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Establishing the Determinants of Shared Value Innovation's Contribution to Persons at the Bottom of the Pyramid



Establishing the Determinants of Shared Value Innovation's Contribution to Persons at the Bottom of the Pyramid

Anthony Kimondo Karuiru



Submitted in partial fulfilment of the requirements for the Degree of Master of Business
Administration at Strathmore University

Strathmore Business School

Strathmore University, Nairobi, Kenya

May, 2018

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Approval

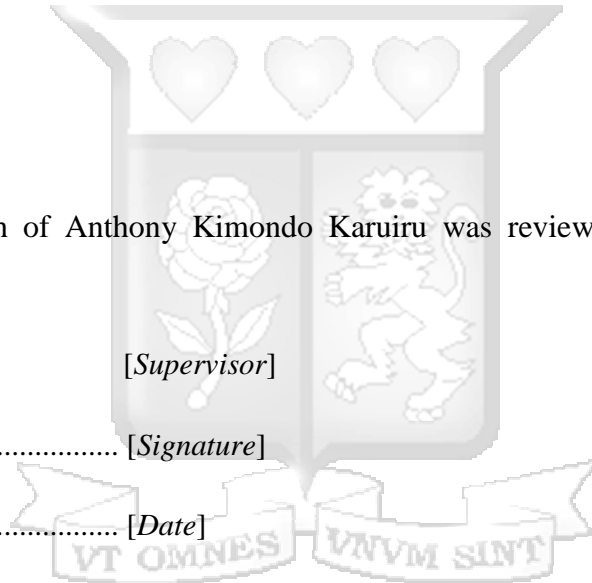
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Dean, Strathmore Business School

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Abstract

This study looks at the determinants of shared value innovation's contribution in improving the quality of life of persons at the bottom of the pyramid. Shared value which is a key constituent of this study is defined as policies and operating practices that enhance the competitiveness of a company, while simultaneously advancing economic and social conditions in the communities in which a company operates.

The contribution concept extensively referred to in the study represents the economic and social conditions improved as a result of shared value innovation. In this study access to goods and services, job creation and entrepreneurial opportunities creation were used as the measurement parameters of contribution.

Given the contemporary nature of the shared value approach, literature has been reviewed in the light of other business strategies of similar thrust such as Fortune at the bottom of the pyramid and Strategic Innovation at the bottom of the pyramid. These strategies have contributed to research variables and the eventual conceptual framework.

The study was exploratory in nature and analysis was aided by the reductive exploratory factor analysis approach which together with principal component analysis enabled identification of key determinants of shared value innovations contribution. One of the key outputs was a shared value effect model.

The research is aspired as an erudite work that will set forth a platform for efficiently innovating shared value business models that will contribute to social wellbeing of persons at the bottom of the pyramid.

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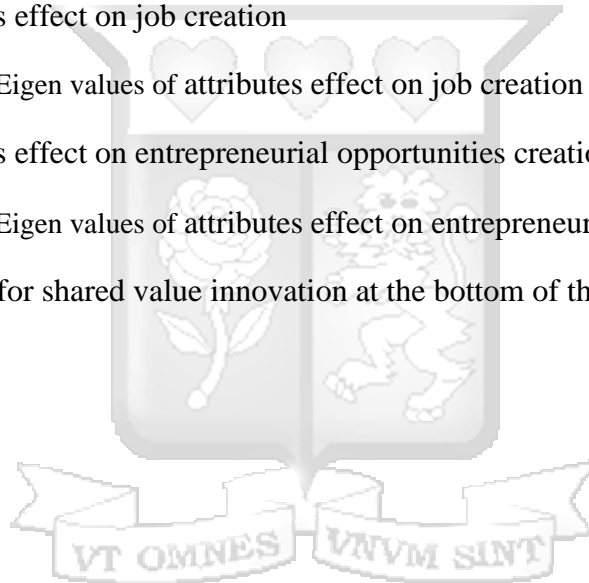
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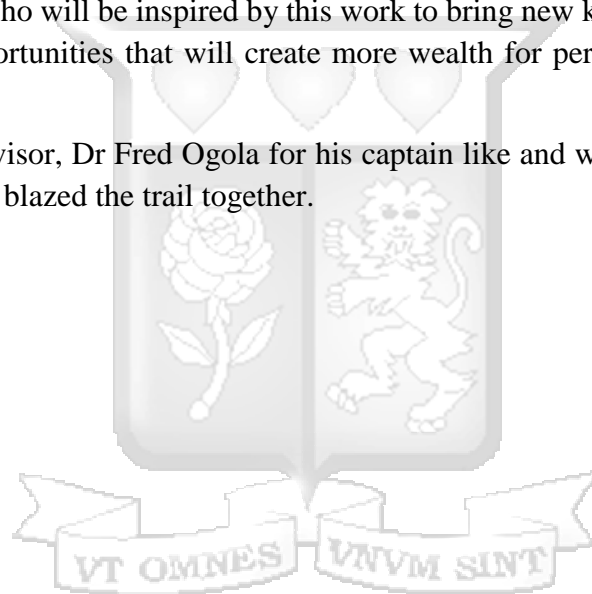
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Many thanks to you all who will be inspired by this work to bring new knowledge in shared value and realise multiple opportunities that will create more wealth for persons at the bottom of the economic pyramid.

Special thanks my supervisor, Dr Fred Ogola for his captain like and wise leadership all through the research journey. We blazed the trail together.



Dedication

I dedicate this work to my father, the Late Michael Karuiru, an educationist, on whose provocation and convincing I took up the challenge of pursuing a Master of Business Administration. I would have loved to have him at the graduation but to my surprise, he was watching it from Heaven.



CHAPTER 1: INTRODUCTION TO THE STUDY

1.1 Introduction

A potential global market fortune of 4 billion people earning less than \$4 per day constitutes the global economic pyramid (Prahalad, 2002). Based on this promise of an underserved but low-income market, companies have developed business models that appropriate value from persons at the bottom of the pyramid. Michelini (2012) identifies three models being practiced by companies in creating value at bottom of the pyramid markets; Shared Value Strategy, Fortune at the Bottom of the Pyramid, and Corporate Social Entrepreneurship. Through either of the three, companies enter low-income markets by helping to solve global challenges while simultaneously generating profits. While the effects of the latter two have been largely explored, the shared value model is most recent and least evaluated in terms of effects on persons at the bottom of the pyramid.

Porter & Kramer (2011) conceptualized the shared value strategy which portends to not only create sustainable business value, but also concurrently create social value for end-users of products and other stakeholders along the value chain. It therefore follows that shared value innovation's targeted at the bottom of the pyramid, will contribute to the wellbeing or quality of life of persons at the bottom of the pyramid. However, available literature did not indicate that an assessment has been done of the purported contribution of various shared value innovations on persons at the bottom of the pyramid. This research sets out to establish the determinants of shared value innovations' contribution on the basis of individual companies' perceived contribution of their shared value innovations to persons at the bottom of the pyramid. The contribution is considered as the added-value to persons at the bottom of the pyramid through access to goods and services, jobs and entrepreneurial opportunities creation.

1.2 Background to the study

Previously and to date, companies have been expensing philanthropic gifts made to social projects to gain legitimacy in society and enhance reputation. Corporate grants to social projects, at times to ventures neither unaligned to a business's sector nor unrelated to any of its stakeholder groups along the company's value chain, have been perceived as a drain on returns to shareholders. Proponents of corporate social responsibility have used four arguments to make their case: moral

obligation, sustainability, license to operate, and reputation (Porter & Kramer, 2012). Many companies make significantly low donations and hype their effect for greater visibility that endears their legitimacy. As this is not sustainable, socially conscious companies have become more innovative around social issues and are attempting to make mutually beneficial investments. This social inclusion practice as against corporate philanthropy heralds the shared value strategies.

There may be a compelling business case for engagement in corporate social responsibility. However, it is the prerogative of the firm to assess the extent to which the business case for corporate social responsibility applies to its specific business, industry, stakeholder and environmental circumstances. Of the reasons considered by most firms, reputational risk ranks highest and is further aggravated by need for more visibility and reprieve from criticism of corporate malpractices. Corporate social responsibility is also viewed as a differentiator in highly competitive markets (Smith, 2002). Proponents of the free-market system however, view corporate social responsibility as a hypocritical window-dressing act of inefficient companies, whose very actions could find justification in ordinary course of profit making business other than draining company resources in the name of Social responsibility (Friedman, 1970).

To reconcile the economic and social value creation objectives, Peter Drucker (1984) argues that the first social responsibility of business is to make enough profit to cover the costs of the future. If this social responsibility is not met, no other social responsibility can be met (Drucker, 1984). He further argues that the proper 'social responsibility' of business is to tame the dragon, that is to turn a social problem into economic opportunity and economic benefit, into productive capacity, into human competence, into well-paid jobs, and into wealth.

Business and society have become dialectically opposed and increase in economic efficiency has been pitted against social progress (Porter & Kramer, 2011). Year on year growth of businesses that is unmatched by meagre growth in societal wellbeing, has expanded the wedge between the rich and the poor. With more business models being conceptualized around needs of the rich who have higher disposable incomes, inequality in access to necessary goods arises leading to low quality living among the poor. The conventional business models only appropriate value but do not create societal value which can be exploited in the long-term through a symbiotic relationship between business and society. To level the practice, governments have had to step in with regulations to protect society and environment from exploitative business practices. The guilt

however suffered by companies for generating incomes at the expense of societal wellbeing has compelled companies to come up with philanthropic practices in the forms of community social responsibility initiatives that help companies accrue repute as socially responsible.

Corporate philanthropy however, makes businesses act as charities as it is a resource drain netted-off company profits. Businesses acting as businesses and not as charities are the best vehicles for creating wealth in society, hence the case for simultaneous business and social value creation through shared value strategy (Porter & Kramer, 2011). In the long-term, the extent to which companies have a social purpose embedded in the corporate culture, strategy and innovation model, the more competitive and sustainable they will be (Pfitzer & Bockstette, 2013). A few businesses mindful of the poors' plight are deliberately creating social value beneficial to the poor and others inadvertently as they attempt to make gains from persons at the bottom of the pyramid.

Michael Porter and Mark Kramer (2011) explored the simultaneous business and social value creation through the creating Shared Value Strategy. It's thrust is that companies can create business value and societal value concurrently by developing business models around societal issues that are in congruence with the nature of business or industry.

Shared value has been defined as policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates (Porter & Kramer, 2011). Shared value creation focuses on identifying and expanding the connections between societal and economic progress.

Shared value strategy becomes more influential when companies decide to expand their businesses to developing countries and target low-income markets (Michelini, 2012). Shared value involves deliberate application of capitalistic models to solving societal needs in such ways that concurrently create value for business and society (Porter & Kramer, 2011). Whereas persons at the bottom of the pyramid in developing economies are exposed to many social problems, increased social value creation through business processes will have immediate effects.

1.3 Research Justification

Much of shared value innovations success has been published in corporate profiles, however determinants of these successes especially in bottom of the pyramid markets, are imperceptible to

persons external to the companies. It is therefore necessary to identify underlying shared value innovation factors that enable successful value creation to persons at the bottom of the pyramid.

1.4 Problem Statement

This study was designed to identify core elements of the shared value model that determine its effect on persons at the bottom of the pyramid in the form of contribution goods access, jobs and creation of entrepreneurial opportunities. Identification of core elements of shared value was intended to ease innovation, replication and implementation of models that create value for business and society concurrently. The study sought to eliminate inadequacy of knowledge in businesses' role and convergence in alleviating low-income communities needs while simultaneously realizing profitability and shareholder value goals.

1.5 Research objectives

- a) To identify levels through which shared value innovations contribute to wellbeing of persons at the bottom of the pyramid.
- b) To identify shared value innovated product characteristics that enable contribution to wellbeing of persons at the bottom of the pyramid.
- c) To identify the effect of shared value innovation cycle on contribution to wellbeing of persons at the bottom of the pyramid.

1.6 Research questions

- d) Which are the levels through which shared value innovations contribute to wellbeing of persons at the bottom of the pyramid?
- a) Which shared value innovated product characteristics enable contribution to wellbeing of persons at the bottom of the pyramid?
- b) What is the effect of shared value innovation cycle on contribution to wellbeing of persons at the bottom of the pyramid?

