Paper to be presented at the CR Research Conference 2011, 12th – 14th September 2011, Leeds

Taking up the relational view on Base of the Pyramid partnerships: Assessing collaborations between businesses, CSOs and other actors

Rüdiger Hahn and Stefan Gold

1. Introduction

In recent years, a considerable amount of research has emerged on business models specifically adapted to the circumstances of the poor population in developing and threshold countries. The concept of "Base of the Pyramid" (BoP) – initiated especially by Prahalad and Hart's (2002) seminal work – has stirred much attention in both business and academia. It refers to the bottom-tier of the world income pyramid which represents the large share of people living in extreme and moderate poverty. While early research focuses on the BoP as new pool of customers, lately research has begun to embracing the BoP also as integral part of value creation as producers, distributors or service providers (e.g., Mendoza and Thelen, 2008). Such inclusive strategies are often called "BoP 2.0" (Simanis et al., 2008) or "integrative BoP" (Hahn, 2009).

When aiming for truly integrative business models reaching out to the world's poor, companies encounter numerous obstacles evoking the need to find innovative approaches. The list of potential hurdles is vast: For example, developing countries usually feature insufficient infrastructure (concerning electricity and transport networks, telecommunication and water provision etc.). Especially in areas where large parts of the population live in poverty, a high level of illiteracy and a lack of professional education (Todaro and Smith, 2006) as well as an extensive level of bureaucracy (The World Bank, 2007) and corruption (Seelos and Mair, 2007) can be found. Furthermore, companies traditionally acting mainly with affluent people often lack local legitimacy, social capital, know-how, and contacts. These facts represent severe obstacles for successfully entering and sustainably remaining in these markets. As a consequence, the need arises for multi-national companies (MNCs) to include non-traditional actors – such as CSOs, development and other governmental agencies – as partners and facilitators into their supply chains. Recently several BoP scholars have directed their attention to the question how BoP projects may remove institutional barriers, create legitimacy, include local knowledge, and overcome gaps between the focal companies and communities (e.g., Rivera-Santos and Ruffin, 2010). In this context, the functions that these (novel) partners as well as the focal companies adopt are of particular interest. In general, BoP projects often feature localized approaches adapted to the specific local conditions and needs (e.g., Gold et al., 2011). New partners take over vital roles within the supply chain according to their core competencies (e.g., Prahalad and Hart, 2002; Simanis et al., 2008); focal companies internalize formerly outsourced activities such as financing or distribution since they are not readily available at the BoP (e.g., Rivera-Santos and Ruffin, 2010). Missing to integrate external expertise and partners could otherwise easily lead to failures as exemplarily demonstrated by HP's ambitious project in South Africa (McFalls, 2007).

Identifying relevant partners as well as building and maintaining partnerships with non-business actors, however, can be a challenging task. Usually, companies, civil society organizations (CSOs), and governmental agencies have different organizational objectives, organizational cultures, and approaches. This possibly results in a mismatch of priorities, misperceptions about a projects goals or operational differences which may actually lead companies to abandon such partnerships (Karamchandani et al., 2011). Theorizing about BoP ventures from the lens of institutional theory and transaction cost economy, for example, Rivera-Santos et al. (forthcoming) suggest that BoP partnerships will involve various partners from multiple sectors while substituting traditional governance mechanisms – such as equity participation and formal contracts – with alternative governance mechanisms. The latter embrace for example informal contracts or in-kind contributions and gifts, thus increasingly relying on normative and cognitive institutions.

The extant paper ties in with this line of BoP research on co-operations and partnerships. It complements the mentioned research efforts by offering a differentiated empirical view on various BoP partnerships between businesses and other actors by means of a multiple case study. Taking up the relational view (Dyer and Singh, 1998; Duschek, 2004) as theoretical tool, we analyse the following research questions: (1) How may BoP partnerships generate rents from inter-organizational collaboration? (2) What mechanisms and tools are applied for safeguarding effective governance?

The paper is structured as follows: First, the analytic framework is developed from the theoretical field of the relational view of strategic management. Then, the multiple case-study design applied is illuminated while the case studies are concisely outlined. Thereafter, the findings of data analysis, i.e. the most relevant empirical contents reflecting the analytical constructs, are presented and subsequently discussed against the background of current literature on the relational view (thus highlighting the peculiarities of BoP partnerships) and on BoP (thus contributing a zooming in on the requirements and functioning of untraditional BoP alliances).

