

Harnessing the BOP Ecosystems of China and India for Competitive Advantage

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ABSTRACT

Since the start of this millennium, the developing countries of the world in general, and Asian giants, India and China in particular, have disrupted the economic and social structure nurtured by the Western powers in the previous century. These developing countries, renamed as emerging, and freed from centuries of colonialism and isolation, have started to realize their potential, and have carved a stronger position for themselves in the global business arena. Multinational organizations, western governments, and other major investors, have played an important role in this regard. In recent decades, they have flocked to these emerging countries and have directed their efforts to the middle-income groups in order to capitalize on the opportunity afforded by market reform initiatives. As a result, the middle income segment in emerging countries has witnessed unprecedented growth and higher standards of living during this decade. However, in recent years, rising income disparity within nations and growing social unrest in their masses, has forced governments, businesses and NGOs to pay attention to the poorer segments realizing that global poverty threatens global security and overall global wellbeing. This segment of low-income population as a potential consumer, supplier, employee and entrepreneur, represents this century's biggest opportunity.

Prahalad and his colleagues presented the concept of searching for business growth and profitability in the base of the pyramid segment in a couple articles between 1999-2002. Since then the topic has drawn growing attention among the academia, practitioners and policy makers over the last two decades. There have been both proponents (such as London 2009) and critics (such as Karnani 2007) in the debate of whether MNCs should be searching for a fortune at the BOP segment. The BOP research has also grown overtime to respond to the call for a more encompassing perspective on poverty and BOP business initiatives (Kolk, Rivera-Santos and Rufin, 2014). The socially inclusive business literature (e.g. Arya and Salk, 2006; Mair, Marti, & Ventresca, 2012) emphasizes the impact of business through the engagement of the BOP segment as suppliers or producers, not merely of labor but also of commodities and other types of inputs. Research from the social entrepreneurship literature has also presented a variety of hybrid enterprise models that produce both social impact with profitability (e.g. Dacin, Dacin & Matear, 2010).

According to World Bank’s Poverty and Shared Prosperity Report (2018), the world has collectively made great progress in reducing extreme poverty over the past quarter century. However, in many countries, the bottom 40 percent of the population is being left behind. In some countries, the living standard of the poorest 40 percent is actually declining (World Bank, 2018). Half of the global population living in extreme poverty in 2015 can be found in just five countries, and India being one of the top of the list (World Bank, 2018). China market reforms starting in the late 1970s helped generate rapid economic growth and led to a substantial increase in living standards and a marked decline in extreme poverty. However, over 43 million people still live on less than 2,300 yuan (US\$350) a year and roughly 40 percent of the population, around 500 million people, get by on less than US\$5.50 a day (Chow, 2018). Both India and China offer excellent context to further our understanding on BOP initiatives.

This study adopts a holistic cross-sector partnership framework (see Figure 1) and focuses on how MNCs and other stakeholders, can harness the BOP ecosystems of these two BRIC nations, China and India, for competitive advantage in their global marketing efforts. The lessons learned can be applied to serve the BOPs of other emerging economies of Asia, and the Middle East, Africa, and Latin America.

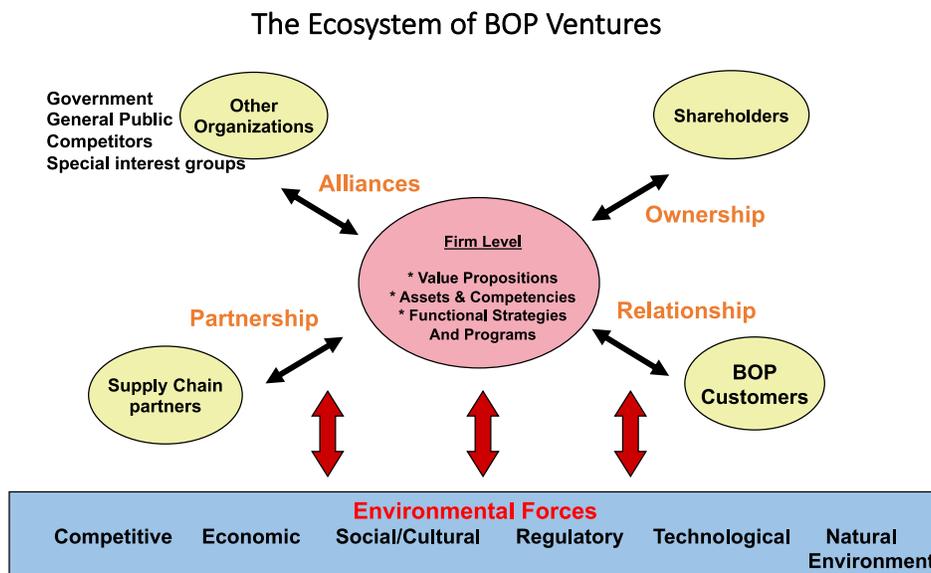


Figure 1

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