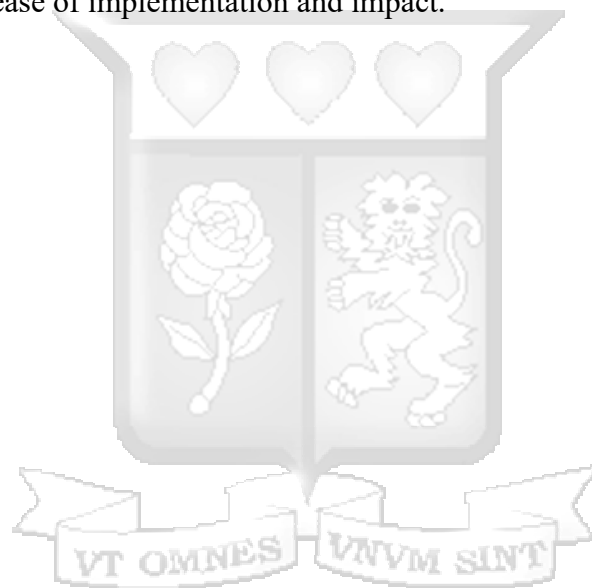
1.7 Scope of the study

The study focused on shared value practice in the Kenyan context. Local companies and subsidiaries of multinationals operating from Nairobi and that have business models serving persons at the bottom of the pyramid were a primary target. Respondents were persons charged with responsibilities of either innovating, executing, evaluating or monitoring shared value-based

projects. The study was primarily concerned on obtaining the perceptions of key determinants of shared value innovation's contribution to persons at the bottom of the pyramid. The study was spread over diverse industry and firms practicing shared value. Collection of perceptions was considered best given the intangible and at times untraceable effects of shared value innovations.

1.8 Significance of the study

Since many companies are pursuing the conventional profit only business approaches that are devoid of social value creation, knowledge on shared value needs to be disseminated in a much faster, simpler and actionable way. It is therefore imperative that entrepreneurs need to have a framework that can help to realise shared value gains. This study will guide investors on shared value's best practice for ease of implementation and impact.



CHAPTER 2: LITERATURE REVIEW

Whereas theories have been conceptualized around businesses effect on society in general, segmentation of low income communities in developing nations as a critical market component came about with Prahaland and Hurt (2002) theory of fortune at the bottom of the pyramid. Porter & Kramer (2011) opine that societal benefits of providing appropriate products to lower income consumers can be profound, while profits for companies can be substantial.

Porter and Kramer (2011) designate shared value innovation as an inclusive business model that will benefit the persons at the bottom of the pyramid. They are of the view that equal or greater opportunities arise from serving disadvantaged communities and developing countries since societal needs are even more pressing there, yet these communities have not been recognized as viable markets. Shared value innovations' effect is still being studied from a global societal effect and is yet to target persons at the bottom of the pyramid, especially in developing countries. Other than case studies indicating that it is benefiting low income communities, no academic literature was found to have explored shared value innovations impact at the bottom of the pyramid.

The theoretical review will therefore delve into fortune at the bottom of the pyramid theory by Prahaland & Hurt (2002) and shared value strategy theory by Porter & Kramer (2011). The empirical review study on strategic innovation at bottom of the pyramid empirical study by Anderson & Markides (2006) is the point of convergence of shared value innovation as a strategic innovation at the bottom of the pyramid. The theories are conceptualized from studies targeted at value creation at the bottom of the pyramid through strategic innovation, are the source of variables for this research.

2.1 Theoretical review

2.1.1 Fortune at the bottom of the pyramid

Developed by Prahaland and Hurt (2002), this theory explored the possibility of multinational companies profiting by investing in low income markets through radical innovations in technology and business models. It categorizes the global population of consumers into four tiers; the affluent in tier one of the world economic pyramid consists of middle and upper income people in developed countries, tiers two and three in the middle of the pyramid consists of poor customers in developed nations and the rising middle-income persons in developing countries, and tier four

at the bottom of the pyramid consists of four billion people with an annual per capita income of less than \$ 1,500. Its critics the notion that the poor cannot participate in the global market economy, yet they are the majority in the global population. The rise in wealth inequity between the rich and the poor and the fact that World Bank projects that the bottom of the pyramid could swell to six billion by 2040 is wanton and requires inclusive business approaches that will lift many people out of poverty, eliminate social decay, curtail political chaos, prevent terrorism and conserve the environment (Prahaland & Hurt, 2002).

Much like an iceberg with only its tip in plain view, the massive segment of four billion persons at the bottom of the pyramid in the global population along with its enormous market opportunities has remained largely invisible to the corporate sector (Prahaland & Hurt, 2002). Persons at the bottom of the pyramid are increasing as the population grows and their essential products' provision is at the mercy of businesses. However, they are not perceived as a key market since they can hardly afford, and if they do, at some cost and inconvenience. Most products consumed by persons at the bottom of the pyramid are not of low quality given the conventional business model that favors premium clients and offers poor quality products to low income markets. The business assumption is that they are not sophisticated in needs specification and neither do they constitute a significant demand. More social innovation is needed in low income countries since basic needs are not provided for fully and service quality is still very low. What the bottom of the pyramid persons, dignified as they are require, is highly functional products that can satisfy their needs adequately.

Prahaland and Hurt (2002) assert that most persons at the bottom of the pyramid reside in poor countries while multinational companies are based in developed countries, hence their mindset is conditioned by experience with affluent and middle-income customers in the upper tier of the pyramid. They are limited by value obscuring assumptions that given their cost structures they cannot compete profitably in low income markets, the poor cannot afford, only developed markets can pay for innovative technology, tier four customers can only be helped by governments and non-profits, managers are not motivated by business challenges that have a humanitarian dimension, and that it is hard to find talented persons who want to work at the bottom of the pyramid. As bottom of the pyramid markets defy conventional business logic, multinationals must radically rethink how they go into the market to offer products of superior quality at low cost

sustainably and profitably. In addition, the businesses must collaborate with non-profits to create buyer power, shape aspirations, improve access and tailor solutions.

Critic of fortune at the bottom of the pyramid approach

This theory assumes non-profit institutions intervention to create market opportunity in low income markets, unlike the shared value model which looks at purely capitalistic approaches that enable product innovation and differentiation for low income markets. It is also limited by its favoritism of multinational companies and its bias towards globalization as the only solution to meeting the needs of the low-income persons conveniently and sustainably.

The bottom of the pyramid approach essentially addresses the first objective. Its thrust is that persons fondly referred as poor constitute a market and hence a business approach can be used to create value for them. However, it is challenged by the inclusion of civil society as a necessary agent in realizing the buying potential. It is also in favor of offering of cheap products, at lower prices and in low quantities without having to consider product quality, hence the need to reengineer the product and process of delivery through shared value. It only indicates potential but does not explain how that potential is realized.

2.1.2 Shared value strategy

Definition

Shared value has been defined as policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates. Shared value creation focuses on identifying and expanding the connections between societal and economic progress (Porter & Kramer, 2011). In shared value context, value is defined as benefits less costs unlike social responsibility that looks at value in the context of benefits or effect alone (Porter & Kramer, 2011). Companies simply do well by doing good. The dual and conjoined value creation is conceptualized in an integrated business model which eliminates the need to make donations as means of eliminating externalities arising from running of business.

In recent years creating shared value has become an imperative for corporations, for two reasons: the legitimacy of business has been sharply called into question, with companies seen as prospering at the expense of the broader community. At the same time, many of the world's problems, from

income inequality to climate change, are so far-reaching that solutions require the expertise and scalable business models of the private sector (Kramer & Bakule, 2016).

Levels of shared value

According to Porter & Kramer (2011) shared value is said to be attained through three levels which include:

- I. Reconceiving new products and markets; companies can meet social needs while better serving existing markets, accessing new ones, or lowering costs through innovation.
- II. Redefining productivity in the value chain; companies can improve the quality, quantity, cost, and reliability of inputs and distribution while they simultaneously act as a steward for essential natural resources and drive economic and social development.
- III. Enabling development of business clusters; since companies don't operate in isolation from their surroundings. To compete and thrive, for example, they need reliable local suppliers, access to talent, and an effective and predictable regulatory system.

Shared value models differ across countries, industry and even among companies operating in the same industry (Porter & Kramer, 2011). Companies must ascertain their point of convergence with social needs.

Shared value in practice

Some Kenyan companies have attained global recognition as exemplars in Shared Value practice. The companies were listed in Fortune Magazine's 2015 inaugural list of 50 global companies that are changing the world¹. The companies include Safaricom, M-Kopa Solar and Equity Bank. Other multinationals with operational offices in Kenya and singled out by Fortune magazine as practicing shared value include Nestle, IBM, Intel, Yara fertilizers, MasterCard, PepsiCo, Unilever, General Electric, Novartis, Novozymes, Synergy and Bridge schools.

A case in point is Nestlé which through their The Nescafé Plan, a 10-year, 350 million (Swiss francs) global initiative they are ensuring a long-term supply of quality, sustainably sourced coffee and at the same time helping farmers improve their lives. As of 2013, two years after launch, Nestle

¹ Fortune Magazine, "Doing well by doing good" (September 1, 2015 issue)

had more than 147,000 farmers in ten countries on the plan. The Plan provides expert training so that farmers can grow coffee more sustainably, obtain practical assistance and access high-quality disease-resistant plantlets. The young and specially developed coffee plants have allowed farmers to rejuvenate their crops, multiply yields and increase their income. Higher yields and quality increased the growers' incomes, the environmental impact of farms shrank, and Nestlé's reliable supply of good coffee grew significantly, hence shared value was created². Nestle seeks to address nutrition, water, and rural development needs through shared value.

Shared value innovation process

The starting point for shared value is identifying and prioritizing specific social issues that represent opportunities to increase revenue or reduce costs. Unmet social needs are screened, and an analysis done of how they overlap with the business across one or more of the three levels of shared value. After identifying potential social effect at one or more of the three levels, the next step is to develop a solid business case based on research and analysis of how social improvement will directly improve business performance. Using the business case as a roadmap, companies then track progress against desired profitability and social benefit targets. Results are then measured to assess the joint return and unlock new opportunities for further value creation through refining the value strategy and execution (Porter & Hill, 2012).

Critic of shared value strategy

Shared value strategy has been recently conceptualized given its time of publication. Case studies provided of companies practicing it, only manifest individual multinational company ingenuity in building business models around social problems. The case studies however, capture a trend of enterprising companies which, facing slow, stagnant or declining growth in their traditional markets, have explored ways of unlocking new markets among non-traditional customers who despite their economic incapacitation, need the products as much as traditional customers served in course of conventional business.

Crane and Palazzo et al (2014) contest that shared value has not superseded corporate social responsibility in guiding the investments of corporations in their communities as it is based on a shallow conception of the role of the corporation in society. They argue that its core premises bear

² Case sourced from www.nestle.com: Nestlé's Creating Shared Value Forum: A coffee farmer's story.

a striking similarity to existing concepts of corporate social responsibility, stakeholder management and social innovation, and that it is a rehash of existing stakeholder and social innovation literatures without due acknowledgement. However, it is garnering such admirable attention it may well contribute to the emergence of socially beneficial business practices (Crane and Palazzo et al, 2014).

In this research, the shared value model is viewed from lenses its three levels, characteristics of its products and the resultant effects of its iteration in contributing to well being of persons at the bottom of the pyramid.

2.2 Empirical review

2.2.1 Strategic innovation at the bottom of the pyramid

Guided by Prahalad & Hurt's (2002) fortune at the bottom of the pyramid approach Anderson & Markides (2006) identified success variables of a bottom of the pyramid-based business model. They looked at the determinants of a successful Strategic Innovation at the bottom of the pyramid markets in Asia, South America and North Africa. They however, did not designate the criterion of the Strategic Innovation model. Irrespective of the strategic innovation model adopted, they argue that there are three gaps that can be tapped and grown into big markets. On close comparison, the three possible gaps identified at the bottom of the pyramid, mirror the intended contribution paths of shared value strategy.

Strategic innovation gaps compared to Shared value contribution levels

Whether in the developed countries or developing countries, strategies answer three key questions; a) who should be targeted, b) what product to offer to target customers and c) how to offer the product in a cost-efficient way (Anderson & Markides, 2006).

Applied to bottom of the pyramid markets the three strategic questions help to identify: a) the new WHO gap referring to customer segments either emerging or existing, but which have been neglected by competitors; this identifies with shared value strategy of rediscovering markets that are underserved, b) the new WHAT gap demonstrated by emerging or existing customer needs not well served by competitors; it identifies with the effort to rediscover new products that are adapted to the unique needs of persons at the bottom of the pyramid, and c) the new HOW gap referring to ways of promoting, producing, delivering or distributing existing or new products to existing or

new customer segments, closely compares with shared value strategy practices of redesigning the value-chain for a greater efficiency and the building of business clusters to facilitate greater value creation for customers and service providers. The who, what and how gaps help to delineate the Shared Value contribution levels.