2. The relational view as theoretical framework

In their seminal paper, Dyer and Singh (1998) argued that relationships between firms not only constitute threats from opportunism to be minimized but, indeed, represent a major source of competitive advantage. According to Dyer and Singh (1998), relational rents may be derived from (1) relation-specific assets, (2) knowledge-sharing routines, (3) complementary resources and (4) effective governance (cf. also Duschek, 2004). In the last decade, the relational view became a sound research stream, complementary extending the resource-based view (Barney, 1991). In this respect, Duschek (2004) argues that both theories focus on resources as their primary object of analysis; while the relational view aims at conceptually anchoring sustained competitive advantage specifically in inter-organizational resources. A vast number of articles took up the propositions of Dyer and Singh (1998) and approached questions as, for example, how inter-organizational competitive advantages are build, which preconditions have to be met to successfully exploit inter-organizational rents, what are factors centrally impacting the types of inter-firm relationships . Building upon this literature we arrive at a pattern of analytical “best practice” constructs. This pattern substantially relates to the four just mentioned basic sources of relational rents and is complemented by three constructs describing facets of inter-organizational rents as outcome from inter-firm collaboration. In the following we show how we derived our constructs from relational view theory. Thereby the constructs are also put into the context of recent BoP literature. These constructs forming our analytic framework and their definitions have been iteratively refined throughout our coding and case analysis.

Scrutinizing BoP research we already find some of the constructs linked to the relational view as explanatory factors of success (and failure) in BoP projects. Here, the focus broadens from firm relations (as in Dyer and Singh, 1998) to include further actors well beyond the business sphere such as CSOs or governmental agencies as central partners within these projects. This, however, is usually done rather anecdotal and for single issues only so that we aim to provide a more complete picture of relational view aspects within BoP ventures.

2.1 Inter-partner relational aspects

While transaction-cost economics suggests that asset specificity may induce vulnerability by opportunistic transaction partners (Rindfleisch and Heide, 1997), proponents of the relational-view rather highlight the potential of generating competitive advantage from assets that are most profitably deployed in conjunction with alliance partners (Dyer and Singh, 1998). When assets are not confined to one organization but housed within inter-organizational relationships they are often socially complex, causally ambiguous and historically grown and hence may be regarded to be particularly protected from imitation by rivals (Gold et al., 2010). Based on the distinction of different types of asset specificity by Williamson (1985), we develop a dichotomy of assets being either tangible or intangible. *Tangible assets (1a)* embrace basically site specific assets such as joined production facilities which can generate rents by reducing inventory, transportation, and coordination costs, and specific physical assets such as customized machinery and tools which can generate rents by allowing for product differentiation or improving quality. *Intangible-assets (1b)* are related to human assets in terms of mutual experiences of partners which allow for developing idiosyncratic common codes and knowledge-sharing routines leading to more effective communication (Dyer and Singh, 1998). We inductively complement human asset specificity by a broader concept of partner-specific investments of time, commitment and organizational reputation, which addresses the organizational level.

2.2 Learning by Information and Know-How Sharing Routines

The idea that competitive advantages are generated by inter-organizational learning in collaboration with external partners has been frequently addressed by research (e.g., Ojanen and Hallikas, 2009). The relational view strengthens this notion arguing that alliance partners are often a valuable (if not even the most important) source of ideas and information leading to competitive advantages (Dyer and Singh, 1998). Such advantages stem from *information and know-how sharing (2a)* between partners, i.e. the exchange of codifiable knowledge (= information) and more tacit knowledge (= know-how). While it is argued that information is easier to share, the sharing of know-how is said to lead to more sustainable advantages since it is more difficult to imitate and transfer. Both aspects of knowledge sharing, however, can only come into effect when alliance partners can build upon *partner-specific absorptive capacity (2b)* which expresses the idea that a firm needs to have the ability to recognize, assimilate and apply valuable new information coming from outside its boundaries. Within the relational view, this ability is directly bound to the relation between the alliance partners and stems from overlapping knowledge bases in conjunction with partner-specific interaction routines enabling the frequent exchange of this knowledge. BoP literature acknowledges that networks are a source of tacit knowledge (being otherwise difficult to tap) and a stage for joint-learning, creative experimentation, and innovation (Reficco and Marquez, 2009).

