.4 Reliability

Hair et al (2010) suggest that construct reliability refers to the extent to which constructs consistently measure what it purports to measure. In order to assess reliability of the construct item analysis is conducted through Cronbach alpha.

The overall Cronbach's alpha value for reliability can be interpreted as follows:

Cronbach's alpha above 0.8 - good reliability

Cronbach's alpha between 0.6 and 0.8 - acceptable reliability

Cronbach's alpha below 0.6 - unacceptable reliability

Some authors use another cut-off of 0.7, which is suggested by Nuanally (1978) for acceptable reliability.

Table 20: Means, Standard Deviations, Correlations, and Coefficient Alpha Reliability Estimates for dependent Variables/non-service of BOP market

Variables	Items	Items left out	Mean	Sd	Cronbach	Reliability
Construct 1: Non-Profitability	1,3,5,7	None	2.70	0.90	0,64	Acceptable
Construct 2: Non-Affordability	6,9,10,17	None	3.40	0.81	0.57	Acceptable
Construct 3: Non-Accessibility	11,12,13,14,15	None	3.71	0.81	0.76	Acceptable
Construct 4: Non-Viability	18,19,20	18 out (0.71)	2.94	1.12	0.42	Unacceptable
Construct 5: Non-Attractability	23,24	None	3.63	0.91	0.64	Acceptable

Note: N = 148

Table 20 above shows Cronbach alpha for dependent variables non-service of BOP market constructs in the second last column of the table. All the estimates of internal consistency of the constructs measuring non-profitability, non-affordability, non-

accessibility and non-attractability of the BOP market have shown Cronbach alphas of 0.64, 0.57, 0.76 and 0.64 respectively which shows the reliability of the constructs being acceptable. The only exception is the non-viability with the Cronbach alpha of 0.42 which is unacceptable which meant that the item 18 with the highest Cronbach alpha of 0.71 was removed to make the entire set reliable. The removal of item 18 helped to make the construct reliable, but at the same time cast a limitation by leaving the construct with only two items. The same can be said with non-attractability construct which is reliable yet has limitations because factor analysis has loaded only two items. Also note that the Cronbach alpha for non-affordability scale is 0.57. As it has been said before that the Cronbach alpha cut off point is one area of disagreement with different scholars forwarding their cut-off points. The study takes guidance from Nunnally (1967:226) where he asserts that for basic research or exploratory study, internal consistency scores of 0.5 to 0.6 are sufficient. Therefore taking from Nunnally (1967) this value of 0.57 for the non-affordability scale indicates that it is reliable.

Table 21: Means, Standard Deviations, Correlations, and Coefficient Alpha Reliability Estimates for independent Variables/ shareholder primacy

Variables	Items	Items left out	Mean	Sd	Cronbach	Reliability
Construct 1: Power and Legitimacy	4,5,9,10,11	None	3.92	0.65	0,66	Acceptable
Construct 2: Shareholder Active	6,7,8	None	3.49	0.90	0.67	Acceptable
Construct 3: Short-term Shareholder interests	12,13,14	None	3.31	1.02	0.67	Acceptable

The independent variable or shareholder primacy constructs and the constituent subscales were analysed by Cronbach alpha to determine its reliability. Table 21 above in the second last column shows Cronbach alpha of 0.66, 0.67 and 0.67 for constructs power and legitimacy, shareholder active and short-term shareholder interest respectively which are all acceptable as they are above 0.6.

4.5 Descriptive statistics

Table 22: Descriptive statistics for constructs

	Valid N	Mean	Median	Std Dev	SE Mean	Confidence Upper 95 %	Confidence Lower 95%	Lower quartile	Upper Quartile	Maximum	Minimum
Non-profitability	148	2.70	2.5	0.90	0.07	2.85	2.56	2	3.25	4.75	1
Non-affordability	148	3.40	3.5	0.81	0.07	3.53	3.27	2.75	4	5	1.25
Non-accessibility	148	3.71	3.8	0.81	0.07	3.84	3.58	3.2	4.2	5	1.4
Non-viability	148	2.94	3	1.12	0.09	2.76	3.12	2	3.5	5	1
Non-attractability	148	3.63	4	0.91	0.08	3.78	3.48	3	4	5	1
Power and legitimacy scales	148	3.92	4	0.65	0.05	4.03	3.81	3.53	4.4	5	1.8
Shareholder active scales	148	3.49	3.67	0.90	0.07	3.36	3.34	3	4.33	5	1
Shareholders interest short-term	148	3.31	3.33	1.02	0.08	3.47	3.14	2.67	4	7	1

Table 22 presents descriptive statistics for dependent variable non-service of BOP market represented by non-profitability, non-affordability, non-accessibility, non-viability and non-attractability and the independent variable shareholder primacy represented by power and legitimacy, shareholder active and short-term shareholder interest scales. As can be witnessed from the table the mean and the median are similar which shows the absence of skewness which represents normally distributed data with the exception of one construct, non-attractability. This means for the non-attractability construct normality is lacking which implies that a non-parametric test will be employed for this construct.

The table shows the mean for non-profitability of 2.7 which is not significant and its standard deviation of 0.9, followed by the mean of non-affordability of 3.4 which is significant and its standard deviation of 0.81, followed by the mean of non-accessibility

which is much more significant and its standard deviation of 0.81. Power and legitimacy scale shows a mean of 3.92 which is highly significant with standard deviation of 0.91. This demonstrates that power and legitimacy of shareholders remain a high priority in the perception of business managers which bears resemblance to the study by Anderson et al (2007) and Agle, Mitchell and Sonnenfeld (1999). This is followed by shareholder active scale with mean of 3.49 with standard deviation of 0.9 and short-term shareholder interest mean of 3.31 and standard deviation of 1.02. The higher level of power and legitimacy of shareholders do not seem to be associated with the shareholder activeness as can be witnessed from the mean scores. This is a similar outcome as witnessed from the studies by Anderson et al (2007) and Agle, Mitchell and Sonnenfeld (1999) conducted in Australia and the US respectively. This suggests that business managers' perceptions of power and legitimacy shareholders hold is independent to the pressure and demand from the shareholders themselves as illustrated by literature. The short-term shareholder interest achieved lowest mean of 3.31 and standard deviation of 1.02. The standard deviation helps us calculate with a 95% level of confidence where the sample mean lies (Mthanti 2012:89), so for power and legitimacy scale one is 95% confident that its sample mean lies between 3.81 and 4.03.

4.5.1 Distribution of ordinal data

As the study has alluded in chapter 3 that the dependent variable scale which is the non-service of BOP market was developed taking guidance from literature and the one for independent variable shareholder primacy was adapted from existing scales in shareholder primacy and the stakeholder primacy literature. The constructs include items that were validated through factor loading and do not include those that were removed. Table 23 to 31 will offer detailed descriptions of how the data was distributed. The constructs were measured and anchored in five Likert scales.

Note that the total sample size in the tables changes from total 148 to 147 and 146. Missing data are information from a participant that is not available for one or more variables of interest (Cooper and Schindler 2011). In the survey some of the respondents did not complete some of the questions asked. The reason might be the respondents did not understand the question or it was omitted by mistake.

Table 23: Non-Profitability constructs distribution

Non-Profitability	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree		All	
	% of Total	N	% of Total	N	% of Total	N	% of Total	N	% of Total	N	% of Total	N
Q1.2.1. There is no market in this village.	24.32%	36	39.86%	59	8.78%	13	17.57%	26	9.46%	14	100.00%	148
Q1.2.3. There is no purchasing power at this market	23.13%	34	42.86%	63	10.88%	16	17.01%	25	6.12%	9	100.00%	147
Q1.2.5. Only small businesses can profit in this market	17.01%	25	28.57%	42	12.93%	19	24.49%	36	17.01%	25	100.00%	147
Q1.2.7. This village market will not afford our products	16.44%	24	22.60%	33	19.86%	29	27.40%	40	13.70%	20	100.00%	146

Table 24: Non-Affordability constructs Distribution

Non-Affordability	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree		All	
	% of Total	N	% of Total	N	% of Total	N	% of Total	N	% of Total	N	% of Total	N
Q1.2.6. This market should spend their money on basic needs	6.08%	9	11.49%	17	10.14%	15	44.59%	66	27.70%	41	100.00%	148
Q1.2.9. This market will not pay for expensive products	4.73%	7	14.86%	22	12.16%	18	36.49%	54	31.76%	47	100.00%	148
Q1.2.10. It's better to focus on the lucrative segment of the market to maximize profits	10.14%	15	28.38%	42	15.54%	23	28.38%	42	17.57%	26	100.00%	148
Q1.2.17. Their combined purchasing power do not make a difference for Multinationals (MNC's) long-term growth	12.16%	18	33.11%	49	19.59%	29	20.95%	31	14.19%	21	100.00%	148

Table 25: Non-Accessibility constructs distribution

Non-Accessibility	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree		All	
	% of Total	N	% of Total	N	% of Total	N	% of Total	N	% of Total	N	% of Total	N
Q1.2.11. Poor infrastructure at this village will increase the cost of doing business	3.40%	5	10.20%	15	8.84%	13	46.26%	68	31.29%	46	100.00%	147
Q1.2.12. Poor infrastructure makes this market a risky market	7.48%	11	10.88%	16	16.33%	24	42.86%	63	22.45%	33	100.00%	147
Q1.2.13. Poor infrastructure at this village will make it difficult to distribute goods	5.41%	8	13.51%	20	10.14%	15	42.57%	63	28.38%	42	100.00%	148
Q1.2.14. Higher distribution cost makes it difficult to exploit economies of scale	5.41%	8	11.49%	17	16.22%	24	39.86%	59	27.03%	40	100.00%	148
Q1.2.15. High distribution cost makes this village a risky market	4.08%	6	15.65%	23	21.77%	32	38.10%	56	20.41%	30	100.00%	147