The Four A's Framework

To competitively address the three gaps perceived, Anderson & Markides (2006) identified four elements exhibited by successful companies in carrying out strategic innovations at the bottom of the pyramid in China, Egypt, India, Mexico and Philippines. These consist of four variables under the Four A's Framework of Affordability, Acceptability, Availability and Awareness: i) Awareness; the level of knowledge of products and services by low income person in respect to their availability, value offered and use, ii) Acceptability; the level of adaptation of the product or service to unique needs of persons at the bottom of the pyramid and distributors. For a product to be acceptable it must embody the cultural, social and economic aspects of persons at the bottom of the pyramid, iii) Affordability; ensuring that the product or service is aligned to persons at the bottom of the pyramid buying ability given their low and uneven cash flows, and iv) Availability; ensuring an uninterrupted supply of products and services despite topographical, and sparse or dense settlement challenges to build reliability, trust and loyalty.

In addition to financial success, delivering the 4As enabled companies to provide significant social good. Low income consumers benefited from access to life-enhancing products and services uniquely tailored to meet their needs, and often at a lower cost than in the past (Anderson & Markides, 2006). Prahalad (2009) acquiesces to the managerial practices that enhance awareness, access, affordability and availability as means to create atmospheres for innovation.

Shared value strategy as a strategic innovation tool targeted at low income markets ought therefore to deliver products that are affordable, acceptable, and available and ensure that persons at the bottom of the pyramid are aware of them. While Anderson & Markides (2006) applied the 4As while looking at bottom of the pyramid markets in Asia, South America and North Africa, it will be appropriate to utilize their metrics in assessing the capacity of shared value strategy to create value or not for persons at the bottom of the pyramid in Sub-Saharan Africa taking Kenya as a case study.

2.3 Synthesis of study objectives and literature reviewed

Since the study looks at the effect of share value on low income persons, the fortune at the bottom of the pyramid theory contextualizes shared value practice in low income markets and developing countries for a convenient assessment of its contribution. Whereas the fortune theory is only indicative of a market opportunity it does not delineate the strategy of exploiting the low-income markets opportunity. The study on strategic innovation at bottom of the pyramid markets on the other hand while looking at nature of products earmarked for low income markets focuses on geographical locations outside of Africa, yet it remains silent of the nature of strategic vehicle of realizing products for low income people.

This allows a convenient link for shared value strategy's assumption and assessment as a strategic innovation model for creating value in low income markets. In light of study objectives, the first objective looks at shared value levels as components as strategic innovation through which shared value innovations contribute to wellbeing of persons at the bottom of the pyramid, the second objective derives the product characteristics that enable contribution from empirical study in other low-income markets outside Africa and Kenya the third objective is assessed from the shared innovation cycle's iteration and the extent o which it contributes value creation in low income markets.

2.4 Research gap

Much research on bottom of the pyramid opportunities are biased towards multinationals seeking have fast mover advantages and growing their businesses globally. Determinants of successful outcomes of shared value innovations, especially in bottom of the pyramid markets, are imperceptible to persons external to respective companies. Shared value-based innovation's successes have also been published on corporate case studies, giving a skewed image of its impact. There is therefore a knowledge gap in objective comprehension of what determines the effect of shared value innovations on low income persons, the knowledge of which will help attain to best practices; for a greater exploitation of the shared value approach in creating value especially by local companies and in enhancing opportunity and wealth creation for low income persons.

2.5 Operationalizing variables

Given the specificity of shared value strategy as a strategic innovation model as per Anderson and Markides (2006), the contribution paths of shared value strategy will be paralleled to strategic

innovation gaps. Unique characteristics of shared value innovated products enabling value-add to persons at the bottom of the pyramid, will be determined by the four A's framework of success by Anderson and Markides (2006). From Porter & Hill's (2012) shared value innovation process, the frequency with which the company goes through the cycle and the number of resultant models/innovations of unlocking more value will form the third set of independent variables.

The dependent variable is the contribution to persons at the bottom of the pyramid as determined by as affected by levels of shared value, characteristics of shared value products and the shared value innovation cycle. This research will essentially replicate Anderson and Markides (2006) model, but with an addition of variables delineating the strategic innovation and looking at the long-term effect of the innovation cycle.

2.5.1 Variables definition

Independent variables

1) Shared value contribution path

- a) *New product***; refers a to innovation of new product whose product mix is aligned to targeted low income market.
- b) *Underserved market reach***; refers to an inadequately served low income market or a totally new market where the product offered were absent.
- c) *New value-chain***; refers to a redesigned value chain or a totally new value chain designed to cater for the low-income market.
- d) *New business cluster***; refers to locating the business close to sources of demand and supply of products.

2) Unique characteristics of shared value innovated product

- a) *Acceptability***; The extent to which the shared value model adapts the product/service to unique cultural, economic and demographic contexts of persons at the bottom of the pyramid.
- b) *Availability***; The extent to which the shared value model makes the product/service accessible to persons at the bottom of the pyramid despite logistical hurdles arising from population sparseness, geographical and technological challenges.
- c) *Affordability***; Given the low and uneven disposable incomes of persons at the bottom of the pyramid, the level of alignment of wholesome product offering in terms of pricing and payment terms to the unique economic abilities and financing needs of poor persons, the more efficacious it will be since persons at the bottom of the pyramid are price elastic.

d) **Awareness;** Clearness of communication is essential in erudition of potential beneficiaries on social value to be created and how. Effectiveness in communication will ensure maximum utilization of the model and create feedback mechanisms that will facilitate unlocking of more value.

3) Shared value innovation cycle

a) **Frequency of innovation cycle:** this refers to the number of times the company goes over the innovation process in a year.

b) **Resultant models in each cycle:** this refers to number of new models created at the end of each cycle.

c) **Model longevity:** refers to whether an entirely new model is created or the old one is maintained. How long a model lasts in-order to deliver value.

Dependent Variables

Contribution to persons at the bottom of the pyramid

a) **Access;** refers to the ease of reach, purchase and use of product by persons at the bottom of the pyramid. It is influenced by ability to buy a product at a set price, package and location. That low-income persons can get what they want, at offered price and in prescribed quantity.

b) **Job creation;** refers to job opportunities created for persons at the bottom of the pyramid whether direct or indirect because of innovation through shared value.

c) **Entrepreneurial opportunities;** refers to business opportunities created for persons at the bottom of the pyramid because of innovation through shared value.

2.6 Conceptual framework

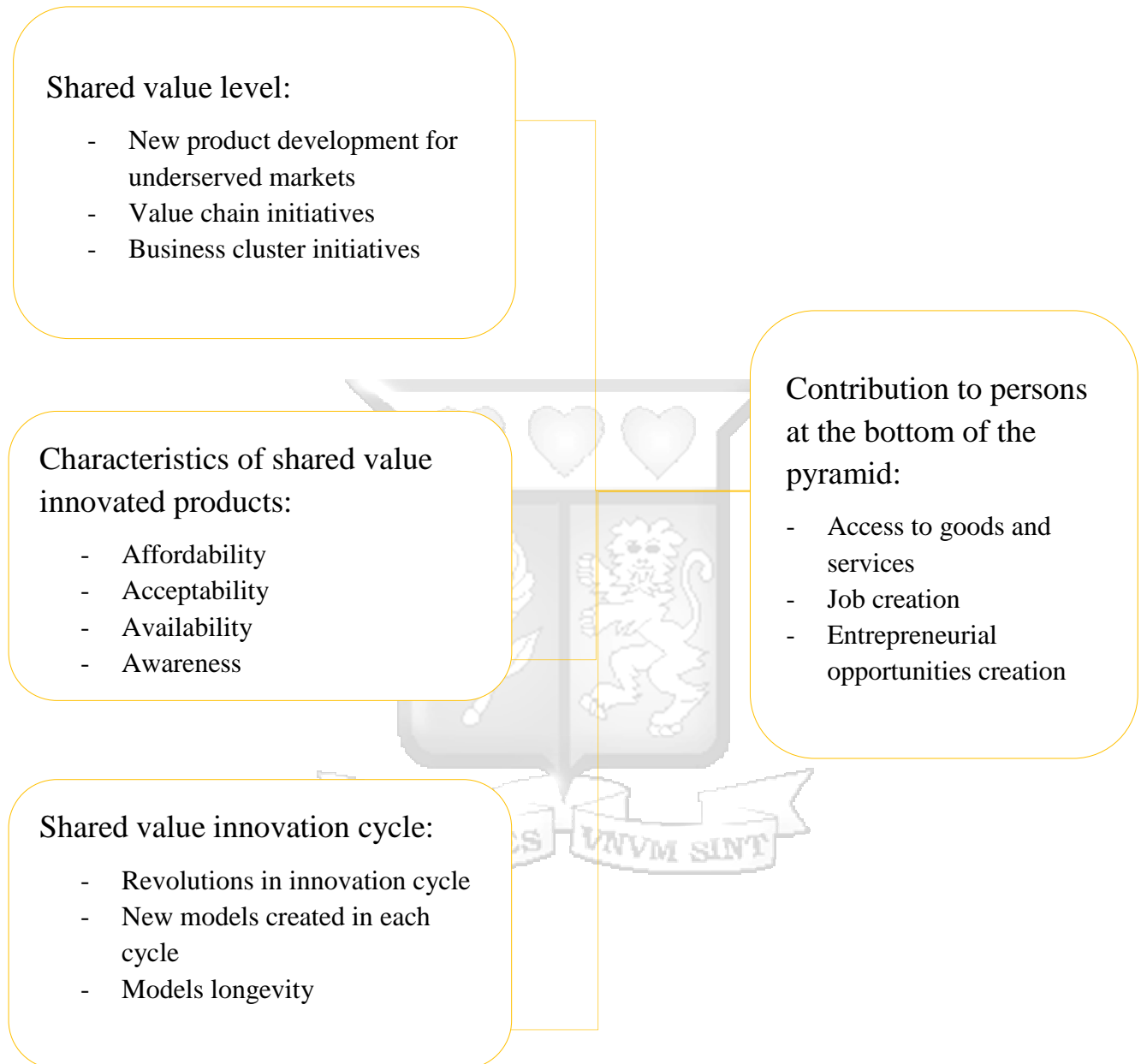


Figure 2.1: Conceptual Framework.

CHAPTER 3: RESEARCH METHODOLOGY

3.1 The research design

This was a survey that sought to identify the determinants of shared value innovation's contribution to lives of persons at the bottom of the pyramid through its concurrent business value and social value creation. It was a quantitative study utilizing a structured questionnaire that collected perceptions from corporate representatives on shared value attributes effect on value creation. Respondents were persons working at companies that were identified as providing shared value innovated products and hence charged with responsibilities of either innovating, executing, evaluating or monitoring shared value-based projects. Respondents were obtained from a spectrum of Chief Executive Officers, Senior Managers and Divisional Heads.

3.2 Population & sampling

The study was on a whole of population of 40 companies operating in Kenya and that practiced shared value. The companies were either local or subsidiaries of multinationals operating from Nairobi and that have business models serving persons at the bottom of the pyramid. The companies were identified through listing of companies published in shared value community publications. In some cases, companies were picked from global rankings that designated companies as changing the world through shared value innovations. The study received 23 responses whose adequacy was tested using the Kiaser-Mayer-Olin (KMO) and Bartlett's tests for sampling adequacy and variable significance. The population consisted of diverse firms especially in finance, health, food, energy and information technology services.

3.3 Data collection methods

Data collection was made through questionnaires sent online or administered in-print. Face to face meetings were held to explain the nature and use of research findings. The meetings were a key instrument in negotiating access and following the meeting most respondent preferred to complete the online questionnaire which was promptly administered. The questionnaire utilized Likert scales of 1 to 5 in collecting perceptions in a quantitative way.

3.4 Data analysis

As the research involved several variables outputted in the form of ordinal data, a multivariate data analysis approach was taken. The variable reduction method of exploratory factor analysis was

utilized. The principle component analysis was carried out to determine the most significant variables based on the Eigen values. Descriptive analysis was also done. All the research questions were analyzed using the same statistical models. A statistical analysis software in addition to Excel spreadsheets aided the data analysis process. Following the tabulation, charting and computations, patterns and relations between variables were identified and subsequently interpreted.

3.5 Research quality

3.5.1 Validity

The findings of this research represent the practice of shared value in Kenya. The questionnaire was designed in a manner that it was easy to understand and therefore collect accurate data. The analysis produced consistent results that were a true reflection of the shared value phenomena.

3.5.2 Reliability

The research output from analysis produced consistent results given that the measures were consistent on all dependent variables and the method of analysis gave consistent results.

3.5.3 Objectivity of the research

Respondents freely answered questions to the best of their knowledge, understanding and experience in their practice of shared value. Interpretation of results was made on basis of output from analysis. The researcher approached the study with an open mind and did not therefore carry a bias nor attempt to influence respondents.

3.6 Ethical issues in research

This research accorded due respect in keeping with human dignity especially in discussing matters relating to persons in the low-income segment who normally tend to be looked down on. The study received a positive ethical review by Strathmore University's Ethical Review Board. High level confidentiality was observed in data collection, storage, analysis and reporting of information.