2.3 Complementary resources and capabilities

Distinct competitive advantages from a partnership can only be realized if both partners complement each other so that there is a value in pursuing a joint project from the beginning. Building upon insights from strategic alliance literature, the relational view proposes that complementary resources of different partners can achieve relational rents and competitive advantages through a joint and synergetic cooperation between the partners (Dyer and Singh, 1998, p. 666-667; Duschek, 2004, p.63). Before any synergies can be achieved, at least the initiating partner of the alliance needs to have the *ability to identify potential partners (3a)* to allow for a successful search of synergies in the first place. This ability is influenced by several influencing factors. First, literature suggests that actors which can build upon *prior alliance experience (3a-1)* have an advantage since they can better specify which potential partners (and their resources) could be a source of inter-organizational rents and they often have better capabilities (and reputation) in building alliances. This goes hand in hand with *internal search and evaluation capabilities (3a-2)* as the second aspect of the ability to identify potential partners. Research on alliances and acquisitions indicates that the ability to screen potential partners for their capabilities and resources and the codification of this specific knowledge positively influences the success of partnerships. Third, an *information-rich position in the social/economic network (3a-3)* is also deemed favourable to achieve complementary resources since it ensures superior access to reliable information about (potential) partners which can lead to more and better partnerships in the future and to a better exploitation of existing partnerships. In subsistence BoP-markets these abilities might be even more important than in other markets since partnerships at the BoP seem to include a much more diverse (and often also more extensive) batch of partners involving multiple sectors (Rivera-Santos et al., forthcoming). The general ability to identify partners then has to be turned into partnerships with *synergy-sensitive resources (3b)* as basic element of partnership rents. Here, literature suggests that partnerships offer superior prospects when the combination of resources is more valuable, rare, and difficult to imitate compared to individual operations.

2.4 Effective governance

Finally, an effective governance of partnerships reduces transactions costs and fosters the willingness of partners to participate in generating competitive advantages (Dyer and Singh, 1998, p. 668). This aspect can be divided into two main governance mechanisms. On the one hand, *formal governance mechanisms (4a)* which can, for example, be third-party enforcements though states or other organizational authority (e.g. through contracts) or formal self-enforcing governance mechanisms in terms of economic hostages (e.g. equity), investments or otherwise which loses its value when the partnership is terminated. On the other hand, *informal governance mechanisms (4b)* can also be an effective means to govern a partnership. Such mechanisms rely heavily on informal assets such as trust or reputation. Informal mechanisms can be more economic in terms of transaction costs compared to formal governance mechanisms since they do not require written contracts, monitoring etc. For BoP partnerships, Rivera-Santos et al. (forthcoming) suggest that informal governance mechanisms will play a more important role than formal ones to mitigate opportunism due the often prevailing weakness (or lack) of regulative institutions which could enforce formal governance mechanisms. However, since those firms traditionally acting outside the BoP are used to rely on external institutions, it is likely that a differentiated set of governance mechanisms is in place for BoP-projects.

2.5 Assembling the analytic framework

Figure 1 summarizes the interrelations between the different main analytical categories: Inter-partner relations specific assets (1a & 1b), learning by information and know-how-sharing routines (2a & 2b), and complementary resources and capabilities (3a-1, 3a-2, 3a-3 & 3b) can also be termed as sources and drivers of inter-organizational rents in the first place. Without these resources and capabilities a partnership will not be able to generate competitive advantages or it would not even exist in the first place. An effective governance of these partnerships (4a & 4b) then acts as facilitator of such rents since it ensures a stable partnership and effective sharing of knowledge and exploitation of synergies.

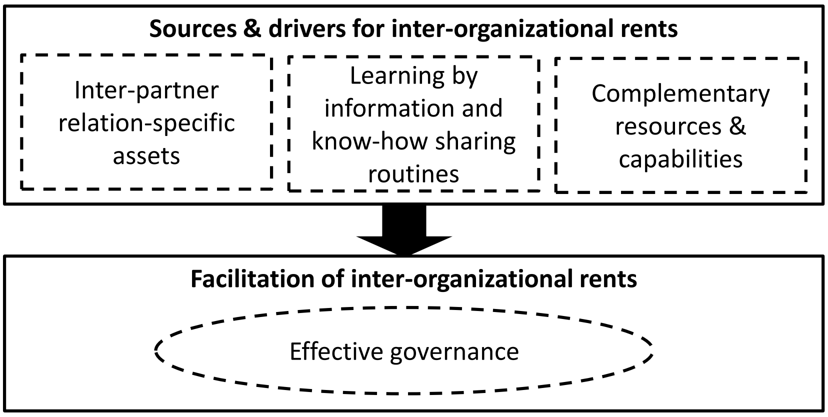

Figure 1: Aspects of inter-organizational rents within the relational view

3. Data and Methods

The case study method was used for the empirical research presented here. Case studies allow investigating current issues in complex environments. Stuart et al. (2002) suggest a five stage research process for case studies, from which we derive five steps for presenting the research design of the extant paper.

(1) Theory-based definition of the research objective: The extant study applies the relational view to BoP projects in different sectors with different approaches. Main research objective is to investigate the nature, requirements and outcome of the different relationship between business and other partners in the respective BoP projects.