Table 26: Non-Viability constructs distribution

Non-Viability	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree		All	
	% of Total	N	% of Total	N	% of Total	N	% of Total	N	% of Total	N	% of Total	N
Q1.2.18. This village market should be a responsibility of government	18.37%	27	33.33%	49	17.01%	25	17.01%	25	14.29%	21	100.00%	147
Q1.2.19. This village market should be a responsibility of NGO's	17.01%	25	36.05%	53	21.09%	31	15.65%	23	10.20%	15	100.00%	147
Q1.2.20. This village market is best served through corporate social responsibility	11.49%	17	23.65%	35	15.54%	23	29.73%	44	19.59%	29	100.00%	148

Table 27: Non-Attractability constructs distribution

Non-Attractability	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree		All	
	% of Total	N	% of Total	N	% of Total	N	% of Total	N	% of Total	N	% of Total	N
Q1.2.23. MNC's managers prefer developed markets that are ready for their product	3.40%	5	11.56%	17	8.84%	13	51.02%	75	25.17%	37	100.00%	147
Q1.2.24. MNC's managers are not inspired by business challenges with charitable agenda	4.05%	6	16.22%	24	28.38%	42	34.46%	51	16.89%	25	100.00%	148

Table 28: Power and legitimacy constructs distribution

Power and legitimacy	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree	
	% of Total	N	% of Total	N	% of Total	N	% of Total	N	% of Total	N
1.3.4. Satisfying the demands or wishes of shareholders should be important to management team	1.35%	2	8.78%	13	13.51%	20	45.27%	67	31.08%	46
1.3.5. Management should have a fiduciary duty to serve the interest of shareholders over and above other interest	2.70%	4	18.24%	27	18.24%	27	35.81%	53	25.00%	37
1.3.9. Shareholders should demand and hold management accountable in serving their interest	3.40%	5	11.56%	17	14.97%	22	42.86%	63	27.21%	40
1.3.10. Reducing cost is important to a company	2.70%	4	4.73%	7	8.78%	13	40.54%	60	43.24%	64
1.3.11. Dividend policy is important to a company	0.68%	1	2.70%	4	16.22%	24	47.97%	71	32.43%	48

Table 29: Shareholder active constructs distribution

Shareholder Active scales	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree	
	% of Total	N	% of Total	N	% of Total	N	% of Total	N	% of Total	N
1.3.6. Shareholders should urgently communicate their demand and wishes to the company	6.12%	9	14.29%	21	19.05%	28	41.50%	61	19.05%	28
1.3.7. Shareholders should pursue demand and wishes which they feel are important	6.76%	10	20.27%	30	20.27%	30	35.14%	52	17.57%	26
1.3.8. Shareholders should actively seek the attention of management team	5.41%	8	14.86%	22	20.27%	30	37.16%	55	22.30%	33

Table 30: Short-term shareholder interest constructs distribution

Shareholder Interest scales (Short-term)	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree	
	% of Total	N	% of Total	N	% of Total	N	% of Total	N	% of Total	N
1.3.12 Short-term return to shareholders is important	8.11%	12	27.03%	40	20.27%	30	29.73%	44	14.86%	22
1.3.13. Maximize profit for short-term shareholders interest is important	7.48%	11	13.61%	20	21.09%	31	38.10%	56	19.73%	29
1.3.14. Offering special dividends is important to shareholders	10.2%	15	21.09%	31	23.13%	34	28.57%	42	17.01%	25

Table 31: Long-term shareholder interest constructs distribution

Shareholder interest (long-term)	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree	
	% of Total	N	% of Total	N	% of Total	N	% of Total	N	% of Total	N
1.3.15. Long-term return to shareholders is important	0.68%	1	3.38%	5	7.43%	11	41.22%	61	47.30%	70

4.6 Hypothesis testing

4.6.1 Assessing Correlation

The study used correlation to first assess whether there is a relationship in existence between the individual constructs of the dependent variable (shareholder primacy) and the independent variable (non-service of BOP market) and the overall shareholder primacy and the non-service of BOP market. The correlation matrix is computed to assess potential multicollinearity and to assess any relationship that might be in existence between variables before regression analysis is conducted (Mthanti 2012). The pairwise correlation is also assessed.

The study assesses individual construct by assessing if relationships exists between power and legitimacy and the non-service of BOP market, followed by the assessment of the relationship between the shareholder active scales and the non-service of the BOP market and lastly the relationship between the short-term shareholder interest and the non-service of BOP market.

Tables 32 and 33 seem to show only one linear correlation at p value at lower than 0.05. This is what the table is showing:

- The power and legitimacy is positively correlated with non-service of BOP market at $r = 0,22$ and $p < 0.01$). To assess if the correlation is statistically significant a probability value needs to be looked at. Therefore at p value of 0.007 which is smaller than 0.01 this means that at correlation coefficient of 0.22 there is significant correlation between variables.
- The other variables are not showing any linear correlation with the non-service of the BOP market.

Table 32: Multivariate Correlations

	BOP	Power and legitimacy scales	Shareholder active scales	Shareholders interest short-term
BOP	1.0000	0.2209	0.0164	-0.0500
Power and legitimacy scales	0.2209	1.0000	0.4369	0.0505
Shareholder active scales	0.0164	0.4369	1.0000	0.1356
Shareholders interest short-term	-0.0500	0.0505	0.1356	1.0000

Table 33: Pairwise Correlations

Variable	by Variable	Correlation	Count	Lower 95%	Upper 95%	Signif Prob
Power and legitimacy scales	BOP	0.2209	148	0.0618	0.3691	0.0070*
Shareholder scales	active BOP	0.0164	148	-0.1453	0.1773	0.8428
Shareholder scales	active Power and legitimacy scales	0.4369	148	0.2964	0.5588	<.0001*
Shareholders short-term	interest BOP	-0.0500	148	-0.2096	0.1123	0.5465
Shareholders short-term	interest Power and legitimacy scales	0.0505	148	-0.1117	0.2102	0.5419
Shareholders short-term	interest Shareholder scales	0.1356	148	-0.0263	0.2906	0.1004

4.6.2 Simple regression and predictive hypothesis

The objective of regression analysis is to analyse if a linear relationship exists between a single dependent variable from one or more independent and predictor variables. Simple regression will be used as the study involves a single predictor.

4.5.2.1 Testing hypothesis, H1

The hypothesis states that power and legitimacy significantly predicts non-service of BOP. Since the normality and independence assumption has been satisfied One-way Anova was conducted. Tables 34 and 35 clearly show R-squared for H1 of 0.05 at significant level of 0.0070, which suggests that power and legitimacy accounts for 5% of variation in non-service of BOP market. Frost (2013) asserts that low R-squared is just a statistical measure of how close the data are to the fitted regression line and does not necessarily mean when low is bad and when high is good. Table 36 shows the linear relationship that exists within the variables. An increase in power and

legitimacy will increase non-service of BOP market by 0.2 which clearly shows linear relationship between these two variables. In addition, Figure 10 scatter plots with the regression line that best fits the data clearly shows that as the power and legitimacy increases the non-service of BOP market tends to follow and increases with it. Similarly, as the correlation this shows that power and legitimacy significantly predict non-service of BOP market which lead to the study rejecting null hypothesis. Furthermore, the evidence clearly shows that there is a positive relationship in existence between these variables.

Table 34: Summary of Fit

RSquare	0.048813
RSquare Adj	0.042298
Root Mean Square Error	0.570979
Mean of Response	3.275721
Observations (or Sum Wgts)	148

Table 35: Analysis of Variance

Source	DF	Sum of Squares	Mean Square	F Ratio
Model	1	2.442632	2.44263	7.4924
Error	146	47.598414	0.32602	Prob > F
C. Total	147	50.041045		0.0070*

Table 36: Parameter Estimates

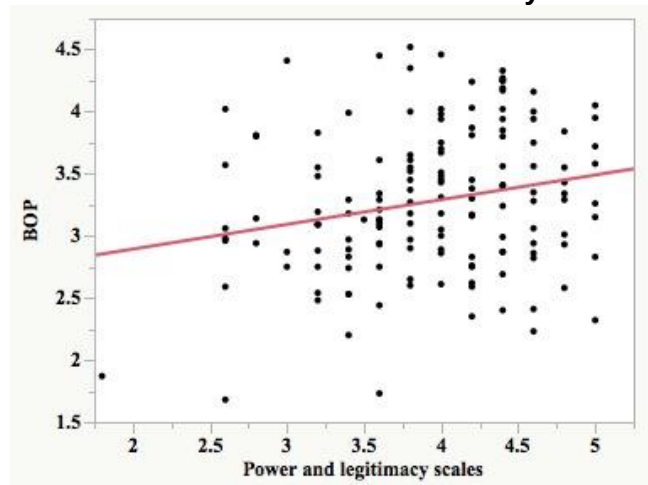
Term	Estimate	Std Error	t Ratio	Prob> t
Intercept	2.4947498	0.28915	8.63	<.0001*
Power and legitimacy scales	0.1989735	0.072692	2.74	0.0070*

Linear Fit

$$BOP = 2.4947498 + 0.1989735 * \text{Power and legitimacy scales}$$

Figure 10: Fit Group

Bivariate Fit of non-service of BOP By Power and legitimacy scales



— Linear Fit

4.5.2.2 Testing hypothesis, H2

The hypothesis states that shareholder active scales significantly predict non-service of BOP. The normality and independence assumption has been satisfied. Tables 37 and 38 clearly show R-squared for H2 of 0.00027 at insignificant level of 0.8428 which suggests that shareholder activeness accounts for 0.027% of variation in non-service of BOP market. Table 39 shows the linear relationship that exists within the variables. An increase in shareholder activeness will lead to no increase in non-service of BOP market by 0.01. This also shows linear relationship between these two variables. In addition Figure 11 scatter plots with the regression line that best fits the data clearly shows that as the shareholder activeness increases the non-service of BOP market does not increase with it, similarly as the correlation this shows that shareholder activeness does not significantly predict non-service of BOP market which leads to the study not rejecting null hypothesis. Furthermore the evidence clearly shows that there is no relationship in existence between these two variables. Therefore the shareholder activeness does not significantly predict non-service of BOP market.

