

Applying a Sustainable Business Model Lens to Mutual Value Creation With Base of the Pyramid Suppliers

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Abstract

Base of the pyramid (BoP) ventures seek to create “mutual value” for themselves and poor communities, but often use business models unadapted for the BoP context, and have been less successful than hoped. Sustainable business models’ (SBMs) multi-stakeholder lens offers a promising alternative path to mutual value, but BoP-based SBM studies are scarce. This single case study explores whether and how SBM characteristics manifest in the business model and value outcomes of Habi, a Manila footwear company successfully creating mutual value with BoP suppliers. We find SBM characteristics underpin Habi’s dual-structure business model (value chain/shop) and success in four ways: viewing profits as a tool for community development resulted in designing both product and business model around community strengths; understanding communities as systems helped Habi address the complexities of poverty; balancing short-term business needs with a long-term, slow-growth approach led to their choice of investors; and implementing community value capture mechanisms ensured enduring community benefit.

Keywords

base of the pyramid, business models, poverty alleviation, sourcing strategy

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The proposal that “low-income markets present a prodigious opportunity for the world’s wealthiest companies to seek their fortunes and bring prosperity to the aspiring poor” has attracted managers, governments, and academics alike (Prahalad & Hart, 2002, p. 2). Over nearly two decades, this base of the pyramid (BoP) approach has become both a recognized research field and an important area of investment for companies from diverse sectors including food, construction, and pharmaceutical (Dembek et al., 2019; Kolk et al., 2014). Over this time, BoP has gone through three distinct waves (BoP 1.0, BoP 2.0, and BoP 3.0) and in which different models focused on incorporating the poor as customers, employees, and suppliers.

However, despite the enthusiasm and promises of profits and poverty alleviation, most BoP ventures “have either failed outright or dramatically underperformed against expectations” (Dasgupta & Hart, 2015, p. 96). Although there may be multiple reasons for these failures, an important and visible problem is discrepancy between the way in which value creation has been approached in theory and in practical implementation of the BoP ideas.

In theory, BoP ventures aim to create “mutual value,” that is, they should generate value for themselves and for the poor. Mutual value has been defined in terms of financial returns to a company’s owners and poverty alleviation for BoP communities. As poverty is a multifaceted, complex problem in which low income is only tip of the iceberg of issues, taking poverty alleviation seriously requires innovative approaches tailored to create value in a range of financial and nonfinancial forms for the company, the poor, and often other stakeholders (Hart, 2010; London, 2016).

In practice, however, firms developing BoP ventures have generally used conventional business concepts adopted from developed economies. This means business models have focused on satisfying customer needs and on generating profits, with no modification to reflect the complex stakeholder needs of the BoP context. Value has been defined and pursued mostly in economic terms within these models, and poverty has been understood predominantly as lack of income. Unfortunately, these attempts to address the complexity of poverty with business-as-usual strategies and business models have created little value—mutual or otherwise—for the parties involved. This approach may have increased quality of life for some poor consumers, but it is unlikely to alleviate poverty and carries risks of creating destructive social outcomes (Hall et al., 2012; Landrum, 2007). For example, Varman et al. (2012) found that E-Choupal (a project offering digital access to information and suppliers with the intent of improving the productivity and revenue of poor farmers) contributed to increased inequality and social division rather than to poverty alleviation. Furthermore, research has shown little

evidence that BoP ventures so far have been profitable for the companies involved (Dasgupta & Hart, 2015; Simanis, 2012).

Sustainable business models (SBMs) are an emerging new field of research and practice. SBMs provide a new lens through which to see business models and value creation. Unlike conventional business models (CBMs) focused on customers and profits, SBMs are explicitly designed to create value in different forms for multiple stakeholders (Bocken et al., 2013; Lüdeke-Freund, 2010). As such, SBMs seem to provide a better alternative for the mutual value creation challenges faced by BoP ventures than CBMs. This aligns with Bocken and colleagues' (2014) identification of "BoP solutions" as a subtype of SBMs that repurpose the business for society and environment (one of eight general types of SBM). The use of SBMs, however, has yet to be explored in the BoP context. We address this gap in this article and explore *whether and how SBM characteristics manifest in the activity system and value outcomes of a business model incorporating suppliers from BoP communities*. We use a single case study approach to allow for an in-depth analysis (Yin, 2014) and map the business model activity system to visualize how the business model works. We study Habi Footwear, a Philippine-based company, which involves members of poor communities in metro Manila slums to produce eco-friendly shoes. We use data from interviews and focus groups with different stakeholders and multiple secondary sources.