(2) Instrument development: As research design we apply multiple case studies. Case studies are a suitable tool for scientific exploration, i.e. for gaining first insights into the phenomenon studied (Seuring, 2008). Hence it is appropriate for our purpose of looking at the interface of partnerships and innovative collaborations at the BoP, since work covering this overlap is very scant. According to Yin (2009, p. 18), "a case study is an empirical enquiry that: (1) investigates a contemporary

phenomenon within its real life context, especially when (2) the boundaries between phenomenon and context are not clearly evident". For case selection we followed a theoretical sampling approach (Eisenhardt and Graebner, 2007). Our emphasis was on projects which already involve partners such as national or international CSOs, governmental agencies or otherwise. We purposefully selected projects from different industries (financial services, food products and consumer goods) covering different aspects of the value chain (i.e. business involved upstream and downstream) to allow for a differentiated view of various forms of partnerships. The research design embraces four case studies (Allianz Microinsurance, Procter & Gamble (P&G) Water Purifier, Grameen Danone Foods, BASF Micronutrition Initiative). For analyzing the contents of transcribed interviews, we deduced a pattern of analytic categories from theory (as described in the previous chapter).

(3) Data gathering: Data gathering for all four cases comprehends altogether 13 semi-structured interviews in English and German language of an average length of 60 minutes: Allianz (four), BASF (three), Danone (three), and P&G (three). These interviews were conducted partly telephonically, partly face-to-face. Due to the nature of the project and our research focus, interviews were conducted both, with managers of the focal companies but also with CSOs and development aid organizations acting as facilitators for the respective BoP projects. This diversification of key informants allows for a differentiated perspective on the subject. Data collection took place in the period from November 2008 to February 2009 in the course of a project about contributions of multi-national corporations (MNCs) to sustainable development in BoP markets. Accordingly, the interview guidelines were not focused only on relational aspects of the projects but covered the broader topic of how to do business for and with the BoP (Schrader, 2010). Afterwards, interviews were transcribed returned to the interviewees for validation, resulting in an interview data set of more than 60,000 words. The validated transcripts were then selectively triangulated by published case studies (BASF, P&G) and additional research in corporate reports (BASF, Allianz, Danone) and on the web-pages of the involved organizations. For giving some illustration of the nature of the four BoP projects under examination, Table 1 succinctly points out the projects' principal aims and the way

they are approached; further, main partner organizations involved and the way tasks are allocated among them; finally, the main focal organization of each project and the MNC's role within the respective projects.

(4) Data analysis: Data was analyzed by means of qualitative content analysis (see Mayring, 2000) based on the pattern of analytic categories that had been deductively developed beforehand as outlined above. After one third of data analysis some categories have been further specified (in terms of their definitions) in an inductive approach from the interview material under examination, iteratively passing through category building, testing and revising by constantly comparing categories and data (Mayring, 2000). This means that the technique of structuring interview data according to conceptual constructs (i.e. deductive data analysis) was complemented by summarizing data to a certain abstraction level (i.e. inductive category building) (Mayring, 2000).

(5) Dissemination / quality of overall process: Replicability of the research design is ensured by a comprehensive and detailed documentation of the whole research process. Moreover, a high level of reliability is achieved by thoughtful selection of key informants, as well as careful transcription and multi-coder analysis of the interviews. Where different judgments between the coders occurred, they were individually assessed and resolved through discussions, thus gradually aligning differences regarding the mental schemes of the coders. While internal validity was enhanced by repeatedly checking each case against the source data and by intensive discussions within the research team, de-contextualization and theory-led abstraction allows claiming a certain degree of generalization for the findings and hence external validity (Avenier, 2010).