Table 37: Summary of Fit

RSquare	0.00027
RSquare Adj	-0.00658
Root Mean Square Error	0.585367
Mean of Response	3.275721
Observations (or Sum Wgts)	148

Table 38: Analysis of Variance

Source	DF	Sum of Squares	Mean Square	F Ratio
Model	1	0.013522	0.013522	0.0395
Error	146	50.027524	0.342654	Prob > F
C. Total	147	50.041045		0.8428

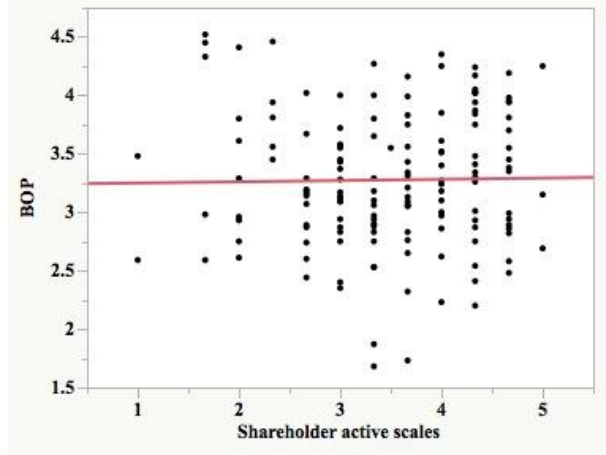
Table 39: Parameter Estimates

Term		Estimate	Std Error	t Ratio	Prob> t
Intercept		3.2384543	0.193672	16.72	<.0001*
Shareholder active scales		0.0106923	0.053825	0.20	0.8428

Linear Fit

BOP = 3.2384543 + 0.0106923*Shareholder active scales

Figure 11: Bivariate Fit of BOP By Shareholder active scales



— Linear Fit

4.5.2.3 Testing hypothesis, H3

The hypothesis states that short-term shareholder interest significantly predicts non-service of BOP. The normality and independence assumption has been satisfied. Table 40 and 41 clearly show R-squared for H2 of 0.002496 at insignificant level of 0.5465 which suggests that short-term shareholder interest accounts for 0.25% of variation in non-service of BOP market. Table 42 simply shows the linear relationship that exists within the variables. An increase in short-term shareholder interest will lead to no increase in non-service of the BOP market by 0.03. This also shows linear relationship between these two variables. In addition Figure 12 scatter plots with the regression line that best fits the data clearly shows that as the short-term shareholder interest increases the non-service of BOP market does not increase with it, similarly as the correlation this shows that short-term shareholder interest does not significantly predict non-service of BOP market which leads to the study not rejecting null hypothesis. Furthermore the evidence clearly shows that there is no relationship in existence between these two variables. Therefore the short-term shareholder interest does not significantly predict non-service of BOP market.

Table 40: Summary of Fit

RSquare	0.002496
RSquare Adj	-0.00434
Root Mean Square Error	0.584715
Mean of Response	3.275721
Observations (or Sum Wgts)	148

Table 41: Analysis of Variance

Source	DF	Sum Squares	of Mean Square	F Ratio
Model	1	0.124881	0.124881	0.3653
Error	146	49.916165	0.341892	Prob > F
C. Total	147	50.041045		0.5465

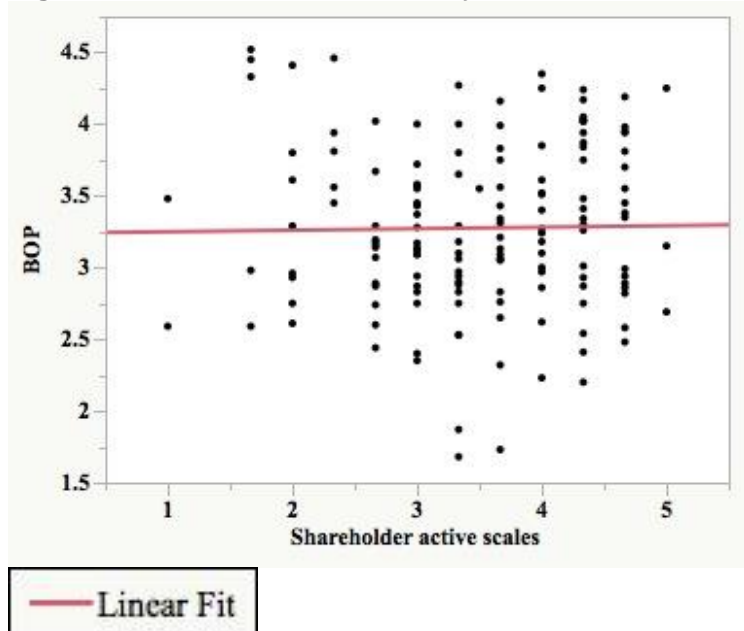
Table 42: Parameter Estimates

Term	Estimate	Std Error	t Ratio	Prob> t
Intercept	3.3736134	0.168955	19.97	<.0001*
Shareholders interest short-term	-0.029821	0.049343	-0.60	0.5465

Linear Fit

$$BOP = 3.3736134 - 0.0298212 * \text{Shareholders interest short-term}$$

Figure 12: Bivariate Fit of BOP By Shareholder active scales



4.5.2.4 Testing hypothesis, H4

For the testing of overall shareholder primacy as significant predictor of non-service of BOP market hypothesis the study started with the correlation assessment as illustrated in table 43 and 44. Table 45 seems to show no linear correlation at p value lower than 0.05. As shown above if two constructs of shareholder primacy are not correlated to non-service of BOP with only one correlated it is normal that those two constructs will outweigh one construct which will lead to the overall weight showing no correlation. The same can be said with the non-service of BOP market, in table 39 it can be shown as highlighted in red, only two non-service of BOP market which are significant which are non-affordability and non-accessibility which shows correlation with power and legitimacy. Two construct out five for non-service of BOP market will be outweighed by

the three non-significant constructs and one significant construct out of three in shareholder primacy will be outweighed by the two non-significant constructs which will make shareholder primacy no predictor of non-service of BOP.

Table 43: Multivariate Correlations

	BOP	Shareholder primacy
BOP	1.0000	0.0631
Shareholder primacy	0.0631	1.0000

Table 44: Pairwise Correlations

Variable	by Variable	Correlation	Count	Lower 95%	Upper 95%	Signif Prob	Plot Corr
Shareholder primacy	BOP	0.0631	148	-0.0993	0.2222	0.4463	

Table 45: Pairwise Correlations for individual constructs

Variable	by Variable	Correlation	Count	Lower 95%	Upper 95%	Signif Prob
Power and legitimacy scales	Shareholder primacy	0.6336	148	0.5260	0.7212	<.0001*
Shareholder active scales	Shareholder primacy	0.7392	148	0.6561	0.8046	<.0001*
Shareholder active scales	Power and legitimacy scales	0.4369	148	0.2964	0.5588	<.0001*
Shareholders interest short-term	Shareholder primacy	0.6687	148	0.5687	0.7492	<.0001*
Shareholders interest short-term	Power and legitimacy scales	0.0725	148	-0.0899	0.2311	0.3814
Shareholders interest short-term	Shareholder active scales	0.1168	148	-0.0454	0.2730	0.1573
BOP	Shareholder primacy	0.0788	148	-0.0836	0.2372	0.3409
BOP	Power and legitimacy scales	0.2209	148	0.0618	0.3691	0.0070*
BOP	Shareholder active scales	0.0164	148	-0.1453	0.1773	0.8428
BOP	Shareholders interest short-term	-0.0188	148	-0.1796	0.1430	0.8204
Non-profitability	Shareholder primacy	-0.0037	148	-0.1650	0.1577	0.9643
Non-profitability	Power and legitimacy scales	-0.0339	148	-0.1942	0.1281	0.6824
Non-profitability	Shareholder active scales	-0.0988	148	-0.2561	0.0636	0.2322
Non-profitability	Shareholders interest short-term	0.1016	148	-0.0607	0.2587	0.2190
Non-profitability	BOP	0.6368	148	0.5299	0.7238	<.0001*
Non-affordability	Shareholder primacy	0.0839	148	-0.0785	0.2419	0.3108
Non-affordability	Power and legitimacy scales	0.1981	148	0.0379	0.3483	0.0158*
Non-affordability	Shareholder active scales	0.0541	148	-0.1082	0.2136	0.5139
Non-affordability	Shareholders interest short-term	-0.0287	148	-0.1891	0.1333	0.7295