CHAPTER 4: ANALYSIS OF FINDINGS

4.1 Introduction

The study targeted a population of 40 companies identified as practicing shared value in Kenya. The companies were either local or multinational but with operations in Kenya and headquartered in Nairobi. Adequacy of sampling was guided by the KMO and Bartlett's test for sphericity that required 5 to 10 cases per variable. The study received 23 responses and in all measures the sample attained the minimum required data for factor analysis.

The three attributes of the dependent variable in the conceptual framework namely; access to goods and services, job creation and entrepreneurial opportunities creation, accorded a three-pronged analysis in establishing the contribution of shared value to bottom of the pyramid persons. The analysis has two main sections with the second having analysis aligned to the three dependent attributes.

Given the reduction approach of factor analysis process, only relevant attributes of independent variables are considered hence the need to present the results and follow on discussion from the affected dependent variable and its relevant respective independent influencer.

4.2 Descriptive Summary of Respondents

The respondents ranged from middle to senior level management with a majority falling under the middle management level as per table 4.1 below. However, 39% of the men were from senior management category in most companies. Men constituted 65% of the respondents and also happened to hold 43% of the roles in local companies. Most respondents were from locally incorporated companies while most women held roles at multinational companies.

Table 4.1 Gender, managerial roles and company locations

	Male	Female	Senior Management	Middle Management	Local	Multinational
Male	65%	0%	39%	26%	43%	22%
Female	0%	35%	9%	26%	9%	26%
Total	65%	35%	48%	52%	52%	48%

As per figure 4.1 below most respondents were from utility companies at 39% followed closely by respondents working in educational services companies at 21.7%, and in third position health,

agribusiness and communication, all at 8.7%. Beverage, finance and motor vehicle industries were also represented at 4.3% each.

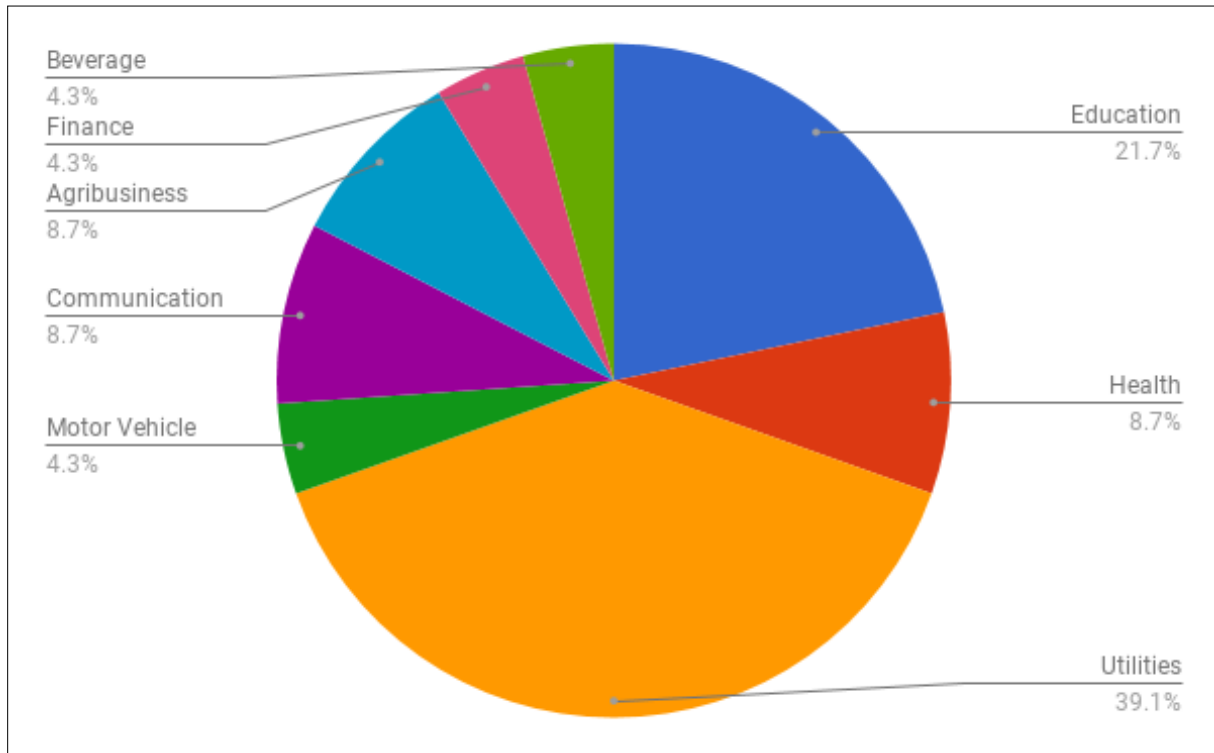


Figure 4.1 Distribution of respondents across industry

4.3 Dependent variable assessment

The ranking of a business priorities among the companies indicated that access to goods and services, job creation and entrepreneurial opportunities creation for persons at the bottom of the pyramid were identified by most respondents as extremely important as per table 4.2 below.

Table 4.2: Rank of dependent variables in order of importance at the bottom of the pyramid markets

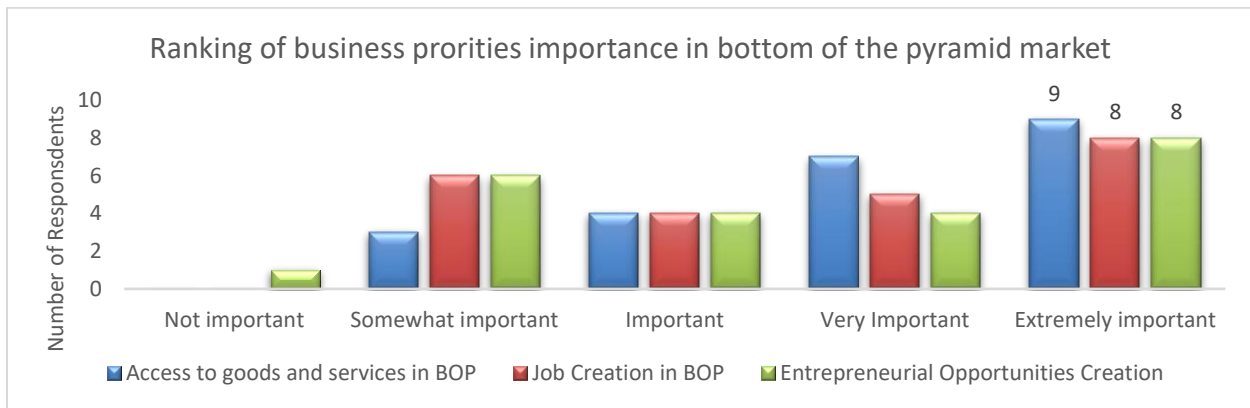
	Access to goods and services	Job creation	Entrepreneurial opportunities creation	Max	Median	Mean
Not important	0	0	1	1	0	0
Somewhat important	3	6	6	6	3	3
Important	4	4	4	4	4	2
Very Important	7	5	4	7	4	3
Extremely important	9	8	8	9	8	5
Skewness	-0.03	-0.88	-0.12			

As most of the responses were negatively skewed as per kurtosis coefficients in table 4.2, the researcher observed that most companies consider access to goods and services, job creation and

entrepreneurial opportunities creation when strategizing on how to create value from persons at bottom of the pyramid.

Figure 4.2 below demonstrates that the business priorities were important with all of them being considered as extremely important. Hence any company intending to create and appropriate concurrent business and social value at the bottom of the pyramid market ought to prioritise access to goods and services, job creation and entrepreneurial opportunities creation.

Figure 4.2: Rank of business priorities in order of importance at bottom of the pyramid markets



Most respondents also indicated that shared value strategy was very important in enhancing the companies’ competitiveness in bottom of the pyramid markets as per table 4.3.

	Not important	Somewhat important	Important	Very Important	Extremely important	Max
Shared Value strategy capacity to enhance business competitiveness at bottom of the pyramid markets	1	3	4	9	6	9

Table 4.3: Importance of shared value strategy in enhancing companies’ competitiveness

Given the reduction approach of factor analysis process, only relevant attributes of independent variable are considered hence the need to present the results and follow on discussion from the affected dependent variable and its relevant respective independent influencer.

4.4 Shared value innovation’s effect on access to goods and services

4.4.1 Descriptive analysis

The frequency distribution table below demonstrates the tally of perceptions on shared value attributes contribution, with respect to shared value strategy’s effect on access to goods and services by persons at the bottom of the pyramid.

Where: *Np1* (New product development for underserved markets), *Vc1* (Value chain initiatives), *Bc1*(Business cluster initiatives), *Af1* (Affordability), *Ac1*(Acceptability), *Av1*(Availability), *Aw1*(Awareness), *Nr1* (No. of revolutions in the innovation cycle), *Rm1*(No. of resultant models) and *Lm1*(Longevity of models).

	Np1	Vc1	Bc1	Af1	Ac1	Av1	Aw1	Nr1	Rm1	Lm1	Max	Median	Mean
No effect	0	0	0	0	0	1	1	2	0	0	2	0	0
Low effect	3	3	3	3	2	1	0	1	4	2	4	3	2
Moderate effect	5	9	7	8	5	6	6	10	8	9	10	8	7
High effect	10	8	9	6	9	10	10	7	8	6	10	9	8
Very high effect	5	3	4	6	7	5	6	3	3	6	7	5	5
	23	23	23	23	23	23	23	23	23	23			

Table 4.4: Tally of perceptions on shared value attributes contribution with respect to shared value strategy's effect on access to goods and services by persons at the bottom of the pyramid.

The mean and median as per table 4.4 above are largest on the high effect perception, hence the observation that most respondents perceive the shared value strategy to have high effect on access to goods and services by bottom of the pyramid persons. New product development for underserved markets, product availability and product awareness received a high rank as being of high effect by 10 respondents in each. However, the number of revolutions on the innovation cycle was perceived by 10 respondents to have a moderate effect.

Figure 4.3: Shared value's effect on access to goods and services

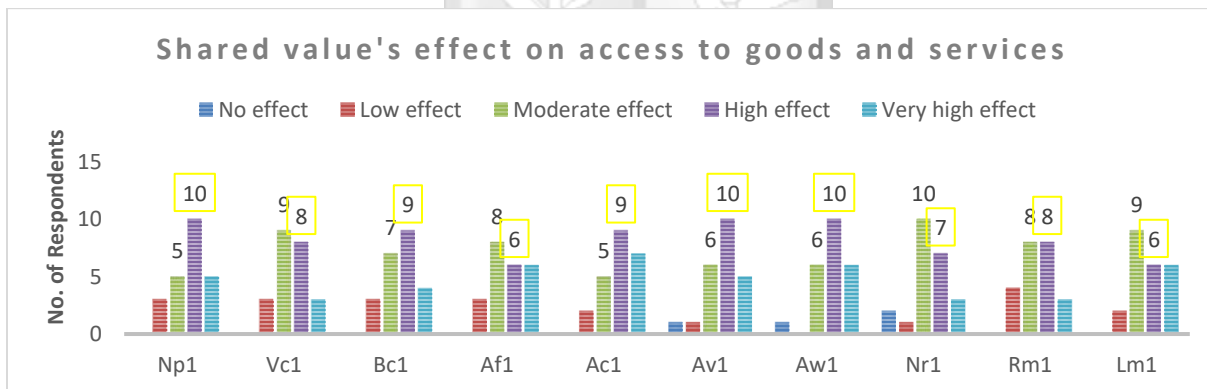


Figure 4.3 gives a graphical comparison of the perceived effect of shared value attributes on access to goods and services. Most attributes obtained either moderate or high effect, however going by the median and mean of 9 and 8 in table 4.4 respectively, the researcher observed that the attributes had high effect on access to goods and services.

4.4.2 Factor analysis

The sample met the required Kaiser-Meyer-Olkin (KMO) and Bartlett's measure of sampling adequacy and attributes significance at 0.747 and 0.00 respectively against the required minimum of 0.6 for KMO measure and less than 0.05 for Bartlett's test of significance as per table 4.5 below.