Table 1: Introducing the data: outlining the cases

Company	**Allianz**	**P&G**	**Danone**	**BASF**
Project	Microinsurance	PuR Water Purifier	Grameen Danone Foods	Micronutritient Initiative
Aim	Find a sustainable business models for microinsurance solutions	Provide the BoP with safe drinking water	Provide the BoP with nutritious dairy products	Provide local food producers with micronutritients to enhance food products
Approach	Cheap and simple insurance services. Experiments with different microinsurances (e.g. credit life insurance, mutual health insurance, cattleinsurance, savings-linked life insurance, funaral insurance) and business models	a) Non-profit social marketing approach: Product provided at cost to partners who then sell it through the system b) Disaster relief model: Product provided at cost to aid agencies who deploy it in emergencies	The social business joint venture cooperates exclusively with local farmers as suppliers for raw materials and employs local small and micro entrepreneurs as distributors. "Micro-factories" focus on cost effective production of yogurt	BASF produces vitamins to supply the local food processing industry. It offers its business partners know-how on cost-effective food fortification for affordable BoP-products thus having an indirect BoP connection via B2B relationships with local businesses.
Main Partner Organizations	Local CSOs & MFIs, Development Agencies (GTZ, UNDP), International CSOs (CARE International, PlaNet Guarantee)	PSI, WHO, Governmental Development Agencies	Grameen Bank, GAIN	Local Businesses, Governmental Development Agencies (GTZ), GAIN
Allocation of tasks	*Allianz:* Provides microinsurance products, underwrites risks *Development Agencies (GTZ, UNDP):* Expertise with product development, Demand studies, Contact to MFIs *International CSOs (CARE, Planet Guarantee):* Demand-Analysis, Education and awareness building, intermediary to local CSOs, Access to distribution channels *Local CSOs & MFIs:* Network, distribution, field access, local information	*P&G:* Provides water purifier at cost, financial support for PSI *PSI:* Devise social marketing strategy, distribution and contact to local NGOs in social marketing approach *WHO:* Health Education *Governmental development agencies (e.g. USAID):* Seed funding for projects *Aid agencies (e.g. UNICEF, IFRC, AmeriCares):* Distribution in disaster relief approach	*Danone:* 50% stake in JV plus further (pro-bono) managerial support, brings in managerial and technological know-how *Grameen Group:* 50% stake in JV, acts as a facilitator in the local (business) environment, provides access, contacts, reputation and know-how *GAIN:* Knowledge in nutrition (relevant for product design), social marketing, impact assessment (together with John Hopkins University)	*BASF:* Provides know-how in production techniques, supplies local businesses with high-quality ingredients *International CSOs (GAIN, Micronutritient Initative):* Impact assessment, technical advise, promotional campaigns *GTZ:* Agenda building, contact to local authorities, enhancing legitimacy *Local Companies:* Business partners using BASF pre-products benefiting the BoP
Main Focal Organization	International CSOs as intermediaries and facilitators between Allianz and local CSOs	P&G as project initiator; PSI as distributor and contact to local CSOs	Danone acts as driving force together with Grameen as local facilitator in the Joint Venture	BASF works with different partners on food fortification in various countries
Company Focus	Midstream in the supply chain (product development and offering)	Midstream in the supply chain (product development and offering)	Integrated approach. Company adds upstream (production) and downstream (marketing and distribution) know-how.	Upstream in the supply chain (pre-product development and offering)

4. Findings

In the following, most pertinent empirical contents reflecting the constructs of the analytic framework are distilled and presented.

4.1 Inter-partner relation-specific assets

Tangible partner-specific assets play only a minor role throughout the case studies; for instance, investments in plants in a certain location (such as Danone's plant in rural Bogra region, Bangladesh) are a sign of commitment to local communities. In contrast, intangible partner-specific assets – such as long-term commitment, stable personal collaboration, partner capacity building – turn out to be outstanding for fuelling BoP projects, especially when it comes to alliances between MNCs and local CSOs and grassroots organizations. This type of alliances is usually less formally but rather informally governed, considerably by means of intangible partner-specific assets such as trust being built up in the course of time(see section 4.4).

4.2 Learning by information and knowledge-sharing routines

All case studies emphasize the relevance of developing information and knowledge-sharing routines in BoP projects; as well, absorptive capacity that enables organizations to fruitfully tap each other's knowledge-bases – i.e. to "recognize and assimilate valuable knowledge" (Dyer and Singh, 1998, p.665). Mutual knowledge transfer based on open two-way communication is one of the main drivers of all partnerships. It occurs between the international CSOs and MNCs (all projects) and between governmental and supra-governmental agencies and MNCs (esp. Allianz and BASF). Else, local CSOs sometimes are a key source for local knowledge (esp. Allianz). In all cases, the specific nature of the projects comes to the fore when MNCs reach for (widely unknown) BoP as new consumer groups and supply chain partners: Non-business partners provide the MNC with information about local market conditions and they give political advice and support for effectively implementing and evaluating BoP projects. However, it is stated that MNCs are sometimes reluctant to learn from non-professional partners; this hubris though is to be overcome. Concerning absorptive capacity, particularly Allianz and P&G report considerable difficulties in the outset of the project phase due to fundamental clashes regarding the organizational cultures of MNCs, CSOs and governmental organizations. This clash is exemplarily illustrated by one interviewee from a MNC: "We really had to adapt to be more like them. Now I still try to push them all the time to be more like a private sector mentality. [...] That's always a source of frustration, but before it was a source of disaster because we were so far off".