Variable	by Variable	Correlation	Count	Lower 95%	Upper 95%	Signif Prob
Non-affordability	BOP	0.6505	148	0.5465	0.7347	<.0001*
Non-affordability	Non-profitability	0.3311	148	0.1794	0.4675	<.0001*
Non-accessibility	Shareholder primacy	0.1060	148	-0.0563	0.2628	0.1998
Non-accessibility	Power and legitimacy scales	0.3022	148	0.1480	0.4420	0.0002*
Non-accessibility	Shareholder active scales	-0.0324	148	-0.1927	0.1297	0.6962
Non-accessibility	Shareholders interest short-term	0.0191	148	-0.1426	0.1799	0.8174
Non-accessibility	BOP	0.7587	148	0.6807	0.8197	<.0001*
Non-accessibility	Non-profitability	0.3700	148	0.2219	0.5014	<.0001*
Non-accessibility	Non-affordability	0.4258	148	0.2840	0.5494	<.0001*
Non-viability	Shareholder primacy	0.0030	148	-0.1584	0.1643	0.9709
Non-viability	Power and legitimacy scales	0.1389	148	-0.0229	0.2937	0.0922
Non-viability	Shareholder active scales	0.0336	148	-0.1284	0.1939	0.6853
Non-viability	Shareholders interest short-term	-0.1121	148	-0.2686	0.0501	0.1748
Non-viability	BOP	0.6502	148	0.5461	0.7345	<.0001*
Non-viability	Non-profitability	0.2153	148	0.0559	0.3640	0.0086*
Non-viability	Non-affordability	0.2344	148	0.0759	0.3813	0.0041*
Non-viability	Non-accessibility	0.4197	148	0.2771	0.5442	<.0001*
Non-attractability	Shareholder primacy	0.0834	148	-0.0790	0.2415	0.3137
Non-attractability	Power and legitimacy scales	0.1254	148	-0.0367	0.2810	0.1289
Non-attractability	Shareholder active scales	0.0893	148	-0.0731	0.2471	0.2802
Non-attractability	Shareholders interest short-term	-0.0144	148	-0.1754	0.1473	0.8619
Non-attractability	BOP	0.5191	148	0.3904	0.6278	<.0001*
Non-attractability	Non-profitability	0.1617	148	0.0003	0.3148	0.0496*
Non-attractability	Non-affordability	0.1992	148	0.0391	0.3493	0.0152*
Non-attractability	Non-accessibility	0.2800	148	0.1243	0.4223	0.0006*
Non-attractability	Non-viability	0.0587	148	-0.1036	0.2180	0.4784
Shareholder Long-term return	Shareholder primacy	0.0283	148	-0.1337	0.1888	0.7328
Shareholder Long-term return	Power and legitimacy scales	0.2297	148	0.0710	0.3771	0.0050*
Shareholder Long-term return	Shareholder active scales	0.0314	148	-0.1306	0.1918	0.7048
Shareholder Long-term return	Shareholders interest short-term	-0.1243	148	-0.2800	0.0378	0.1324
Shareholder Long-term return	BOP	0.0231	148	-0.1388	0.1837	0.7807
Shareholder Long-term return	Non-profitability	-0.0150	148	-0.1759	0.1467	0.8567
Shareholder Long-term return	Non-affordability	-0.0521	148	-0.2117	0.1101	0.5291

Variable	by Variable	Correlation	Count	Lower 95%	Upper 95%	Signif Prob
Shareholder Long-term return	Non-accessibility	0.1288	148	-0.0332	0.2843	0.1186
Shareholder Long-term return	Non-viability	-0.0705	148	-0.2292	0.0919	0.3947
Shareholder Long-term return	Non-attractability	0.1068	148	-0.0555	0.2636	0.1962

The hypothesis states that the shareholder primacy significantly predicts non-service of BOP. The normality and independence assumption has been satisfied. Tables 46 and 47 clearly show R-squared for H4 of 0.003979 at insignificant level of 0.4463 which suggests that short-term shareholder interest accounts for 0.4% of variation in non-service of BOP market. Table 48 simply shows the linear relationship that exists within the variables. An increase in shareholder primacy will lead to no increase non-service of BOP market by 0.06. This also shows linear relationship between these two variables. In addition Figure 13 scatter plots with the regression line that best fits the data clearly shows that as the shareholder primacy increases the non-service of BOP market does not increase with it, similarly as the correlation this shows that shareholder primacy does not significantly predict non-service of BOP market which lead to the study not rejecting null hypothesis. Furthermore the evidence clearly shows that there is no relationship in existence between these two variables. Therefore the shareholder primacy does not significantly predict non-service of BOP market.

Table 46: Summary of Fit

RSquare	0.003979
RSquare Adj	-0.00284
Root Mean Square Error	0.58428
Mean of Response	3.275721
Observations (or Sum Wgts)	148

Table 47: Analysis of Variance

Source	DF	Sum of Squares	Mean Square	F Ratio
Model	1	0.199095	0.199095	0.5832
Error	146	49.841950	0.341383	Prob > F
C. Total	147	50.041045		0.4463

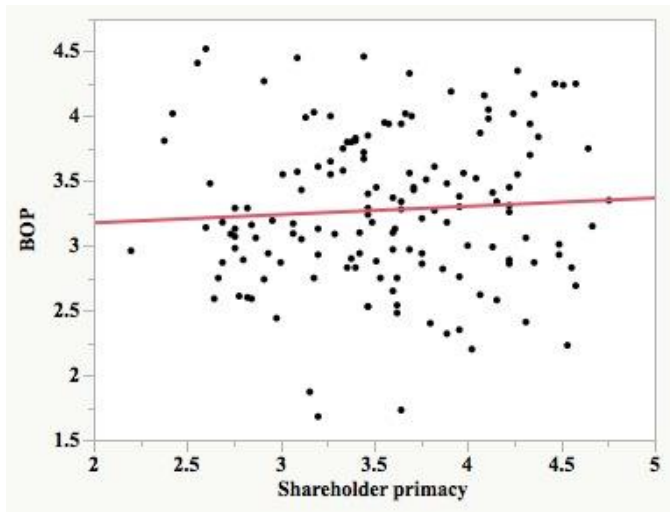
Table 48: Parameter Estimates

Term	Estimate	Std Error	t Ratio	Prob> t
Intercept	3.0481044	0.301898	10.10	<.0001*
Shareholder primacy	0.0638593	0.083621	0.76	0.4463

Linear Fit

$$\text{BOP} = 3.0481044 + 0.0638593 * \text{Shareholder primacy}$$

Figure 13: Bivariate Fit of BOP by Shareholder primacy



4.7 Summary

The study had a sample size of 148 with 67 count of respondents being female which brings to 45 % of female respondents while the remaining 81 respondents were male which amount to 55% male respondents. As alluded above the study's unit of analysis was students from different Business Schools who are direct proxies to business managers. This deemed the response rate of the study very good and was also an acceptable rate to conduct factor analysis. These are part time Business School students who are holding managerial positions in their workplaces and are working for multinationals which is part of the study's requirements.

The reliability and validity of the questionnaire was conducted using Cronbach's alpha and factor analysis respectively.

Through the use of correlations and simple regressions to test hypothesis it was proved that:

- Out of three constructs of our independent variables or shareholder primacy it was found that only power and legitimacy with highly significant mean of 3.92 was a significant predictor of non-service of the BOP market.
- The shareholder active scale did not show any correlation with non-service of

BOP market and proved not to be a significant predictor.

- The same can be said with the short-term interest of shareholders which showed no relation to the non-service of BOP market and proved to be no predictor for that non-service of the market.
- The hypothesis testing for the overall shareholder primacy variable showed no correlation and not a significant predictor of non-service of BOP market. The reason as alluded above the two insignificant constructs outweighed the only one significant construct in our independent variable and the three insignificant constructs outweighed the only two significant constructs in our dependent variable which deemed the shareholder primacy as an insignificant predictor of the no service of BOP market.

After meticulously conducting factor analysis the fourth construct which is the long-term shareholder interest factor loading retained only one item and removed other weaker items which strengthens validity of the study but further analysis by future research was recommended. For the dependent variable which is the non-service of BOP market factor analysis was also conducted and for the construct of non-attractability factor loading only retained two items out of five which cast a limitation on the study, but was not dropped as it was deemed to be an integral part of the study and after conducting reliability testing it was found to be reliable. A closer look at this construct was also recommended in future research.

CHAPTER 5: DISCUSSION OF RESULTS

5.1 Introduction

The purpose of this chapter is to present and discuss the findings of the study anchored on the literature reviewed. Since the study is based on business managers of MNC's, section 5.1 discusses the demographic profiling of respondents, the position they hold and the type of companies they work for. The central thesis of this study is to understand the kind of relationship in existence between the shareholder primacy and the conspicuous non-service of the BOP market therefore section 5.2 discusses the findings through hypothesis test.

5.2 Categorical data

A clear understanding of the categorical data gives insights into the interpretation of the results so as to ensure if they are in-line with the requirements of the study. This section will provide clearer understanding of the categorical data. The study decided to use Business School students who are a closer approximation of business managers results revealed that 76% of respondents were holding senior management position in their place of work with only 24% of respondents holding middle management positions, this is in-line with the requirements of the study that respondents be business managers.

Taking a closer look at the companies the respondents represent, the results revealed that indeed the companies in question were MNC's with all of the companies in question having presence in more than one country. The study also reveals that all these MNC's have more than one year of existence and only 13 companies have only one department with the remaining 91% of the companies having more than one department which reveals that we are dealing with large MNC's.

5.3 Discussion of hypotheses

5.3.1 *Discussion of hypothesis 1*

The hypothesis states that power and legitimacy significantly predict non-

service of BOP market.

Regarding the hypothesis 1 the research concludes that the hypothesis was supported by the findings of the study that power and legitimacy significantly predict non-service of the BOP market. The study further finds that this relationship is a positive one which is in line with the study's expectations that power and legitimacy of shareholder primacy positively predicts non-service of the BOP market. The results means with high priority of shareholder's power and the legitimacy of their interest, shareholder primacy will positively predict non-service of BOP market. This hints to the fact that business managers who give high priority to power of shareholders and legitimacy of their interests will tend to exacerbate the non-service of the BOP market.