Findings show four characteristics of SBMs reflected in the company's business model activity system. Habi approached profits as a *tool* for community development, which helped design its product and business model around community strengths. Second, the company saw communities as ever-evolving systems which helped it flexibly coevolve with communities, address the complexities of poverty, and embed its business model in the local ecosystem. Third, Habi adopted a dominant long-term and slow-growth approach, which together with well-aligned investment capital helped address the short-term needs of the company. Finally, extension of value capture beyond company profits to communities, helped lengthen the time frame and planning horizons of communities, and empower them. These SBM features were enacted through a dual structure business model connecting value chain for creating predominantly economic and environmental benefits, with value shop dedicated mostly to creating social benefits. Multiple value outcomes benefited both the company and poor community members, as intended in the mutual value concept.

These findings suggest that integrating BoP and SBM research is likely to create impactful insights that complement or shed a new light on existing knowledge and approaches, in line with suggestions by Lüdeke-Freund and Dembek (2017). The study contributes three empirical insights related to

functioning of SBMs that repurpose business for benefiting society and environment. First, it contributes to the discussion of the role of profit at the BoP and highlights risks of focusing on profits or profit-maximization as a goal. Profit should instead be seen as a tool that must be combined with systemic perspective, in-depth knowledge of and relationships with communities, and substantial efforts and time in community development. Second, our study indicates that a slower growth path and replication of the community development processes may be more effective ways to develop business models at the BoP than pursuing rapid growth and scale, especially when working with communities not experienced in participating in business. Finally, our study contributes to addressing a gap in the BoP literature, which has overlooked the importance of time (Beckett et al., 2020). The findings indicate possible ways to navigate tensions between different time frames and planning horizons that impede mutual value creation.

The rest of the article is organized in the following way. First, we briefly review the different waves of BoP approaches and venture types, discuss current perspective on business models in the BoP context, and show how and why SBMs are suitable for this context. Second, we analyze the business model of Habi. Third, we present and discuss the findings, discuss contribution, implications, future research, and provide conclusions.

BoP and Business Models

Business models have been described broadly as “the story that explains how an enterprise works” (Magretta, 2002) and narrowly as models “depicting the content, structure, and governance of transactions designed so as to create value through the exploitation of business opportunities” (Zott & Amit, 2010, p. 219). Leaving the issue of suitability of different definitions to the ongoing academic debate, Casadesus-Masanell and Ricart (2010) explain the concept of business model through its relationship to strategy and tactics, using the practical analogy of a car. The design and building of a car represent strategy, the car itself represents a business model, and the driving of the car represents the available set of tactics. Hence, as a vehicle that delivers strategy, a business model determines how value is created and for whom (Casadesus-Masanell & Ricart, 2010). Looking at business models as system of activities, including the content (type) of activities, structure (how activities are connected), and governance (who performs them), helps illuminate where and how they create value (Zott & Amit, 2010).

As such, business models are vital tools that determine to a large extent the success or failure of any venture. This is equally true for BoP ventures developed to realize the expectation that “low-income markets present a

prodigious opportunity for the world's wealthiest companies to seek their fortunes and bring prosperity to the aspiring poor," an idea that has attracted managers, governments, and academics alike (Prahalad & Hart, 2002, p. 2). Business models are critical for success of BoP ventures because by definition they are expected to create mutual value, that is, to benefit the companies in form of profits, and the poor in form of poverty alleviation.

Pursuit of this market opportunity has developed over time in three distinct waves of business model approaches. The initial approach (BoP 1.0) focused on "selling to the poor" by adapting existing products to fit their purchasing patterns (e.g., by reducing size of packages of consumer goods; Arora & Romijn, 2011; Cañeque & Hart, 2015). This was criticized as creating an unattainable "mirage" for multinational businesses to chase, which risked harming rather than helping the poor by diverting limited cash income into unnecessary and heavily packaged products (Karnani, 2006, 2007, 2009). The second wave (BoP 2.0) shifted the focus to "engaging the poor" through "business co-venturing" which cocreated new products and services with BoP communities (Arora & Romijn, 2011; Simanis & Hart, 2008). BoP 1.0 and 2.0 efforts focused largely on the pursuit of profits, growth, and market development, while "encouraging market-oriented behavior in the poor" (Cooney & Williams Shanks, 2010, p. 30). This approach was criticized for being unlikely to alleviate the complex problem of poverty, for potential destructive social outcomes and aggravating other systemic problems such as climate change through enhancing unsustainable consumption levels practiced in the Western countries (Farias & Farias, 2010; Hall et al., 2012; Landrum, 2007).