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.747
Bartlett's Test of Sphericity	Approx. Chi-Square	171.968
	df	45
	Sig.	.000

Table 4.5 KMO and Bartlett's measure of sampling adequacy for data on effect of attributes on access to goods and services

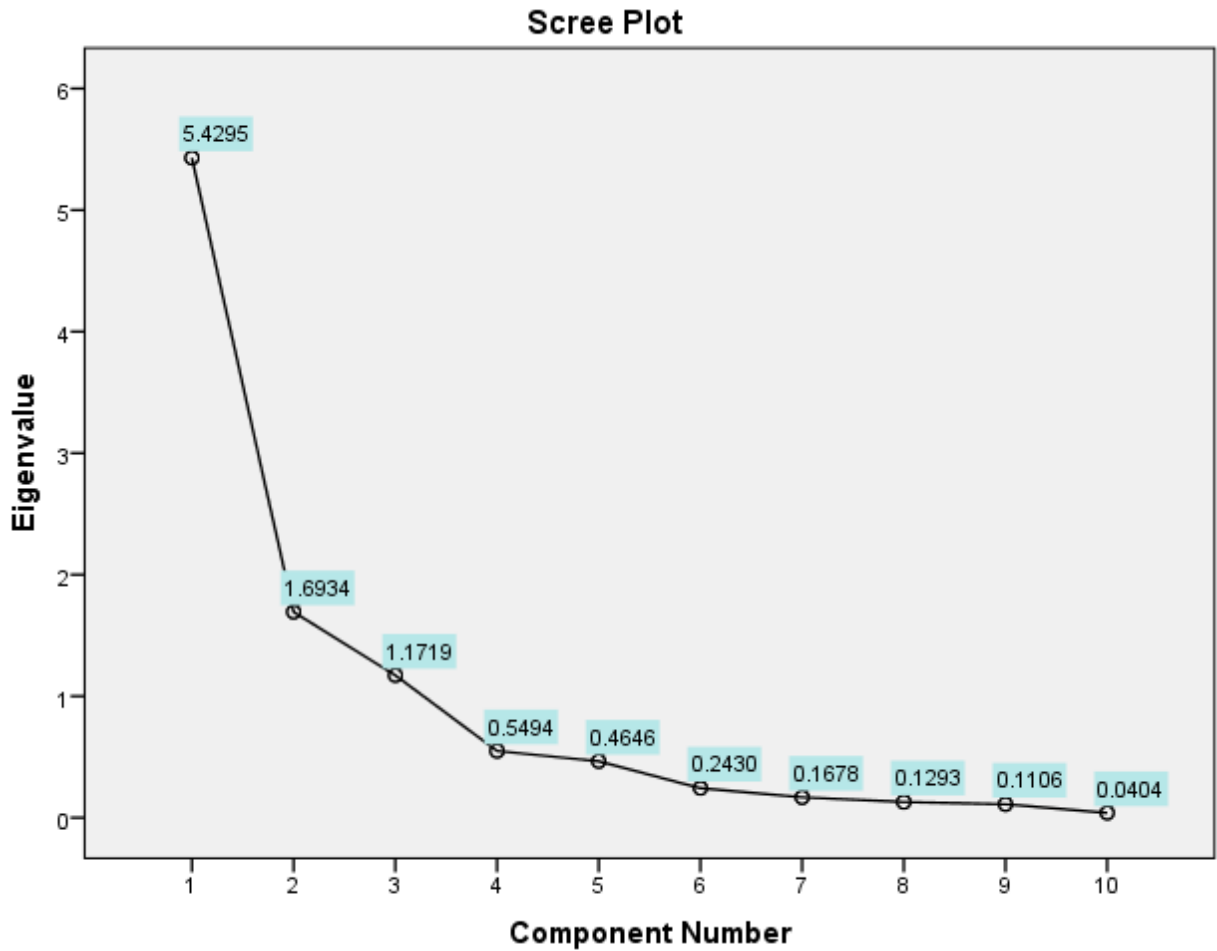
The cumulative proportion of 82.95% variation as per table 4.6 below is determined by three attributes namely: new product development for underserved markets, value chain initiatives and business cluster initiatives, which have Eigen values greater than 1.

Table 4.6: Principal component analysis of attributes effect on access to goods and services

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
New product development	5.430	54.295	54.295	5.430	54.295	54.295	3.311	33.108	33.108
Value chain initiatives	1.693	16.934	71.229	1.693	16.934	71.229	2.869	28.686	61.794
Business cluster Initiatives	1.172	11.719	82.948	1.172	11.719	82.948	2.115	21.154	82.948
Affordability	.549	5.494	88.442						
Acceptability	.465	4.646	93.088						
Availability	.243	2.430	95.518						
Awareness	.168	1.678	97.196						
Number of revolutions on innovation cycle	.129	1.293	98.489						
Number of resultant models	.111	1.106	99.596						
Longevity of models	.040	.404	100.000						
Extraction Method: Principal Component Analysis.									

The 82.95% cumulative proportion of variation in table 4.6 above implies that greater or less contribution of shared value strategy to access of goods and services is to a considerable extent explained by three attributes of new product development, value chain initiatives and business cluster initiatives that had eigen values greater than 1 as indicated on the scree plot in figure 4.4 below.

Figure 4.4: Scree plot of Eigen values of attributes effect on access to goods and services



Based on similarity in variation as per rotated component matrix on table 4.7 below, the three attributes are clustered under the shared value level factor.

Table 4.7: Rotated component matrix of attributes effect on access to goods and services

Rotated Component Matrix: Varimax rotation with Kaiser Normalization.					
	Component			Underlying factor	Proportion of variation
	Factor1	Factor2	Factor3		
Availability	.896			Product mix	14.25%
Affordability	.867				
Awareness	.850				
Acceptability	.822				
Number of resultant models		.908		Innovation cycle	2.75%
Number of revolutions on innovation cycle		.888			
Longevity of models		.839			
Value Chain Initiatives			.830	Shared value level	82.95%
New Product Development			.806		
Business Cluster Initiatives			.693		
Extraction Method: Principal Component Analysis.					

As per table 4.7 above, factor loadings clustered attributes with similar characteristics, hence underlying factors were delineated as: Factor 1 attributes that relate to the product mix of a shared value product mix, Factor 2 attributes relate to shared value innovation cycle and Factor 3 three attributes relate to the shared value levels. The exploratory factor analysis therefore reduced the ten attributes to three factors as per table 4.7 above, with the shared value level factor bearing the most significant given is proportion of variance at 82.95%.

Companies intending to profitably enhance access to goods and services to persons at the bottom of the pyramid will therefore have to target underserved markets with new products, redesign the value chain and ensure that businesses are near service providers and customers. As per table 4.6 resource allocation could therefore be guided by the respective variation of 54.30% for new product development, 16.93% for value chain initiatives and 11.72% for business cluster initiatives to enhance access to goods and services by persons at the bottom of the pyramid.

4.5 Shared value innovation's effect on job creation

4.5.1 Descriptive analysis

The frequency distribution table below demonstrates the tally of perceptions on shared value attributes contribution with respect to shared value strategy's effect on job creation to persons at the bottom of the pyramid.

Where: Np2 (New product development for underserved markets), Vc2 (Value chain initiatives), Bc2(Business cluster initiatives), Af2 (Affordability), Ac2(Acceptability), Av2(Availability), Aw2(Awareness), Nr2 (No. of revolutions in the innovation cycle), Rm2(No. of resultant models) and Lm2(Longevity of models).

	Np2	Vc2	Bc2	Af2	Ac2	Av2	Aw2	Nr2	Rm2	Lm2	Max	Median	Mean
No effect	0	0	0	0	0	0	0	0	0	0	0	0	0
Low effect	3	3	3	3	3	1	3	5	4	5	5	3	3
Moderate effect	5	9	7	10	11	9	8	8	10	8	11	9	9
High effect	10	8	9	5	5	8	9	6	6	4	10	7	7
Very high effect	5	3	4	5	4	5	3	4	3	6	6	4	4
	23	23	23	23	23	23	23	23	23	23			

Table 4.8: Tally of perceptions on shared value attributes contribution with respect to shared value strategy's effect on job creation to persons at the bottom of the pyramid.

The mean at 9 and median at 9 as per table 4.8 above are largest on the moderate effect perception, hence the observation that most respondents perceive the shared value strategy to have moderate

effect on job creation to persons at the bottom of the pyramid. Most respondents in table 4.8 above indicated that affordability, product acceptability and number of resultant models from the innovation cycle have moderate effect as per to 10, 11 and 10 responses respectively. However, new product development for underserved markets was perceived by 10 respondents to have a high effect on job creation.

Figure 4.5: Shared value's effect on job creation

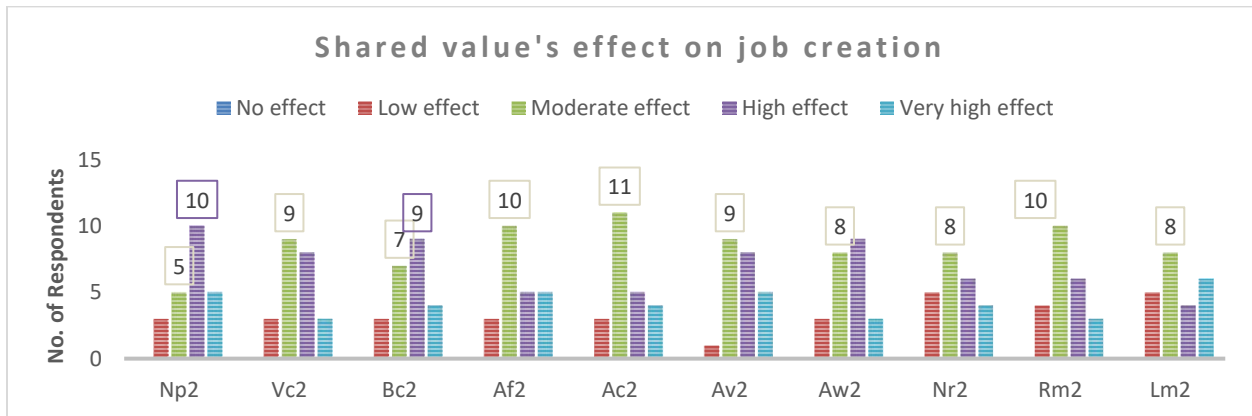


Figure 4.5 gives a graphical comparison of the perceived effect of shared value attributes on job creation to persons at the bottom of the pyramid. Most attributes obtained responses as being of moderate effect as also expressed by the max, median and mean of 11, 9 and 9 respectively in table 4.8 respectively.

4.5.2 Factor analysis

The sample met the required Kaiser-Meyer-Olkin (KMO) and Bartlett's measure of sampling adequacy and attributes significance at 0.766 and 0.00 respectively against the required minimum of 0.6 for KMO measure and less than 0.05 for Bartlett's test of significance as per table 4.9 below.

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.766
Bartlett's Test of Sphericity	Approx. Chi-Square	167.583
	df	45
	Sig.	.000

Table 4.9: KMO and Bartlett's measure of sampling adequacy for data on effect of attributes on job creation

The cumulative proportion of 72.46% variation as per table 4.10 below is determined by new product development for underserved markets and value chain initiatives attributes which have Eigen values greater than 1. The two attributes are therefore significant. Business cluster initiatives attribute inched close to the minimum required Eigen value but fell short by 0.072.

Table 4.10: Principal component analysis of attributes effect on job creation

Total Variance Explained									
Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
New product development	5.446	54.457	54.457	5.446	54.457	54.457	3.510	35.102	35.102
Value chain initiatives	1.800	18.005	72.462	1.800	18.005	72.462	2.782	27.822	62.924
Business cluster Initiatives	.928	9.276	81.738						
Affordability	.581	5.809	87.547						
Acceptability	.430	4.298	91.845						
Availability	.382	3.817	95.662						
Awareness	.168	1.684	97.346						
Number of revolutions on innovation cycle	.128	1.280	98.626						
Number of resultant models	.085	.854	99.480						
Longevity of models	.052	.520	100.000						

Extraction Method: Principal Component Analysis.

The 72.46% cumulative proportion of variation in table 4.10 above implies that greater or less contribution of shared value strategy to job creation for persons at the bottom of the pyramid is to a considerable extent explained by new product development and value chain initiatives. The two attributes have Eigen values greater than 1 as demonstrated by the scree plot in figure 4.6 below.