What these results mean is with the existence of shareholder primacy through business managers prioritising shareholder's power and legitimacy of their interest the following will happen: MNC's managers or large business managers will perceive BOP market as a

- **non-profitable** market.
- market that **cannot afford** their products
- **non-accessible** market
- **non-viable** market
- **non-attractable** market

Therefore, there will be a dearth of MNC's managers entering the BOP market or at least who perceive the BOP market as a credible market for MNC's to maximize shareholders' wealth.

Different scholars such as Anderson et al (2007) in their study conducted in Australia and another study conducted by Agle et al (1999) in the USA have suggested that business managers tend to prioritise interest of shareholders in expense of the interest of other stakeholders. With BOP as one of the prominent stakeholders the results of the study are not that surprising as South Africa sits very closely with the USA and Australia when it comes to organising business principles.

The study noted that the shareholder's power and the legitimacy of their interest arises independently of direct pressure from shareholders themselves (Anderson et al 2007). Aspen (2014) argues that most business manager's dominant logic is corporations are legally or ethically obligated to maximize shareholder value hence they do not need to be pressurised by shareholders. Furthermore as illustrated in the literature in chapter two that business managers have the understanding that shareholder's power and

legitimacy of their interest has to be prioritised as part of their fiduciary duty to take decisions that are at the best interest of shareholders who are set to be owners of corporations, and this has always been a hindrance for business to address societal challenges and to attend to other stakeholders beside shareholders (Ronnegard and Smith 2010, Campbell 2007, Evan and Freeman 2003). With this understanding in the mind of business managers the organizing principles behind corporate routines, systems, and controls becomes that of profit growth and maximization (Simanis and Milstein 2012:83), which lead to injurious relationships with other stakeholders of the business (Adams, Licht and Sagiv 2008, Anderson et al 2007). Hence the results reveal and suggest that with the rise of power and legitimacy of shareholder primacy in business managers' perceptions there will be concomitant deleterious effects on other stakeholders and in this instance the BOP market which has been considered as a prominent stakeholder in business (Nel 2011).

Prahalad and Hart (2002), Prahalad (2004, 2010) and others argue that business managers have a dominant logic that their business cost structure would not allow them to serve BOP market and renders the BOP market not a credible and profitable market. Pitta et al (2008) suggest that MNC's corporate culture, and internal processes require economies of scale and they have evolved into efficient machines whose foundation is high structural cost, which demand exploiting the richest target markets, hence profit maximization has been a central phenomenon for MNC's who are used to serve at the TOP where it inevitably means a focus on profits instead of revenues. Therefore the good thing for business managers will be to snub the market such as BOP which does not promise profits maximization so as to serve interest of the shareholders which business managers believe they are legitimate.

With the belief of business managers that cost cutting exercise is justifiable and legitimate as part of shareholder primacy, therefore this support the hypothesis that with the rise of power of shareholders and legitimacy of their interest there will be concomitant rise in the non-service of the BOP market.

The findings of the study suggest that with the rise of shareholder primacy particularly through the belief by business managers that shareholder's power and legitimacy of their interest as owners of the business will lead to them seeing BOP as a market that is not commercially viable and cannot be served profitably to maximize shareholder's wealth as Karnani (1997) has suggested that not only is there no fortune, there is not even glory at the BOP market.

The study does not necessarily suggest that MNC's adoption of stakeholder model would simply lead to them recognising BOP market as a credible market but suggest recognising it as one of the prominent stakeholder is a starting point in recognising them.

5.3.2 Discussion of hypothesis 2

The second hypothesis state that shareholder activeness significantly predicts non-service of BOP market.

Here also, regarding the hypothesis 2 the research reveals that the hypothesis was not supported by the findings of the study that shareholder activeness significantly predicts non-service of the BOP market.

The study finds that the reason behind this results stems from the shareholder primacy norm itself that business managers believe that they have fiduciary duty to serve the interest of the shareholder and they can do it independently without being pressured by shareholder themselves(Anderson et al 2007). They have a belief that no one should interfere with their work as they clearly know what they are doing. Hence the first construct of power and legitimacy has revealed that business managers have a clear understanding of their duties and that shareholders have power and they need not have to exert that power for them to understand that their interest are legitimate and have to be served. Hence the first construct is significant and correlate with non-service of BOP market.

The second construct have shown not to be significant with shareholder activeness which simply means business managers do not agree with shareholder activeness as they simply perceive that as interference with their work which they know and understand how to do. Therefore by virtue of it being insignificant will clearly show no bearing or correlation with non-service of BOP market.

Hence the findings shows similar results with the Australian based study by Anderson et al (2007) and US based study by Agle et al,. (1997) who also finds that the mean of the shareholder active scale is not significance therefore does not correlate with the

power and legitimacy scale. The study is not surprised by the results as it was expected as alluded that South African business organizing principle and governance sit very closely with US and Australia which is organised under shareholder primacy principle.

The study would argue that this is not a good measure of shareholder primacy as it remains insignificant and would not show correlation with other construct. As Jones et al, (2007) suggests that the prioritization of shareholders above other stakeholder might have been derived from business managers understanding that they are compelled by law to discharge their legal responsibilities by conforming and be accountable to the needs and the interest of the shareholders. There is also a belief that it is part of their fiduciary duty to discharge the needs and interests of shareholders (Ronnegard and Smith 2010). Similarly as illustrated in the literature in chapter 2 that Gentile (2004) and Rose, (2007) in their separate studies found that managers believe that the law requires them to maximize shareholder wealth and forbids them from pursuing interests that conflict with interest of the shareholders. Hence they do not believe in being pressurized by shareholders being active in business affairs. Therefore it will be difficult to find this measure or construct significance especially if looking at the perception of business managers; they will always perceive this as wrong thing for shareholders to meddle with business running affairs.

5.3.3 Discussion on Hypothesis 3

The third hypothesis state that short-term shareholder interests significantly predicts non-service of BOP market.

Here also, regarding the hypothesis 3 the research concludes that the hypothesis was not supported by the findings of the study that short-term interest of shareholders significantly predicts non-service of the BOP market.

Taking from the literature, the results of the study does not support hypothesis as taken from the literature which suggest that the Achilles heel presented by the shareholder primacy is it tends to lean towards the short-term decision making and approaches because of short-term drivers such as the stock price, pension funds and mutual funds because they create short-term awareness of the business (Aspen institute 2014,

Duruigbo 2012 and Lavery 2004).

The problem about short-termism is it promotes tendencies to overvalue short-term rewards and ignore or undervalue the long-term consequences which might affect their future profits and also be injurious to other stakeholders (Lavery 2004). The research offers contradictory findings which are similar to the study by Anderson et al., (2007) and Agle et al (1997).

In South African study by Mitchelson (2011) little bit of evidence pointed to the short-termism existing but the findings were inconclusive of short-termism of business managers belief in the short-term interests of shareholders. The reason might be business managers propound that they do not believe in short-termism but if we look at the evidence in the ground it is not convincing and promising. Not even a single business manager would not jump to an opportunity of letting everyone know about their long-term business strategy that is aligned to doing good to society, their BOP strategy, inclusive business strategy or their social responsibility strategy because it makes their businesses appear good to society but if you dig deep you only find hollow sloganeering that does not say much. The same can be said about the short-termism of shareholders and myopia of business managers in serving short-term interest of shareholders, no business managers would publicly agree that is myopic and adheres to short-term interests of shareholders. The study believes the same is true with the findings of the study.

Even literature through different suggests that short-termism is the Achilles heel of many MNC's managers. Mcfalls (2007) illustrates this by the term "competing logics" of developmental agenda and the business imperatives by suggesting that its timeliness are not easily reconciled with developmental imperatives anchored on long-term and business realities of business managers anchored on short-termism. The reason given for the irreconcilable timelines suggested by Mcfalls (2006: P. 2) on the symposium paper in Ghana is because "continued dominance of market liberal, "contractarian" economic views within corporations (Friedman 1970; Struwig, 1994: P.42 in David, I., 2005: P. 77. Margolis and Walsh, 2003) that limits MNC's willingness to prioritize resources to emerging markets and the BOP sector and shortcuts other stakeholders (Applebome, 1996: P. 10; in, Nederveen-Pieterse, J., 2005: P.145) in the pursuit of profit maximization for shareholders"

The literature reviewed shows that the same is suggested by authors such as Karnani (2007), Aspen (2014) and Stout (2013) that there is a trade-off between business

profitability and the welfare or prosperity of the poor because of conflicting timelines between profitability which enjoys clear measurements of profitability which is anchored on short-term quarterly reporting and prosperity of the poor which has vague measurement (Aspen 2014) which are rested on the long-term.

Stout (2013) like Mcfalls terms this “negative side effect” which is the tension between shareholders and other stakeholders. The same is found by Duruigbo (2012) that there is serious evidence pointing on the shareholder short-termism and managerial myopia which prioritize short-term shareholder return in expense of long-term which needs serious attention.

The study would agree that there is inconclusive evidence pertaining to the short-termism of business managers and the BOP market as what business managers propounds and the reality on the ground is not promising.

5.3.4 Discussion on Hypothesis 4

The fourth hypothesis state that shareholder primacy significantly predicts non-service of BOP market.

Here also, regarding the hypothesis 4 the research shows that the hypothesis was not supported by the findings of the study that shareholder primacy significantly predicts non-service of the BOP market.

5.4 Conclusion

The study would not want to put it as a definitive conclusion that shareholder primacy does not predict non-service of the BOP market as this will be misleading. As the study has alluded in the previous chapter that overall shareholder primacy is not significant because two of its constructs have shown not to be significant which naturally both constructs will outweigh one remaining construct. The reason of both construct's insignificant has been put forward above in the discussion. The study would recommend future research to take a closer look at the two insignificant construct and interrogate them further.