4.3 Complementary resources and capabilities

All cases report prior alliance experience on a both personal and organizational level. Particularly CSOs or governmental agencies / developing agencies that hold an information-rich position in the social-economic network and hence assume a contact brokering function for MNCs which do not have sufficient local and market knowledge, usually have abundant prior experience concerning collaboration with local CSOs. It is indispensable for those CSOs, governmental and developing aid agencies to own high-quality search and evaluation capabilities since being well-connected with facilitating organizations that support their work on a grassroot level can be regarded as core competency of these players. Only through this endowment, CARE and PlaNetFinance (international CSOs) could successfully fill the function of selecting the partners that became distribution and sales agents of Bajaj Allianz (MNC subsidiary). The BASF (MNC) case reveals the challenging balancing act of selecting the right number and the right (i.e. fitting) partners, in order to avoid an (unproductive) cacophony of opinions and, simultaneously, to avoid going it alone. Synergy-sensitive resources were extensively identified in all cases under examination; BoP projects necessitate collaboration of a broad coalition of partners. For instance, Danone (MNC) complements its capabilities in producing and marketing dairy products with Grameen's (international CSO) grassroot expertise in developing countries, the nutritional expertise of GAIN, and the food fortification expertise of BASF. The wide variety of different partners poses again the problem of how to match the different organizational cultures (see section 4.2). Likewise, Allianz Bajaj can offer their micro-insurance products at the BoP only through its network of partners featuring complementary capabilities: Allianz leverages its experience with insurance products and its capital for settling claims, while CARE, PlaNetFinance and local micro-finance institutions contribute their local networks and their detailed knowledge of community needs.

4.4 Effective governance as facilitator of inter-organizational rents

Formal governance mechanism can be found in all case studies, although without much explication and emphasis. For example, Danone and Grameen created a joint venture with 50% shares each. P&G (MNC) and PSI (international CSO) have a co-branding and distribution agreement. BASF and GTZ have a contract-based strategic alliance. Written contract agreements may be assumed for other public-private partnerships in which MNCs, international CSOs and governmental organizations are involved. However, it seems that formal governance successively steps back the closer alliance partners approach the BoP. This is little astonishing given often insufficient literacy of involved people and different cultures of social interaction putting emphasis on oral or tacit agreements rather than formalized contracts. In addition: "Formal contracts are worth little in villages where people often do not have addresses, maybe not even identity cards [...]". (Allianz, 2010, p.24)

In contrast informal self-enforcing governance mechanisms are discussed in detail throughout all cases. Focus is put on building trusting relationship, developing a common vision and common goals and showing ostentatiously long-term dedication. It is pointed out that initially conflicts and risks of partnership disruption were prevalent because of different organizational cultures fuelling mutual misunderstandings and mistrust. Viable BoP projects not only need to overcome these initial disturbances; evidence suggests that trust is upgraded towards a core characteristic of BoP business models: In this respect, “Allianz works in a ‘cascade of trust’” (Allianz, 2010, p. 24)

5. Discussion and conclusion

Tangible partner-specific assets require alliance partners to build specialized (physical) assets in conjunction with each other (Dyer and Singh, 1998). While they may play a powerful role in generating inter-organizational rents in conventional business ventures, they do not seem to be of particular relevance in the examined BoP-partnerships with non-business partners. The reason most likely lies in the nature of those partnerships: Other than conventional business-partnerships, non-business partners do not contribute to generating rents by engaging in the physical production of products or services. Instead of bringing transaction-specific capital investments into the partnership, the value of these partners rather lies in non-tangible assets such as information or know-how. Especially CSOs usually rely on external funding so that they do not have the financial means to invest in partner-specific physical assets.

Instead, the cases suggest that partnerships with non-business partners rely heavily on non-tangible assets. Most of the projects are indeed organized to be successful in the mid to long-term and display a wide array of intangible partner-specific assets such as long-term commitment, stable personal collaboration and partner capacity building. Investing in such partner-specific non-tangible assets seems to be especially vital in BoP projects for a couple of reasons. First, non-business partners have been found to differ significantly from private companies in terms of culture and organizational aims so that building up non-tangible assets ensures smooth cooperation. Second, even partners which are not targeted at financial success and which might be reluctant (or just not able) to invest part of their constricted budget in physical assets can more easily invest in non-tangible assets. Third, these kinds of assets (e.g. specific knowledge, personal relations etc.) are core contributions in these partnerships. The fact that such assets have limited transferability to other work settings (De Vita et al., 2010) makes them a source of partner-specific inter-organizational rents.

The aspect of learning by information and knowledge-sharing routines proved to be central in the cases at hand. The BoP usually is unchartered territory for western MNCs so that even basic knowledge which is vital to reach the BoP is not present in these companies (Prahalad and Hart, 2002). The most important driver for collaborating with non-business partners thus lies in the fact that the respective organizations have a profound connection to local markets and supply chains. At the same time, these partnerships provide the non-business partners with (business) knowledge necessary to extend their reach and fulfil their goals. The willingness and ability to exchange information and knowledge and to exploit such knowledge gained from the respective partnerships, however, seems to be quite difficult in some cases since companies and CSO often do not speak the same language as has been discussed above. Here, international CSOs and (supra-) governmental agencies seem to have an advantage compared to local organizations since the former often do have a longer experience in working with business partners.