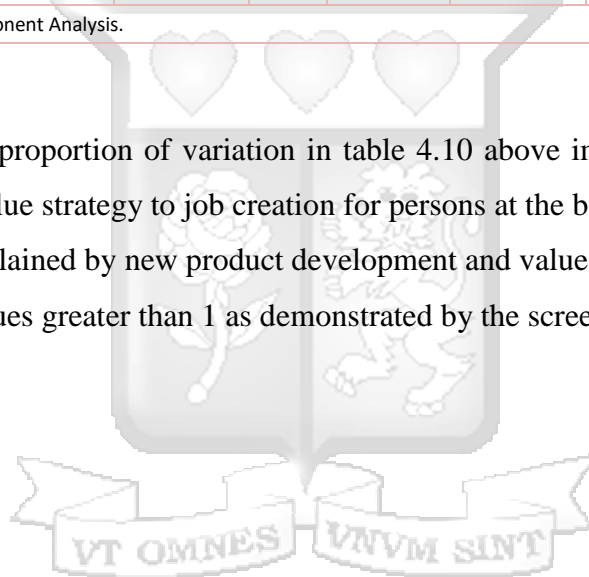
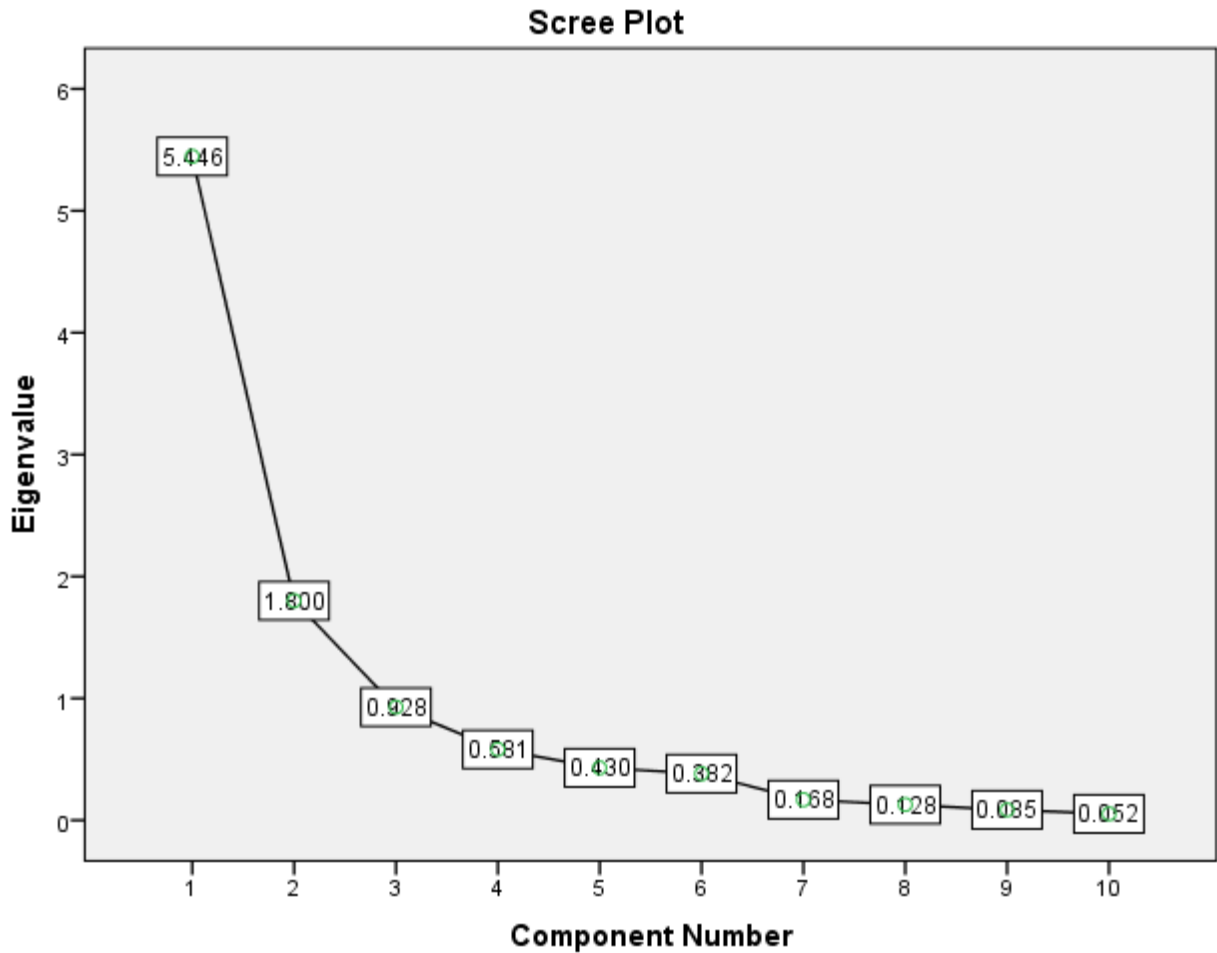


Figure 4.6: Scree plot of Eigen values of attributes effect on job creation



Based on their similarity in variation as per rotated component matrix on table 4.10, new product development and value chain initiative attributes are clustered under the shared value level factor. As per table 4.10 factor loadings clustered attributes with similar characteristics, hence underlying factors were delineated as: Factor 1 attributes relate to the product mix of a shared value product mix, Factor 2 attributes relate to shared value innovation cycle and Factor 3 three attributes relate to the shared value level. The exploratory factor analysis therefore reduced the ten attributes to three factors as per the table 4.10, with the shared value level factor bearing the most significant attributes.

Table 4.11: Rotated component matrix of attributes effect on job creation

Rotated Component Matrix: Varimax rotation with Kaiser Normalization.					
	Component			Underlying factor	Proportion of variation
	Factor1	Factor2	Factor3		
Acceptability	.923			Product mix	15.61%
Availability	.914				
Affordability	.865				
Awareness	.728				
Number of revolutions on innovation cycle		.921		Innovation cycle	2.65%
Number of resultant models		.908			
Longevity of models		.830			
Value chain initiatives			.882	Shared value level	81.74%
Business cluster Initiatives			.674		
New product development			.626		
Extraction Method: Principal Component Analysis.					

Companies intending to profitably create jobs for persons at the bottom of the pyramid will therefore have to create new products and redesign value chains. As per table 4.10, resource allocation could therefore be guided by respective variation of 54.46% for new product development and 18.01% for value chain initiatives to create more jobs for persons at the bottom of the pyramid.

4.6 Shared value strategy's effect on entrepreneurial opportunities creation

4.6.1 Descriptive analysis

The frequency distribution table 4.12 below demonstrates the tally of perceptions on shared value attributes contribution with respect to shared value strategy's effect on entrepreneurial opportunities creation to persons at the bottom of the pyramid.

Where: Np3 (New product development for underserved markets), Vc3 (Value chain initiatives), Bc3(Business cluster initiatives), Af3 (Affordability), Ac3(Acceptability), Av3(Availability), Aw3(Awareness), Nr3(No. of revolutions in the innovation cycle) , Rm3(No. of resultant models) and Lm3(Longevity of models).

	Np3	Vc3	Bc3	Af3	Ac3	Av3	Aw3	Nr3	Rm3	Lm3	Max	Median	Mean
No effect	1	1	1	0	0	0	0	0	0	0	1	0	0
Low effect	3	4	2	5	5	4	6	5	8	5	8	5	5
Moderate effect	6	6	8	4	8	7	3	7	4	5	8	6	6
High effect	10	5	10	6	5	9	9	6	6	8	10	7	7
Very high effect	3	7	2	8	5	3	5	5	5	5	8	5	5
	23	23	23	23	23	23	23	23	23	23			

Table 4.12: Tally of perceptions on shared value attributes contribution with respect to shared value strategy's effect on entrepreneurial opportunities creation to persons at the bottom of the pyramid.

According to table 4.12 above, the max, median and mean of responses are largest on the high effect perception, hence the observation that most respondents perceive the shared value strategy to have high effect on entrepreneurial opportunities creation to bottom of the pyramid persons. New product development and business cluster initiatives had responses of 10 respondents in each thus being the most preferred attributes. 9 respondents also closely perceived product acceptability and product awareness to have high effect on entrepreneurial opportunities creation.

Figure 4.7: Shared value's effect on entrepreneurial opportunities creation

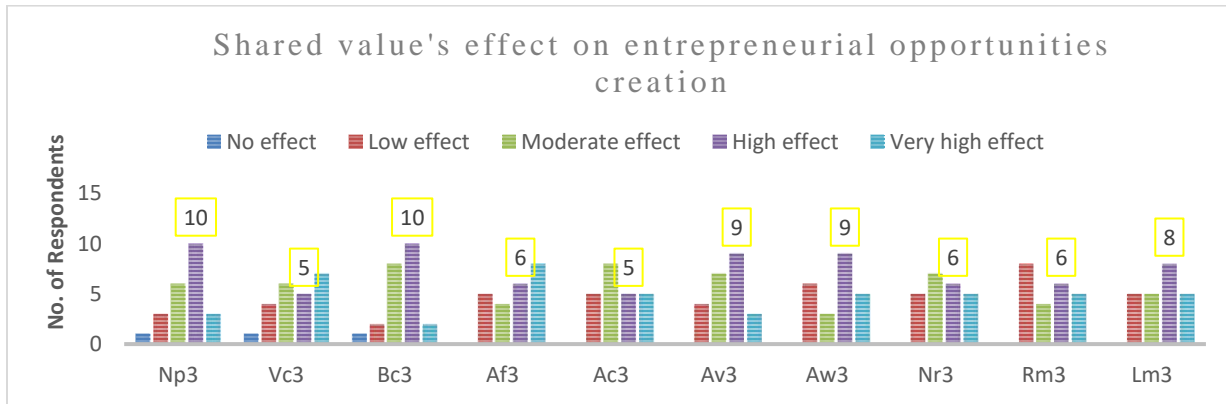


Figure 4.7 gives a graphical comparison of the perceived effect of shared value attributes on entrepreneurial opportunities creation to persons at the bottom of the pyramid. Most attributes obtained responses as of being of high effect especially by new product development, business cluster initiatives, availability and awareness. High effect is also manifest in the max, median and mean of responses at 10, 7 and 7 respectively in table 4.12 respectively.

4.6.2 Factor analysis

The sample met the required Kaiser-Meyer-Olkin (KMO) and Bartlett's measure of sampling adequacy and attributes significance at 0.835 and 0.00 respectively against the required minimum of 0.6 for KMO measure and less than 0.05 for Bartlett's test of significance as per table 4.13 below.

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.835
Bartlett's Test of Sphericity	Approx. Chi-Square	260.327
	df	45
	Sig.	.000

Table 4.13: KMO and Bartlett's measure of sampling adequacy for data on effect of attributes on entrepreneurial opportunities creation

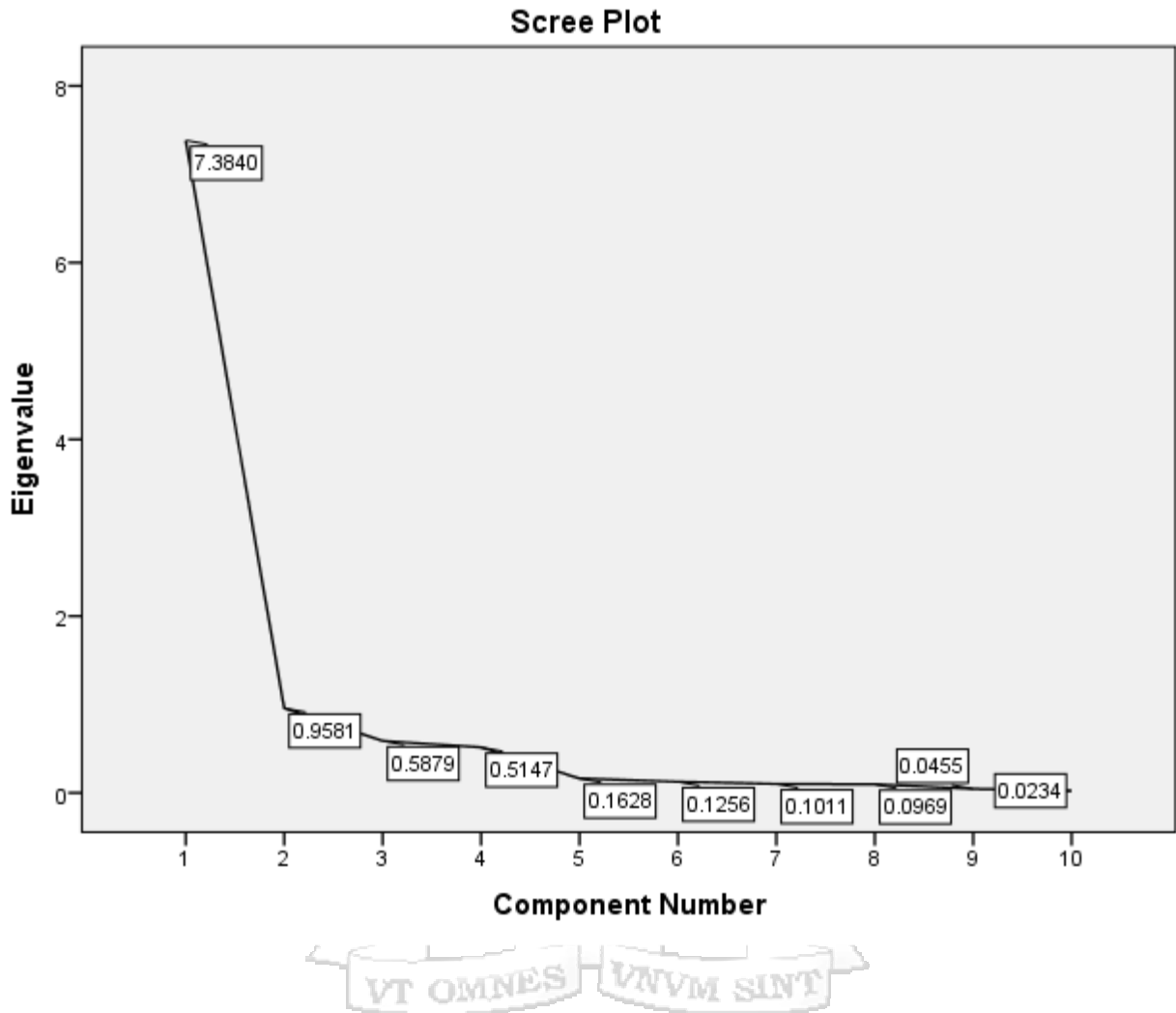
New product development for underserved markets attribute is most significant since it has an Eigen value of greater than 1 as per table 4.14 below. Its cumulative proportion of 73.84% in variation indicates that it has the greatest effect on entrepreneurial opportunities creation for persons at the bottom of the pyramid. This is also indicated in the scree plot in figure 4.8 below.