CHAPTER 6: CONCLUSIONS AND RECOMMENDATIONS

6.1 Introduction

The objective of this chapter is to conclude the study. The summary of literature including the central thesis of the study and the summary of the results are explained. Further, the implications of the study and the managerial, policy, the further research and policy and government recommendations of the research are forwarded. In addition, the future research directions are suggested.

6.2 Summary of Literature

Global poverty and societal challenges coupled with limitations faced by aid agencies and philanthropic organisations in helping to pull society out of this quagmire has led to many of global leaders, business leaders and scholars to advocate for market based solutions as a sustainable alternative strategy to end poverty and lead society to prosperity.

London (2008) suggests that market- based solution offer an attractive alternative to help with societal challenges. Global leaders such as Kofi Annan at the 1999 World Economic Forum challenged business leaders to start engaging in sustainable best practices as a way of helping to pull society out of poverty (UN Global Compact, 2006). For society and humanity to prosper, business needs to come with solutions that are anchored on its core competency. These market based solutions have become an important area of focus as an alternative strategy of fighting societal challenges while making profits

This call led to prominent scholars such as CK Prahalad and S Hart from Michigan University to come with a proposition that shows MNC's about prodigious opportunities that exist at the BOP which could only be captured by being prepared to help eradicate or at least alleviate poverty (Prahalad and Hart 2002). Since then many scholars have rhapsodized about existence of opportunities at the BOP market.

Prahalad's proposition is a mobilization of company executives, politicians, managers of non-profit organizations, and ordinary citizens, to rally behind and view poverty as something that might be alleviated rather than inevitable (Pitta, Guesalaga and Marshall 2008, P.394). Hence many MNC's leaders have declared an assault to the

BOP market so as to capture those opportunities and profits while helping society to prosper. However, the success of MNC's in penetrating these low income customers has been 'patchy' at best (Anderson and Billou 2007).

Research has shown that there is a lack of presence by MNC's at the BOP market and there has been less answers on why business is still sceptical to tap into the BOP even when evidence shows that there is high potential of profiting. There is also little evidence to show that those who have entered have reaped the promised profits that equals social impact.

In trying to bring some answers to this conspicuous non-service of the BOP market by MNC's Prahalad and Hart (2002) suggest that it is because of business manager's dominant logic about the market.

In explaining what do they mean by dominant logic of business managers Prahalad (2004,2010), Prahalad and Hart (2002) put forward different assumptions that MNC's managers put forward for non-service of BOP market which led to the belief that it will not be possible for profit maximization to be realized.

The assumptions are as follows:

Assumption 1: The poor are not our target consumers because with our current cost structures, we cannot profitably compete on that market (Prahalad and Hart, 2002. P.4).

Assumption 2: The poor cannot afford and have no use for the products and services sold in developed markets (Prahalad and Hart, 2002. P.4).

Assumption 3: The distribution access to a BOP market is difficult and, therefore, represents a major impediment for participation (Prahalad, 2010, P. 37).

Assumption 4: The BOP is not critical for the long-term growth and viability of our business. We can leave BOP to governments and non-profits (Prahalad 2010. P.32. Prahalad and Hart, 2002, P. 4).

Assumption 5: Intellectual excitement is in developed markets. It is hard to find talented managers who want to work at the BOP; we cannot assign our best managers to work in market development in BOP market. After all managers are not excited by business

challenges that have humanitarian dimension.

Different scholars have investigated the reasons behind this dominant logic of business managers by trying to find what really hinders MNC's from entering BOP market.

In pursuit of answers this study interrogated the profit maximization culture of MNC's as a way of shareholder wealth maximization which is the essence of shareholder primacy. Shareholder primacy suggest that the overarching purpose of business is to maximize shareholders wealth (Aspen 2014, Stout 2013). Empirical evidence have shown that with shareholder primacy as an organising principle of businesses always will lead to deleterious effect on other stakeholders (Anderson et al, 2007, Adams et al, 2008 and Stout 2013).

The objective of this research was to investigate that with shareholder primacy at play and how it will impact the BOP markets as one of the prominent stakeholder.

This research takes a closer look at the relationship that might exist between these two concepts, shareholder primacy and the BOP market. The research contributes by analysing the relationship between the shareholder primacy and the non-service of the BOP market.

Taking reference from the context of the study, these findings becomes important for the following reasons:

- With South Africa riddled with underdevelopment and societal problems that forces large part of our people to remain at the periphery of mainstream economy, South Africa might as well be classified BOP which makes the study more relevant (Nel 2011). The findings will assist companies who are willing to enter the market in a responsible way of doing business within the South African BOP market.
- With South Africa as part of the emerging market and most MNC's willing to enter the market, the findings may have implications to MNC's wanting to enter the market.
- BOP is a new phenomenon and a new field of enquiry and has not been studied at a sustained level within the South African context and therefore is still in its infancy stage

- Empirical evidence has shown that most of BOP studies across the world are qualitative in nature and there is lack of quantitative studies in this field of enquiry.
- There are no known studies that have enquired about the relationship between the shareholder primacy and the BOP market before, especially in the South African context.

6.3 Summary of the results

The findings of the research are in line with prior research by Anderson et al (2007) who attempted to find the relationship between the shareholder primacy and the company's employees and found that power of shareholders and the legitimacy of their interest negatively predicted the employee wellbeing as one of the prominent stakeholders within the business, and inconclusive evidence was found pertaining to shareholder activeness and the short-term shareholder interests.

The results of this study reveal the same with the results that power and legitimacy positively related to non-service of the BOP market as one of the stakeholders within the business and inconclusive evidence was found pertaining to shareholder activeness and the short-term shareholder interests. Similar results as Anderson et al (2007) conducted in Australia were found pertaining to stakeholder salience by Agle et al (1999) conducted in the USA. This is not surprising for our findings suggest similar results pertaining to BOP market as one of the stakeholders in our South African perspective as South Africa sits very closely with the USA and Australia when it comes to business organising principles and governance.

The study agrees that it would be inordinate to argue unequivocally and forward a definitive conclusion that shareholder primacy significantly predicts non-service of the BOP market through stronger business managers' perceptions that they are there to serve shareholders who have power and their interests are legitimate.

The significant finding of the study is that there is shareholder power and legitimacy which has a positive relationship with non-service of the BOP market. This suggests that with business managers prioritising shareholder power and legitimacy of their interests it will significantly lead to business perceiving the BOP market as a non-commercially viable and non-credible market to enter and serve. This is the significant

finding the study made.

The other variables, such as shareholder activeness and the short-term shareholder interests, reveal inconclusive evidence of its association with the non-service of the BOP market. Taking a closer look at the literature it was not clear to what extent shareholder activeness and short-term interest of shareholders are significant. The literature revealed differing arguments with some literature showing no association between short-term shareholder interest with other stakeholders and with the bulk of literature postulating that short-term shareholders' interests do not only have association with other stakeholders but has deleterious and negative association on other stakeholders such as the BOP market.

The most important part of the findings is the power and legitimacy construct which gives a clear and direct picture with other two constructs subordinating it. The power and legitimacy gives direct and clear account of business managers about their understanding of shareholder primacy, with shareholder activeness only revealing their perception pertaining to the understanding that they do not believe in shareholders pressurizing them to do what they know and understand. This measurement shows no association with the non-service of the BOP market as it is not significant, reason being business managers' perception is they do not believe in being pressurized to serve the interests of shareholders.

The study believes that there is a relationship looking at the association between the shareholder activeness that has been proved to be happening and the non-service of the BOP, not the perception and the belief of business managers regarding shareholder activeness.

The problematic measurement is the short-term shareholder interest which is being underplayed by business managers and does not really reveal the reality on the ground. The study has alluded to the fact that not even a single business manager would not jump to an opportunity to tell their BOP strategy and the good they do to society but a deeper and closer look does not reveal much but just a hollow sloganeering. Indeed business managers have been blamed for not showing commitment to the BOP market but using the genuine challenges of the poor as a marketing and PR exercise which does not translate into reality on the ground. The same can be said about the short-termism of business managers in championing shareholder interest. Business managers would not agree to the fact that they are willing to engage short-term business activities for the short-term interests of

shareholders. This criticism is further supported by studies that have shown business managers would base the creation of value in the directions of share price, special dividends and the quarterly reporting which undermines the long-term value creation of the business.

The same criticism is supported by different BOP studies that have shown the differing timelines that exist between MNC's and the developmental agenda that exist at the BOP market. Further critics argue that business would go to an extent of relegating BOP programmes to the foundation, CSR and the philanthropy side of the business as it fails to meet the business timeliness and objectives.

The study would also caution against making dangerous assumption that by reconciling the short-termism of shareholder primacy and the long-term developmental agenda at the BOP would make BOP compatible and commercially viable for MNC's. This does not mean that by business focusing on the long-term, it will automatically make it compatible to BOP market. Yet this does not necessarily mean long-term business focus should be dismissed out of hand. The long-term focus of businesses is the beginning of realigning business objectives to long-term developmental agendas of the poor at the base of the economic pyramid.

The same can be said about the MNC's adoption of a stakeholder model that it does not necessarily mean stakeholder model adoption would simply lead to them recognising the BOP market as a credible market, but suggest recognising it as one of the prominent stakeholders as a starting point.