Despite the inherent risk that partnerships with non-business partner fail due to different objectives and cultural and communicative codes, research indicates that it is indeed the compatibility of partners that holds the synergistic rent potential within a partnership (Madhok and Tallman, 1998). The examined cases underline what has been already found for strategic alliances between business partners (e.g. Liao et al., 2008); namely that the ability to identify, evaluate, and select potential partners play a pivotal role in avoiding failed alliances. Within the case studies, prior alliance experience enables both companies and the non-business players to identify partnership potential. Especially the MNCs as well as the international CSOs and (supra-) governmental agencies benefit from a plethora of earlier cooperation with similar partners. These abilities can be institutionalized, for example, by building organizational units bundling knowledge on identifying and evaluating potential partners (as is the case, for example, with BASF's International Relations Team). A specific feature of BoP partnerships is that companies usually lack experience in finding truly local partners at the BoP (such as grassroots organizations or local self-help communities which can act as interface to the local BoP communities). Here, the role of non-business partners as focal players on the interface between business and local communities comes to the fore. Research on BoP ventures suggests that it is often difficult for MNCs to reach local BoP markets and supply chains in the first place (Gold et al., 2011). Interestingly, in all the cases examined, a non-business partner takes up the position as focal actors connecting businesses with the local BoP while in traditional supply chain relationships such a central position is usually adopted by the MNC (Spekman et al., 1998).

Such a position can thus directly be regarded as a major synergy-sensitive resource. All in all, the interviewees in the cases showed a distinct focus on finding and exploiting those resources which render more benefits when applied together with complementary resources than applied alone. This finding is generally consistent with research on conventional strategic alliances; however the specific content of resources brought in by the different partners' exhibits some interesting insights into BoP partnerships: Non-business partners contribute mainly with their intermediary role between MNCs and the local BoP. Furthermore, information and knowledge on local market conditions, consumer needs, regulations and potential local partners are frequently mentioned as major synergy-sensitive resources brought into the relation by the non-business partner. Business partners, on the other hand, bring in their specific capabilities concerning production and marketing know-how, organizational efficiency and a stringent focus on profitability and proliferation of the business model. What is especially interesting is the fact that the resources contributed by the non-business partner (such as an information-rich position in the socio-economic network) cannot be sourced easily on a market and require a substantial amount of time to be built so that engaging in partnerships might be the only viable option to successfully reach the BoP.

Rivera-Santos et al. (forthcoming) suggest that informal governance mechanisms play a more important role than formal mechanisms when reaching the BoP due to a lack of regulative institutions (see also Rivera-Santos and Rufín, 2010). As could be seen from the cases, however, formal governance mechanisms are regularly used to organize partnerships between businesses and large international CSOs or (supra-) governmental agencies. This includes, for example, formal public-private partnerships as well as strategic alliances and joint ventures, respectively, which are all based on contracts. While this seems to contradict the just mentioned proposition at a first glance it actually helps to support it. Formal contracts are mainly used by partners who do have ample experience with formal contracts and thus know how to act in formal partnerships. Furthermore, these formal mechanisms are accompanied by an extensive array of informal governance mechanisms. Since CSOs usually either do not have sufficient capital to invest in equity-based alliances or are simple not allowed to invest in a for-profit venture, equity hostages cannot be used to prevent opportunism (Rivera-Santos and Rufín, 2011). Thus, informal governance mechanisms usually consist of reputational resources and trust. The most regularly mentioned aspects in the cases encompass trust in relationships and mutual goals, which supports the suggestion by Reficco and Márquez (2009). In addition, reputational hostages could also be found. Interestingly, they exist on both sides when, for example, P&G and PSI share their consumer brand names for a joint program and Danone and Grameen established a joint venture including both organization's names. In addition, some CSOs mentioned their reputation being at stake with the local population in case the business partner does not live up to its promise, for example, to supply adequate service to the BoP. Especially the aspect of trust is closely connected to building specific non-tangible assets in terms of long-term relationships and the ability to connect to and communicate with the partner organization, since it usually requires a substantial amount of time and effort to align to very different partners. The cases suggest that partnerships indeed seem to rely more and more on such informal governance mechanisms when moving closer to the actual BoP.

References

Allianz (2010). *Learning to insure the poor*. Microinsurance report, Allianz Group.

Avenier M-J (2010) Shaping a constructivist view of organizational design science. *Organization Studies* 31(9): 1-27.

Barney JB (1991) Firm resources and sustained competitive advantage. *Journal of Management* 17(1): 99-120.

De Vita G, Tekaya A, Wang CL (2010) Asset specificity's impact on outsourcing relationship performance: A disaggregated analysis by buyer–supplier asset specificity dimensions. *Journal of Business Research* 63: 657-666.