Table 4.14: Principal component analysis of attributes effect on entrepreneurial opportunities creation

Total Variance Explained									
Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
New product development	7.384	73.840	73.840	7.384	73.840	73.840	3.117	31.175	31.175
Value chain initiatives	.958	9.581	83.421						
Business cluster Initiatives	.588	5.879	89.300						
Affordability	.515	5.147	94.447						
Acceptability	.163	1.628	96.075						
Availability	.126	1.256	97.331						
Awareness	.101	1.011	98.342						
Number of revolutions on innovation cycle	.097	.969	99.310						
Number of resultant models	.046	.455	99.766						
Longevity of models	.023	.234	100.000						
Extraction Method: Principal Component Analysis.									

The shared value level factor bears the greatest proportion on variation on the model with the new product development attribute having the greatest effect as per table 4.14 above. The new product development attribute falls under the shared value level factor as per rotated component matrix in table 4.15 below. This is also indicated in the scree plot in figure 4.8 below.

Figure 4.8: Scree plot of Eigen values of attributes effect on entrepreneurial opportunities creation



In table 4.15 below, factor loadings clustered attributes with similar characteristics, hence underlying factors were delineated as: Factor 1 attributes relate to shared value innovation cycle, Factor 2 attributes relate to shared value level, Factor 3 attributes relate to the products feasibility in the market and Factor 4 attribute relates to product presence either perceptual or physical. The exploratory factor analysis therefore reduced the ten attributes to four factors as per table 4.15 below, with the shared value level factor being the most significant given its proportion of variance at 89.30%.

Table 4.15: Rotated component matrix of attributes effect on entrepreneurial opportunities creation

Rotated Component Matrix: Varimax rotation with Kaiser Normalization.							
	Component				Underlying factor	Proportion of variation	
	Factor 1	Factor 2	Factor 3	Factor 4			
Longevity of model	.898				Innovation cycle	1.66%	
Number of resultant Models	.879						
Number of revolutions	.818						
New product development for underserved markets		.877			Shared value level	89.30%	
Business cluster initiatives		.689					
Value Chain Initiatives		.662					
Acceptability			.909		Product Feasibility	6.77%	
Affordability			.745				
Availability				.794	Product Presence	2.77%	
Awareness				.777			
Extraction Method: Principal Component Analysis.							
a. Rotation converged in 5 iterations.							

Companies intending to profitably create entrepreneurial opportunities to persons at the bottom of the pyramid will therefore have to target underserved markets with new products. As per table 4.14 resource allocation could therefore be guided by the respective variation of 73.30% for new product development, 16.93% for value chain initiatives and 11.72% for business cluster initiatives in order to enhance access to goods and services by persons at the bottom of the pyramid.

4.7 Summary of findings

This eventual relationship between dependent and independent variables can be expressed in the effect matrix in table 4.16 below. This is the resultant effect of attributes after factor reduction. Given the reduction approach of factor analysis process, only relevant attributes of independent variables are considered hence the results were presented from the affected dependent variable attributes and their respective independent influencer in sections 4.3, 4.4 and 4.5 of Analysis of findings chapter.

The three independent factors as outlined by objectives and respectively reflected in the conceptual framework were reduced to the shared value level factor whose attributes were found to have major influence on contribution to various components of wellbeing of low income persons in varying degrees as per the effect matrix in table 4.16 below.

Table 4.16: Cross tabulation of shared value levels effect on shared value contribution attributes

	Access to Goods and Services	Job Creation	Entrepreneurial Opportunities Creation
New product development for underserved markets	Yes	Yes	Yes
Value Chain Initiatives	Yes	Yes	-
Business Cluster Initiatives	Yes	-	-

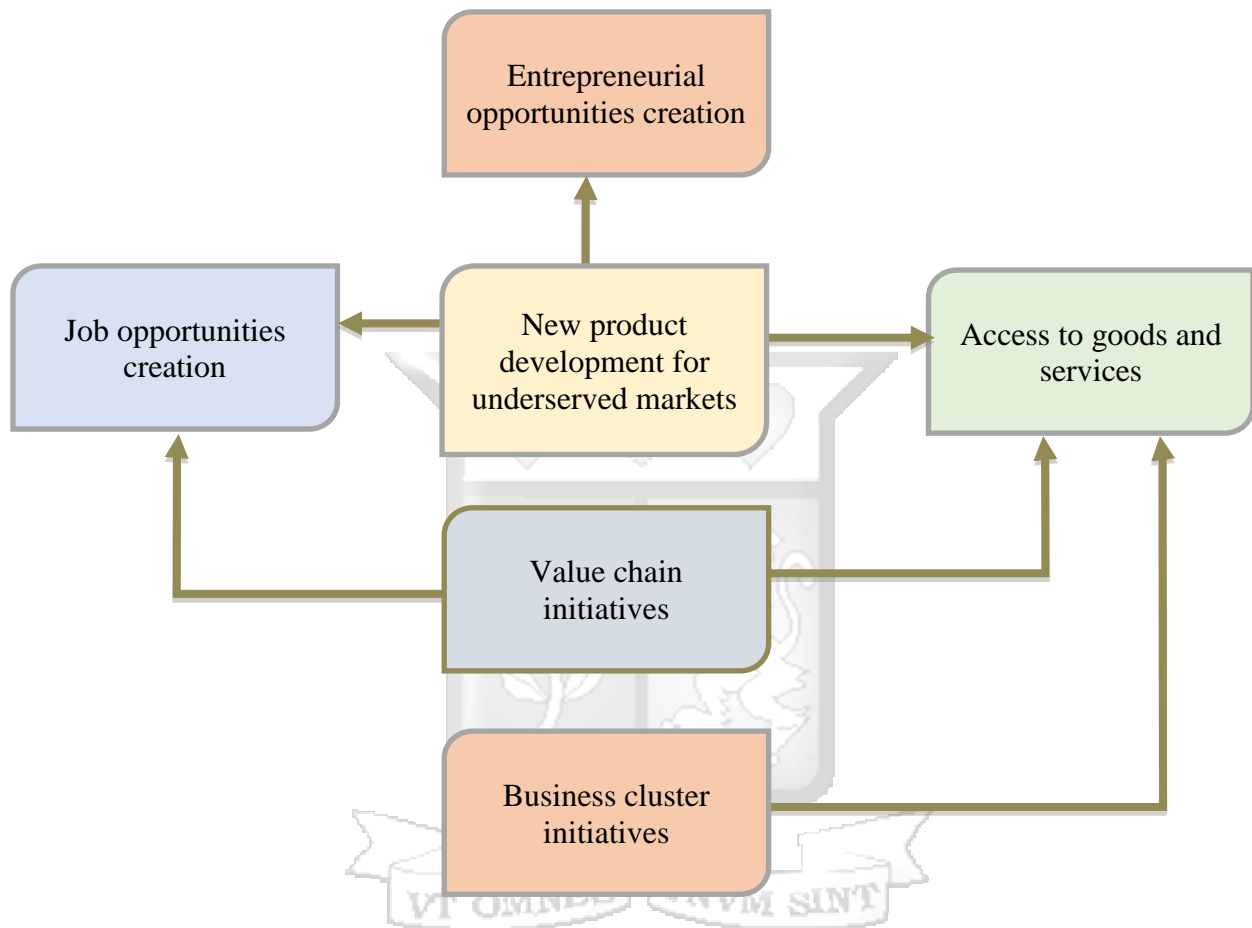
This study therefore did not identify product characteristics of shared value innovated products as indicated by the second objective as having a contribution to well being of low income persons and that the shared value innovation cycle as per objective three likewise is of no significance in considering contribution of shared value to low income persons.

The findings provide the following deductions:

- I. If a company intends to utilise shared value strategy as its innovation instrument in enhancing **access of goods and services** to persons at the bottom of the pyramid, it must invest more resources on new product development, value chain development and in developing business clusters.
- II. If a company intends to utilise shared value strategy as its innovation instrument in **creating job opportunities** to persons at the bottom of the pyramid, it must invest more resources on new product development for underserved markets and redesign its value chain.
- III. If a company intends to utilise shared value strategy as its innovation instrument in **creating entrepreneurial opportunities** for persons at the bottom of the pyramid, it must invest more resources on new product development.

The three conclusions above are graphically expressed in the shared value effect framework in figure 4.9 which has been derived from the study findings tabulated in table 4.16.

Figure 4.9: Effect model for shared value innovation at the bottom of the pyramid



From the derived model in figure 4.9, it can be surmised that if a company invests in new product development only, it will realize a threefold contribution to low income persons, unlike investing in value chain development and business clustering that only realize twofold and onefold gains respectively.

CHAPTER 5: DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1 Discussion

5.1.1 Levels of shared value innovation

The analysis demonstrates that shared value's effect on access to goods and services, job creation and entrepreneurial opportunities creation is to a considerable extent determined by the shared value level which was identified as one of the underlying factors. The shared value level factor accounted for significant proportions of variation in shared value's contribution to access to goods and services, job creation and entrepreneurial opportunities creation at 82.95%, 81.74%, and 89.30% as per rotated component matrix in tables 4.7, 4.11 and 4.15 respectively. Shared value level factor is therefore the most significant factor in the conceptual framework.

The shared value level factor consists of new product development for underserved markets, value chain initiatives and business cluster initiatives. From the analysis, new product development for underserved markets is a cross cutting attribute for social value creation in the form of access to goods and services, job creation and entrepreneurial opportunities creation. Value chain initiatives affects both access to goods and services, and job creation. Business cluster initiatives only helps to enhance access to goods and services. The findings indicate that access to products, job creation and entrepreneurial opportunities creation, indicated as extremely important priorities in table 4.2, can be realized by focusing on the shared value innovation levels, and especially by investing more on new product development for underserved markets.

The derived model in figure 4.9 indicates that shared value innovation can be a means of creating wealth in bottom of the pyramid economies, especially by creating new products targeted at underserved markets. While the bottom of the pyramid theory by Prahalad (2002) only indicates the fortune, shared value innovation develops both product and market, and therefore creates and appropriates dual value that is mutually beneficial to the company and society in the long-term.

By seeking to align product development to societal needs, businesses can create more opportunities for market growth, technology advancement, profitability and competitiveness. Companies are therefore more likely to attain the fast mover advantage and attain more loyalty in the long-term than if they were applying one off corporate social responsibility initiatives.

5.1.2 Shared value product characteristics

The reductive process of the exploratory factor analysis reflected an insignificant effect of shared value product characteristics on contribution to wellbeing of persons at the bottom of the pyramid. The underlying factor identifying with the attributes of shared value products innovated for bottom of the pyramid is the product mix expressed in affordability, acceptability, availability and awareness. The principal component analysis indicated the product mix factor as only accounting for 15.75%, 14.28%, and 9.54% of goods and services access, job creation and entrepreneurial opportunities creation variation respectively, as per respective rotated component matrix tables 4.7, 4.11 and 4.15 respectively.

In all component matrix tables, none of the product mix attributes of affordability, acceptability, availability and awareness attained an eigen value greater than 1, hence the conclusion that they are insignificant as shared value innovation attributes. The four attributes which were suggested by Anderson & Markides (2006) in their four A framework as key features for a product to compete in bottom of the pyramid market, were not identified as unique characteristics of a shared value product necessary for the innovation to make contribution to persons at the bottom of the pyramid.

5.1.3 Shared value innovation cycle

Shared value innovation cycle attributes accounted for a variation of 2.75%, 2.65% and 1.66% on access to goods and services, job creation and entrepreneurial opportunities creation variation respectively, as per respective rotated component matrix tables in the analysis. None of the shared value innovation cycle attributes of number of innovation cycles, number of resultant models from each cycle nor longevity of resultant models attained an eigen value greater than 1, hence the conclusion that they are insignificant as shared value innovation attributes. The shared value innovation cycle factor has an insignificant effect on the contribution of shared value to persons at the bottom of the pyramid.