The literature has also offered the solution of making them compatible as found among the BOP proponents who have collectively agreed that a paradigm shift in the mindset of business managers is needed for the BOP proposition to work well. Kirchgeorg and Winn (2006) argue further that a paradigm shift in business strategy discourse towards BOP is needed and sees a crucial role being played by researchers and practitioners in motivating for greater engagement with the poor, most importantly those who reside at the BOP market. This will require a "radical and collective rethinking of management practice by all actors involved" (Brown and Knudsen 2013:3). This is the mindset that views the BOP market as a credible and commercially viable market that can be served profitably while also helping to address their needs and challenges they face as society.

Simo (2013) asserts that to make the BOP market work requires a total transformation

of managerial practices in established MNCs. This transformation would help business managers to get to terms and understand that the challenge of new and creative approaches are needed to convert poverty into opportunity for all concerned (Prahalad 2004) which involves willingness from managers to experiment and innovate (Prahalad 2010).

Innovation is very important within BOP as it will assist in making their products affordable to the BOP market and in finding innovative way of distributing their goods to the BOP market so as to make them accessible. This mindset would also help them view the market as viable for growth prospects and as a source for new stream of revenue and to attune their business managers to BOP markets so as to make them view the market as an attractive one for business to maximize long-term profit for shareholders. This mindset will ensure that the BOP will have a relevant bottom line impact that speaks to prosperity of the poor and the economic profits to shareholders.

The study would also argue that the BOP proposition is a call for business as creators of wealth to make substantial inroads on the social challenges that confront societies while at the same time earning financial rewards.

Felps and Jones (2013) assert that profitability for shareholders should be sought, but need not be maximized to the substantial detriment of other core stakeholders. They further argue that it's time to recognize that the core tools of capitalist wealth creation, shareholder primacy and the so-called invisible hand of the market – no longer serve the best interests of the society in which they operate. Indeed these core tools of capitalist wealth creation are not serving best interest of society especially if business managers are serious about making BOP work for the business and the greater good of society.

6.4 Implications of the study

6.4.1 *Implication 1*

The business managers who believe that the power of shareholders and legitimacy of their interest should be prioritized will tend to ignore and not show any desire to serve the BOP market which exacerbates the non-service of the BOP market. This simply means that with the belief of business managers in prioritising shareholder's power and legitimacy of their interest BOP market will be perceived as the market as a market

that is not profitable and commercially viable for business to maximize profit in their pursuit of maximizing shareholder value. Therefore there will be lack of MNC's entering the BOP market.

6.4.2 *Implications 2*

The business managers have the belief that with the understanding of their duties and obligations to prioritize the interest of the shareholders, they are qualified and fit to do their work without the interference or being pressurised by the active shareholders

6.4.3 *Implications 3*

The business managers would not publicly agree that they prioritise the short-term interests of the shareholder as it would make them and the business look myopic and bad. By showing that they prioritize the long-term interest of the business makes them look good and enhance their business reputation even if there is no evidence to support their assertions.

The study argues that if the MNC's business managers believe that they are there to serve the best interest of the company and its long-term sustainability and not that of shareholders only as they claim, they should try and argue their BOP case to the shareholders for greater interest of the company which will ultimately benefits the shareholders themselves. As Prahalad has argued that by getting the offering right at the BOP market the results will be the higher profits and greater return to the shareholders and the greater prosperity to society at large.

6.5 Recommendations

6.5.1 Recommendations for managers

In addition to theoretical advances, this research has forwarded practical recommendation that could improve management practice for business managers who are in need of new business development, new long-term profits and new stream of revenue, and are equally and genuinely frustrated by complex issues that affect

humanity and society at large.

- Business managers should be encouraged to adopt stakeholder perspective as the starting point to acknowledging BOP market as one of the prominent stakeholder that needs their attention.
- Business managers should foster and inculcate a strong organizational culture and values that views BOP as a new market that needs to be engaged responsibly so as to bring real value to the business and to society that resides at the BOP. BOP should be viewed as a central part of the business culture and operation.
- Business managers should be encouraged to be genuinely frustrated about issues that affect society as a starting point in reconfiguring the role of the business to society and humanity.
- Business managers should make it a point that they get the buy-in of company's shareholders and other business executive so as to move away from short-term focus and employ a profound long-term business commitment and belief that business is there to serve interest of the company itself and not shareholders interest only. Long-term value building should be a central feature of the business vision. This belief will help in making shareholders and other business managers to have a genuine commitment in viewing BOP as one of the long-term strategy of business that needs to be respected and effectively and responsibly managed so as to produce shareholder return and societal prosperity.
- Business managers should make it a point that BOP market becomes part of top level management agenda and not just additional burden to the company or another satellite project of the business. It should be elevated to core part of the core strategy of the business. Brown and Knudsen (2013) suggest that it must

be managed within the core of business and underpinned by strong organizational cultures and values. It should be championed by the organization as whole.

- When it comes to BOP market business managers should advocate for patient capital which will be compatible with the developmental agenda that exist at the BOP market.

6.5.2 Policy recommendations

The research would also forward practical recommendation to business institution that in the process would be willing to reconfigure its role to society and to the complex issues that affect humanity

- The reconfiguration of business education is also important in helping business leaders in understanding the responsible way of entering the poor market so as to make money without leaving calamities being seen around the world.
- Business education putting more emphasis on building and developing ambidextrous business managers who understand the importance of finding the elusive nexus between the businesses profits the social conscience.
- Business education put more emphasis on curriculum that includes the understanding of the BOP market as a viable market for business to make money while helping to alleviate or eradicate poverty.

6.5.3 Recommendations for further research

The study agrees with the fact that BOP is a new phenomenon and a new field of enquiry with no precedence to fall back on but only trial and error to rely on. With this in mind when it comes to operations within BOP market it is bound to go wrong. It should be acknowledged that businesses around the world still find it difficult to make profit even in the affluent markets. The same can also be said about multilateral and aid

agencies that are entrusted to provide solutions to complex societal issues. This mean it will even be difficult for business to combine the profitability issues of business with alleviation of complex societal issues. Therefore learner approach is encouraged when it comes to BOP market. Researchers should refrain from putting red flags on businesses who want to enter BOP market as it is still early for businesses to get the offering right especially in the market where complex societal challenges are the order of the day.

This also calls for a clear and balanced account of the BOP market. Therefore researchers need to refrain from using over-optimistic and over-pessimistic account that has caricatured the market since the inception of the BOP proposition.

- The over-optimism of using languages such as “the prodigious opportunities, the fortune and the \$13 trillion market” (Prahalad and Hart 2002, Prahalad 2004, 2010), as this is the main culprit in making business to not realise the potential the market has to offer as they enter the market with the only thing in mind which the urgency of capturing the fortune and the opportunity of maximizing profits for shareholder value which lead to their disappointment and early exit of the market.
- The same can be said about the over-pessimism language that is found within the BOP articles such as “the harmless illusion and dangerous delusion of thinking there is glory within BOP market” no purchasing power, the poor are illiterate and cannot be offered choice of market (Karnani 2007a, 2007b).
- The study recommend balanced and clear account of the market that will help businesses that are willing to enter the market to understand the opportunities that the BOP market has to offer and the responsible way of capturing them so as for BOP proposition to prevail.

6.5.4 Recommendations to policy makers and the government

As discussed in previous chapters about the state of South African society and its complex challenges they face. The policies that will put the poor and the disenfranchised especially those at the BOP market back at the core of the developmental agenda is needed more than ever before. This calls for the role of the policy makers and the government as custodian of the wellbeing of society

- Policy makers in business and in government should put more emphasis on development finance programs in a form of investment partnerships between government and MNC's with the focus of assisting MNC's that has a clear business plan of the BOP market and who are ready and willing to enter the BOP market.
- With the incompatible timeliness of business objectives and the BOP developmental agenda, additional funding should be made available to help businesses during extended time horizon of development which might not be compatible with business objectives and require additional funding for business to make BOP a success. This funding should be made available to business with clear and honest justification of additional funding.
- More emphasis should also be put on the partnerships that involve all stakeholders such as the MNC's itself, the government and the community organizations such as the NGO's.
- More emphasis should also be put on the schooling of the NGO's about core issues of business and their core developmental issues so as to make their objectives compatible and aligned. This is more important as NGO's are focused more on the development of societies without financial timeliness and urgency.
- Government and policy makers should refrain from introducing codes and standards that force business to engage with the BOP market or societal issues, but should encourage engagement and incentivise honour and celebrate those who are willing and genuinely making profound change that is needed for society to prosper.

6.6 Further research

- Further research and a closer look at the constructs of shareholder's short-term interests and shareholder activeness is recommended in order to have a

definitive conclusion whether there is an existence of a relationship between the shareholder primacy and non-service of the BOP market.

- Unlike this study which looked at the perception of business managers pertaining to shareholder activeness and its association with non-service of the BOP market. The study recommends further research should look at the proven shareholder activeness (evidence that shareholders activeness or interference is truly happening) and its association with the BOP market.
- Researchers need to formulate new methodologies of comparing what is being propounded by business managers about reality on the ground. New methodologies are needed that will be used to compare the short-termism of business managers when it comes to short-term shareholder interest and what they are saying as it only amounts to paying lip service.

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APPENDIX A



Perceived relationship between the shareholder primacy and the bottom of the pyramid market

Dear Sir/Madam

My name is Tsele Moloi a student of Master of Management degree in Entrepreneurship and New Venture Creation at the Wits Graduate School of Business Administration. I am inviting you to be part of a study I am conducting in order to gather information on the perceived relationship between the shareholder primacy of business managers and the bottom of the pyramid market.

You were selected on the basis of the high esteem the study regard Business School students and as a close approximation of business managers. So what is needed is your perception as a close approximation of business manager, even if it might happen you are not at the moment, your input is highly acceptable.

The purpose of the study is to establish whether shareholder primacy might be a hindrance for MNC's managers to consider serving the Bottom Of the Pyramid (BOP) market profitably while helping to eradicate or at least alleviate societal challenges.