Dyer JH, Singh H (1998) The relational view: Cooperative strategy and sources of interorganizational advantage. *Academy of Management Review* 23(4): 660-679.

Duschek S (2004) Inter-firm Resources and Sustained Competitive Advantage. *Management Review* 15(1): 53-73.

Eisenhardt KM, Graebner ME (2007) Theory building from cases: opportunities and challenges. *Academy of Management Journal* 50(1): 25-32.

Gold S, Hahn R, Seuring S (2011) Sustainable supply chain management at the base of the pyramid – the case of the food industry. EURAM Conference, Tallinn, Estonia, 1-4 June 2011.

Gold S, Seuring S, Beske P (2010) Sustainable supply chain management and inter-organisational resources: a literature review. *Corporate Social Responsibility and Environmental Management* 17(4): 230-245.

Hahn R (2009) The ethical rational of business for the poor - Integrating the concepts Bottom of the Pyramid, Sustainable Development, and Corporate Citizenship. *Journal of Business Ethics* 84(3): 313-324.

Karamchandani A, Kubzansky M, Lalwani N (2011) Is the Bottom of the Pyramid Really for You? *Harvard Business Review* 89(3): 107-111.

Liao S-H, Chang W-J, Lee C-C (2008) Mining marketing maps for business alliances. *Expert Systems with Applications* 35: 1338-1350.

Madhok A, Tallmann SB (1998) Resources, Transactions and Rents: Managing Value Through Interfirm Collaborative Relationships. *Organization Science* 9(3): 326-329.

Mayring P (2000) Qualitative Content Analysis. Forum: Qualitative Social Research 1(2) [Online Journal]. [Referred to 24 April 2009]. Available: http://qualitative-research.net/fqs/fqs-e/2-00inhalt-e.htm.

Mendoza RU, Thelen N (2008) Innovations to Make Markets More Inclusive for the Poor. Development Policy Review 26(4): 427-458.

McFalls R (2007) Testing the Limits of 'Inclusive Capitalism': A Case Study of the South Africa HP i-Community. *Journal of Corporate Citizenship* 28: 85-98.

Ojanen V, Hallikas J (2009) Inter-organisational routines and transformation of customer relationships in collaborative innovation. *International Journal of Technology Management* 45(3-4): 306-322.

Prahalad C, Hart S (2002) The fortune at the bottom of the pyramid. *strategy + business* 8(26): 54-67.

Reficco E, Márquez P (2009) Inclusive networks for building BOP markets. *Business & Society*, DOI: 10.1177/0007650309332353.

Rivera-Santos M, Rufin C (2010) Global village vs. small town: Understanding networks at the Base of the Pyramid. *International Business Review* 19(2): 126-139.

Rivera-Santos M, Rufin C (2011) Odd Coules: Understanding the governance of firm-NGO alliances. *Journal of Business Ethics* 94(1): 55-70.

Rivera-Santos M, Rufin C, Kolk A (forthcoming) Bridging the institutional divide: partnerships in subsistence markets. *Journal of Business Research*.

Rindfleisch A., Heide JB (1997) Transaction cost analysis: past, present, and future applications. *Journal of Marketing* 61(4): 30-54.

Schrader C (2010) Beiträge multinationaler Unternehmen zur nachhaltigen Entwicklung in „Base of the Pyramid"-Märkten (Contributions of multi-national corporations to sustainable development in „Base of the Pyramid" markets). Dissertation, University of Kassel, Germany.

Seelos C, Mair J (2007) Profitable business models and market creation in the context of deep poverty: a strategic view. *Academy of Management Perspectives* 21(4): 49-63.

Seuring S (2008) Assessing the rigor of case study research in supply chain management. *Supply Chain Management: An International Journal* 13(2): 128-137.

Simanis E, Hart S, Duke D (2008) The Base of the Pyramid Protocol – Beyond 'Basic Needs' Business *Strategies. Innovations* 3(1): 57-84.

Spekman RE, Kamauff JW Jr., Myhr N (1998) An empirical investigation into supply chain management: A perspective on partnerships. *International Journal of Physical Distribution & Logistics Management* 28(8): 630-650.

Stuart I, McCutcheon D, Handfield R, McLachlin R, Samson D (2002) Effective case research on operations management: a process perspective. *Journal of Operations Management* 20(5): 419-433.

The World Bank (2007) *Doing business 2008 – Comparing regulations in 178 economies*. Washington/DC.

Todaro M, Smith S (2006) *Economic development*. Harlow, England, Pearson and Addison Wesley.

Williamson OE (1985) *The economic institutions of capitalism: firms, markets, relational contracting*. Free Press, New York.

Yin RK (2009) Case Study Research: Design and Methods. Thousand Oaks, CA, Sage Publications.