5.2 Conclusions

82.9% of contribution to access of goods and services is accounted for by shared value level variables consisting new product development for underserved markets, value chain initiatives and business cluster initiatives.

72.46% of contribution to job creation is accounted for by new product development for underserved markets and value chain initiatives variables, both of which are shared value level variables. When the business cluster variable that attained a reasonably significant eigen value of 0.928 is added, all the shared value level variables account for 81.74% of contribution to job opportunities creation.

73.84% of contribution to entrepreneurial opportunities creation is accounted for by new product development for underserved markets, a shared value level factor variable. When the value chain initiatives variable that attained a reasonably significant eigen value of 0.958 is added, the two shared value level variables account for 83.42% of contribution to entrepreneurial opportunities creation.

Hence the key determinants of shared value innovation's contribution to persons at the bottom of the pyramid are the shared value level variables, in the order of new product development for underserved markets, value chain initiatives and lastly business cluster initiatives as per their proportionate effect reflected in factor analysis and respective eigen values.

5.3 Recommendations: Managerial implications

Any company intending enable access of its goods and services in low income markets does not have to subsidize its products or cut back on profits in order to make them affordable, acceptable, and available as postulated by Anderson and Markides (2006); all it needs to do is to invest more in developing new products that meet the needs of the new markets and further creates opportunity for employment and private enterprise along its distribution value chain.

To better reach underserved markets, companies should open to cocreation of new products through community participation in idea generation, product test runs and identifying ways through which the market can be capacitated for growth and greater mutual benefits. For competitive advantaged to be attained, the shared value innovations should be an opportunity creator of win – win value propositions. This will assure long-term growth and profitability, coupled with long-term customer loyalty.

Job creation and entrepreneurial opportunities creation are means of creating a long-term demand through increased disposable income which leads to greater consumption of and loyalty to a company's products. The perception of the 4 billion persons bottom of the pyramid as a ready

market by Prahalad (2002) is deceptive since the fortune must be actuated through innovative business models which precipitate it for appropriation. Offering cheap and lower quality products to low income persons is not a sustainable competitive approach; at the least it is an exploitative conventional business approach. More attention needs to be paid to wealth creation through scalable shared value innovations if the business sector is to be instrumental in bringing low income persons out of poverty.

5.4 Recommendations: Implications for future research

The research is exploratory in nature and therefore not empirically conclusive. Further research needs to be done to investigate identified variables. Application of predictive research models utilizing the identified variables will help to quantitatively estimate the contribution of key shared value determinants.

A confirmatory factor analysis needs to be done on effect of new product development for underserved markets. Having reduced the variables through the exploratory analysis, a study that is more reflective on the practice, for example case studies, will shed more light on local shared value experiences.

Shared value innovations are secretly guarded by corporations as intellectual property hence the challenge in obtaining deep insights especially among multinationals. Most managers presented with the questionnaire did not respond even after having meetings to pacifying them with the argument that their responses will be aggregated and no mention or reference was to be made to persons or corporations. This made data collection a lengthy and tedious process that did not realise as many respondents as anticipated.

The researcher also observed that shared value strategies among multinationals were driven by senior executives sitting in corporate headquarters and despite knowledge of the same among local business managers, many may did not have a holistic perspective of it, especially where it related to benefiting the local poor.

The contemporary nature of the research also implies that despite its practice, many managers are not accustomed to its jargon. This made the technical business language a barrier. This was however, circumvented through face to face meeting.

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Appendix I: Letter of Introduction



Strathmore Business School

Thursday, 04 May 2017

To Whom It May Concern.

Dear Sir/ Madam,

RE: FACILITATION OF RESEARCH – ANTHONY KIMONDO KARUIRU

This is to introduce Anthony Karuiru, who is a Master of Business Administration student at Strathmore Business School, admission number **MBA/82014/14**. As part of our MBA Program, Anthony is expected to do applied research and to undertake a project. This is in partial fulfillment of the requirements of the MBA course. To this effect, he would like to request for appropriate data from your organization.

Anthony is undertaking a research paper on **“Establishing the Contribution of Shared Value to Low Income Persons in Kenya.”** The information obtained from you shall be treated confidentially and shall be used for academic purposes only.

Our MBA seeks to establish links with industry, and one of these ways is by directing our research to areas that would be of direct use to industry. We would be glad to share our findings with you after the research, and we trust that you will find them of great interest and of practical value to your organization.

We very much appreciate your support and we shall be willing to provide any further information if required.

Yours sincerely,

Muriithi Njogu

Director – MBA Programs



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Appendix II: Strathmore University Internal Review Board Approval



Strathmore
UNIVERSITY

21st April 2017

SU-IRB 0128/17

Anthony Kimondo Karuiru
Nairobi,
Kenya.

Email: anthony.kimondo@gmail.com

Dear Anthony Karuiru,

REF Student ID: MBA/82014/14: Protocol ID: SU-IRB 0128/17
Establishing the Contribution of Shared Value Strategy to Low in Income Persons in Kenya

We acknowledge receipt of your application documents to the Strathmore University Institutional Review Board (SU-IRB) which includes:

1. Study Proposal dated April 2017
2. Study questionnaire dated April 2017
3. Participant Information and Consent form version 1.0 dated 10th April 2017
4. CV

The committee has reviewed your application, and your study "*Establishing the Contribution of Shared Value Strategy to Low in Income Persons in Kenya*" has been granted **approval**.

This approval is valid for one year beginning **21st April 2017** until **20th April 2018**.

In case the study extends beyond one year, you are required to seek an extension of the Ethics approval prior to its expiry. You are required to submit any proposed changes to this proposal to SU-IRB for review and approval prior to implementation of any change.

SU-IRB should be notified when your study is complete. You must maintain a research file for at least 3 years after completion of the study. This file should include all correspondence with SU-IRB, original signed consent forms, and study data.

Thank you

Sincerely,

Amina Salim
Regulatory Affairs Fellow



Appendix III: Research Instrument

General information:

Name: _____ Email: _____ Gender (M/F): ____

Name of Company: _____ Division/Department: _____

Scale of business (Local or Multinational): _____

Bottom of the pyramid markets priority in business philosophy and practice

- ❖ With respect to 1 – 5 scale of importance [where 1 is not important and 5 extremely high important], please indicate the level of importance of bottom of the pyramid persons' welfare in your business philosophy and practice, in relation to the statements listed in the table below.

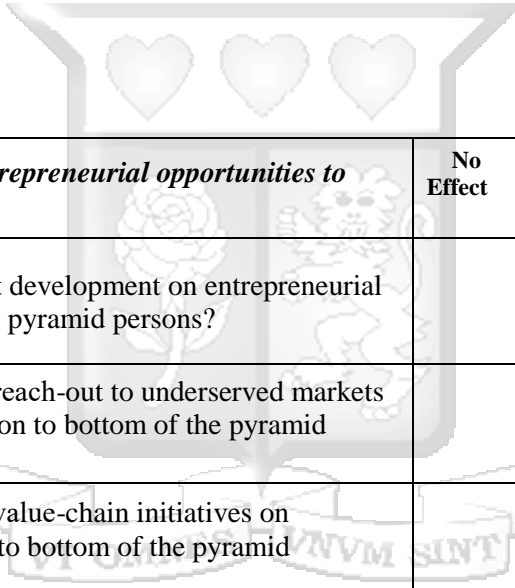
	Not Important	Somewhat Important	Important	Very Important	Extremely Important
How important to your company is access to products and services by bottom of the pyramid persons?					
How important to your company is job creation to bottom of the pyramid persons?					
How important to your company is entrepreneurial opportunities creation to bottom of the pyramid persons?					
How important is shared value in enhancing your company's competitiveness in bottom of the pyramid markets?					

- ❖ With respect to 1 – 5 scale of effect [where 1 is no effect and 5 very high effect], please indicate the level of effect of various Shared Value attributes on bottom of the pyramid persons under the three sections (A, B and C) below.

Section A: Shared value creation paths (please tick where appropriate)

<i>(I) Shared value paths effect on access to goods and services by bottom of the pyramid persons.</i>	No Effect	Low Effect	Moderate Effect	High Effect	Very High Effect
What is the effect of your new product development on access to goods and services by bottom of the pyramid persons?					
What is the effect of your company's reach-out to underserved markets on access to goods and services by bottom of the pyramid persons?					
What is the effect of your company's value-chain initiatives on access to goods and services by bottom of the pyramid persons?					
What is the effect of your company's initiatives in business cluster development on access to goods and services by bottom of the pyramid persons?					

<i>(II) Shared value paths effect on job creation to bottom of the pyramid persons.</i>	No Effect	Low Effect	Moderate Effect	High Effect	Very High Effect
What is the effect of your new product development on job creation to bottom of the pyramid persons?					
What is the effect of your company's reach-out to underserved markets on job creation to bottom of the pyramid persons?					
What is the effect of your company's value-chain initiatives on job creation to bottom of the pyramid persons?					
What is the effect of your company's initiatives in business cluster development on job creation to bottom of the pyramid persons?					



<i>(III) Shared value paths effect on entrepreneurial opportunities to bottom of the pyramid persons.</i>	No Effect	Low Effect	Moderate Effect	High Effect	Very High Effect
What is the effect of your new product development on entrepreneurial opportunities creation to bottom of the pyramid persons?					
What is the effect of your company's reach-out to underserved markets on entrepreneurial opportunities creation to bottom of the pyramid persons?					
What is the effect of your company's value-chain initiatives on entrepreneurial opportunities creation to bottom of the pyramid persons?					
What is the effect of your company's initiatives in business cluster development on entrepreneurial opportunities creation to bottom of the pyramid persons?					

Section B: Unique characteristics of shared value innovated products (please tick where appropriate)

(I) Unique shared value product characteristics effect on access to goods and services by bottom of the pyramid persons.	No Effect	Low Effect	Moderate Effect	High Effect	Very High Effect
What is the effect of your products affordability on access to goods and services by bottom of the pyramid persons?					
What is the effect of your products acceptability on access to goods and services by bottom of the pyramid persons?					
What is the effect of your products availability on access to goods and services by bottom of the pyramid persons?					
What is the effect of your products awareness on access to goods and services by bottom of the pyramid persons?					

(II) Unique shared value product characteristics effect on job creation to low income persons.	No Effect	Low Effect	Moderate Effect	High Effect	Very High Effect
What is the effect of your products affordability on job creation to bottom of the pyramid persons?					
What is the effect of your products acceptability on job creation to bottom of the pyramid persons?					
What is the effect of your products availability on job creation to bottom of the pyramid persons?					
What is the effect of your products awareness on job creation to bottom of the pyramid persons?					

(III) Unique shared value product characteristics effect on entrepreneurial opportunities creation to bottom of the pyramid persons.	No Effect	Low Effect	Moderate Effect	High Effect	Very High Effect
What is the effect of your products affordability on entrepreneurial opportunities creation to bottom of the pyramid persons?					
What is the effect of your products acceptability on entrepreneurial opportunities creation to bottom of the pyramid persons?					
What is the effect of your products availability on entrepreneurial opportunities creation to bottom of the pyramid persons?					
What is the effect of your products awareness on entrepreneurial opportunities creation to bottom of the pyramid persons?					

Section C: Shared value innovation cycle (please tick where appropriate)

(I) Shared value innovation cycle's effect on access to goods and services.	No Effect	Low Effect	Moderate Effect	High Effect	Very High Effect
What is the effect of the number of revolutions on shared value innovation cycle on access to goods and services by bottom of the pyramid persons?					
What is the effect of the number of resultant shared value models from the innovation cycles on access to goods and services by bottom of the pyramid persons?					
What is the effect of longevity of shared value models on access to goods and services by bottom of the pyramid persons?					

(II) Shared value innovation cycle's effect on job creation	No Effect	Low Effect	Moderate Effect	High Effect	Very High Effect
What is the effect of the number of revolutions on shared value innovation cycle on job creation to bottom of the pyramid persons?					
What is the effect of the number of resultant shared value models from the innovation cycles on job creation to bottom of the pyramid persons?					
What is the effect of longevity of shared value models on job creation to bottom of the pyramid persons?					

(III) Shared value innovation cycle's effect on entrepreneurial opportunities creation	No Effect	Low Effect	Moderate Effect	High Effect	Very High Effect
What is the effect of the number of revolutions on shared value innovation cycle on entrepreneurial opportunities creation to bottom of the pyramid persons?					
What is the effect of the number of resultant shared value models from the innovation cycles on entrepreneurial opportunities creation to bottom of the pyramid persons?					
What is the effect of longevity of shared value models on entrepreneurial opportunities creation to bottom of the pyramid persons?					