The questionnaire is broken down into 3 sections.

Section 1, you will be asked demographics and organization related questions.

Section 2, you will be asked questions measuring non-service of Bottom of the pyramid market.

Section 3, you'll be asked about question measuring shareholder salient.

Please be assured that your responses will be held in the utmost of confidence, no name is needed.

I have attached a questionnaire to be filled in and returned to me. We look forward to your participation in this research, and sincerely thank you for your time.

Sincerely
Mr. Tsele Moloji

1.1 Section 1

Demographic Questions

These questions are for research purposes only and will not be used to identify any participants.

Please complete the section 1.1 by ticking the options applicable to you.

What is your sex?

- Female
- Male

What is your Race?

- Black
- White
- Mixed

How old are you?

- 25 years old or younger
- 26 - 35 years old
- 36 - 45 years old
- 46 years old or older

Do you hold managerial position?

- Senior Management
- Middle management

Business characteristics Questions

What is the company's holding pattern?

- Privately held
- Publicly held

How many countries do your company operate?

- 1 to 10
- 11 to 20
- 21 to 30
- 31 and above

How many years is the company in existence?

- 1 to 10 years
- 11 to 20 years
- 21 to 30 years
- 31 and above years

How many business units do you have in the company?

- 1
- 2 to 5
- 6 to 10
- 11 and above

What is your employment status?

- Self-employed
- Employed full time

- Employed part time
- Unemployed

1.2. Section 2

Before attempting to answer the questions below please consider reading this type of market, so as to get a clear understanding of the type of the market in question.

Bottom of the pyramid vignette

Simon grew up in a poor rural village where it is a struggle for survival. Most of the families within his village live on less R 20 per day and this also includes transport from and to work which makes their earning less than R 450 per month.

Simon and his villagers lack basic necessities such as decent housing, they are lacking in wealth opportunities, access to credit and communications means, they are illiterate or they lack formal education. They also rely on one spaza shop for their shopping as most of the businesses are complaining of the lack of infrastructure which makes distribution of products difficult and this amount to them not being able to be reached for goods and services.

The good part is that Simon and his villagers are so many that their combined income is substantial. This is the mass market with minimal individual purchasing power as they are mostly constrained by income but their tremendous power is in collective purchasing power which makes them somehow an attractive as a market.

Non-service of Bottom of pyramid

1.2 Please complete the following questionnaire on a scale of 1 to 5. 1-strongly disagree and 5-strongly agree:	Strongly disagree	Disagree	Neither disagree nor	Agree	Strongly agree
6. There is no market in this village	1	2	3	4	5
7. Multinationals (MNC's) companies can Maximize profit at this village	1	2	3	4	5
8. There is no purchasing power at this market	1	2	3	4	5

9. Multinationals (MNC's) cost structure will allow business to profit in this market	1	2	3	4	5
10. Only small businesses can profit in this market	1	2	3	4	5
11. This market should spend their money on basic needs	1	2	3	4	5
12. This village market will not afford our products	1	2	3	4	5
13. This village market is price sensitive due to lack of money	1	2	3	4	5
14. This market will not pay for expensive products	1	2	3	4	5
15. It's better to focus on the lucrative segment of the market to maximize profits	1	2	3	4	5
16. Poor infrastructure at this village will increase the cost of doing business	1	2	3	4	5
17. Poor infrastructure makes this market a risky market	1	2	3	4	5
18. Poor infrastructure at this village will make it difficult to distribute goods	1	2	3	4	5
19. Higher distribution cost makes it difficult to exploit economies of scale	1	2	3	4	5
20. High distribution cost makes this village a risky market	1	2	3	4	5
21. This village is a viable market for MNC's long-term growth.	1	2	3	4	5
22. Their combined purchasing power do not make a difference for Multinationals (MNC's) long-term growth	1	2	3	4	5
23. This village market should be a responsibility of government	1	2	3	4	5
24. This village market should be a responsibility of NGO's	1	2	3	4	5
25. This village market is best served through corporate social responsibility	1	2	3	4	5
26. This village market is not an inspiring market for MNC's managers	1	2	3	4	5
27. There is an opportunity cost of deploying talented managers at this village market	1	2	3	4	5
28. MNC's managers prefers developed markets that is ready for their product	1	2	3	4	5
29. MNC's managers are not inspired by business challenges with charitable agenda	1	2	3	4	5
30. MNC's managers are well-off servicing the affluent in the developed market	1	2	3	4	5

1.3 Section 3
Shareholder Salience scales

1.2 Please complete the following questionnaire on a scale of 1 to 5. 1-strongly disagree and 5-strongly agree:	Strongly disagree	Disagree	Neither disagree nor agree	Agree	Strongly agree
1. Shareholders should have the power to influence management.	1	2	3	4	5
2. Demands or wishes of shareholders should be viewed by management team as legitimate	1	2	3	4	5
3. Shareholders should receive a high degree of time and attention from management team	1	2	3	4	5
4. Satisfying the demands or wishes of shareholders should be important to management team	1	2	3	4	5
5. Management should have a fiduciary duty to serve the interest of shareholders over and above other interest	1	2	3	4	5
6. Shareholders should pursue demand and wishes which they feel are important	1	2	3	4	5
7. Shareholders should actively seek the attention of management team	1	2	3	4	5
8. Shareholders should urgently communicate their demand and wishes to the company	1	2	3	4	5
9. Shareholders should demand and hold management accountable in serving their interest	1	2	3	4	5
10. Reducing cost is important to a company	1	2	3	4	5
11. Dividend policy is important to a company	1	2	3	4	5
12. Short-term return to shareholders is important	1	2	3	4	5
13. Offering special dividends is important to shareholders	1	2	3	4	5
14. Maximize profit for short-term shareholders interest is important	1	2	3	4	5
15. Long-term return to shareholders is important	1	2	3	4	5
16. Maximize profit for long-term shareholders interest is not important	1	2	3	4	5

17. Increasing share price is important to a company	1	2	3	4	5
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APPENDIX B
Consistency matrix

Research problem stated here					
Sub-problem	Literature Review	Hypotheses or Propositions or Research questions	Source of data	Type of data	Analysis
To establish if the shareholder primacy/ profit maximization behaviour of South African MNC's has been perceived as hindrance towards serving Bottom of the Pyramid (BOP)	Kirchgeorg & Winn 2006, Mendoza & Thelen, 2007; Prahalad & Hammond, 2002; Prahalad & Hart, 2002, Prahalad; 2004, 2005, 2010,2011, Pitta et al. 2008, Simanis and milstein 2012, Mcfalls 2007, Karnani 2006, 2007a,2007b 2009, Simanis 2012a, Rangan et al., 2007; London, 2007; Ramachandran et al., 2012, Jansson & af Sillén 2013, Martinez & Carbonell 2007, Landrum 2007, Gupta& Jaiswal 2013, Banerjee & Duflo, 2007 Agle, Mitchell and Wood 1997, Suchman, 1995, Etzioni (1964, Anderson et al., 2007, Aspen 2014, Stout 2013, Mitchell, O'Donnell & Ramsay 2005, Agle, Mitchell & Sonnenfeld 1999, Mitchell, O'Donnell & Ramsay 2005, Admati & Pfleiderer 2009, Hu 2008, Grossman and Hart 1986, Harris & Raviv 2010,	Hypothesis 1: Power and legitimacy significantly predicts non-service of BOP	Survey questions section1: 1-30 and section 2: 1-5	Nominal; Ordinal; Nominal	Correlation and Regression analysis
		Hypothesis 2: Shareholder activeness significantly predicts non-service of BOP	Survey questions section 1: 1-30 and section 2: 6-10		Correlation and Regression analysis

Research problem stated here					
Sub-problem	Literature Review	Hypotheses or Propositions or Research questions	Source of data	Type of data	Analysis
To establish and ascertain if the shareholder primacy and the BOP are conflicting concepts.	Kirchgeorg & Winn 2006, Mendoza & Thelen, 2007; Prahalad & Hammond, 2002; Prahalad & Hart, 2002, Prahalad; 2004, 2005, 2010,2011, Pitta et al. 2008, Simanis and milstein 2012, Mcfalls 2007, Karnani 2006, 2007a,2007b 2009, Simanis 2012a, Rangan et al., 2007; London, 2007; Ramachandran et al., 2012, Jansson & af Sillén 2013, Martinez & Carbonell 2007, Landrum 2007, Gupta& Jaiswal 2013, Banerjee & Duflo, 2007Agle, Mitchell and Wood 1997, Stout 2012, Stout 2013, Duruigbo 2012 Lavery 2004, Aspen institute 2014, Financial times 2009a Agle, Mitchell and Sonnenfeld 1999, Anderson et al., 2007, Mitchell, O'Donnell & Ramsay 2005, Mcfalls 2007, Mitchelson 2011 Fitzgerald & Cormack (2006) Financial times (2009b Jensen (2002) Skapinker 2009 Phillips, Freeman & Wicks 2003). Wood, 1991 Stuart Hart (2010) Yunus, Moingeon and Lehmann-Ortega (2010) varmani 2012 Husted & Salazar 2006) Austl. Gov't Corps. & Mkt. Advisory Comm 2006). (George 2010 Kennedy & Novogratz (2011) Langstaff 2013).	Hypothesis 3:short term shareholder interest significantly predicts non-service of BOP	Survey questions section1: 1-30 and section 2: 11-15	Nominal; Ordinal; Nominal	Correlation and Regression analysis
		Hypothesis 4: Shareholder primacy significantly predicts non-service of BOP	Survey questions section1: 1-30 and section 2: 1-17		Correlation and Regression analysis