These initial approaches and their critics paved the way for the latest wave (BoP 3.0), which expands previous efforts by integrating environmental sustainability concerns (Cañeque & Hart, 2015). BoP 3.0 approaches attempt to address the failures and shortcomings of previous waves and their practical implementations by stressing the need to perceive poverty as a multifaceted and complex problem rather than simply an economic issue, and by advocating that the BoP ventures should not focus on maximizing profits at the expense of other outcomes as often happens in traditional business ventures (London, 2016).

The different types of ventures developed over the three BoP waves have employed four key strategies: (a) "providing appropriate and affordable products and services directly to consumers," (b) "enlisting individuals or small businesses to provide efficient reach and coverage" for the products and services, (c) "engaging the community to coproduce value—for example in the supply chain," and (d) "forming commercial partnership with the governments and NGOs" (Rangan et al., 2011, p. 114). This article focuses on a

venture that integrates communities to coproduce value (type 3 above) by sourcing services from the poor. This approach has been selected because focusing on a single business model type allows for in-depth analysis that is often lacking in BoP literature. Furthermore, the sourcing-type business models provide a promising mutual value scenario: increased income for the poor suppliers and ensuring the necessary procurement from which the company can profit. Despite this intuitive appeal, there is no proof so far that these ventures have a greater success rate than others and they seem to fail as often as other approaches (Dasgupta & Hart, 2015).

Approaches to understanding and designing business models may explain this high failure rate. BoP ventures have largely approached business models through a conventional lens: as the mechanism that delivers “value to customers, entices customers to pay for value, and converts those payments to profit” (Teece, 2010, p. 172). There are only two stakeholders in this conventional framework—customer and enterprise—and value is mostly financial. This approach was originally conceived for building businesses in developed markets and is not particularly well-equipped to deal with the complexities of poverty or with the obstacles that characterize BoP markets, such as sales and distribution challenges, disaggregated providers, undeveloped business ecosystems, and fact that the needs of the poor do not necessarily translate into market demand and profit opportunity (Karamchandani et al., 2011). This conventional lens on business models is even less suited for BoP 3.0 type of ventures that try to integrate sustainability concerns.

SBMs seem to provide much better alternative. SBMs are an emerging class of innovative business models designed to create value simultaneously for multiple stakeholders and the natural environment (Abdelkafi & Täuscher, 2016; Bocken et al., 2014; Stubbs & Cocklin, 2008). Defined as business models that create “competitive advantage through superior customer value and contribute to a sustainable development of the company and society” (Lüdeke-Freund, 2010, p. 23), SBMs share the key elements required from business models that aim to alleviate poverty—focus on multiple stakeholders, different types of value, and sustainable development (Bocken et al., 2014; Boons & Lüdeke-Freund, 2013; Boons et al., 2013). They also acknowledge negative social and environmental impacts of business operations (e.g., environmental damage or community dislocation; Bocken et al., 2013, 2014; Yang et al., 2017).

In particular, SBMs are better suited than CBMs to address four types of challenges at the BoP, as summarized in Table 1. First, the ability to combine profit maximization and poverty alleviation has been questioned by some BoP researchers, who have highlighted the risk of leaving the poor worse off

Table 1. Comparing Conventional and Sustainable Business Models for Base of the Pyramid (BoP) Use.

Business model aspect	Conventional business model (CBM)	Sustainable business model (SBM)	Suitability of SBM approach for BoP
Approach to profits	Profit as a goal. Economic profit is prioritized and maximized for shareholders	Profit as a tool. Social and environmental benefits are prioritized over economic profit	SBM limits the risk of company withdrawal due to insufficient profits. SBM approach also increases the quality of interaction with local communities
Business model perspective	Firm	System	Poverty is a systemic problem requiring good knowledge of systems in which it exists and addressing multiple issues at a time
Time frame	Short-term perspective as dominant time frame used for decision-making	Long-term driven, balancing short- and long-term perspectives of stakeholders	Poverty requires initial important time investment without economic returns, navigating different time frames, and balancing long- and short-term performance
Value capture	Converting income to profit for the firm	Extended to ensuring the stakeholders benefit from value created for them	Poverty includes issues such as knowledge deprivation and lack of capabilities and requires mechanisms that allow the poor to capture and benefit from value created

(Bonsu & Polsa, 2011; Varman et al., 2012). Many BoP initiatives withdraw from communities as they fail to meet high profit expectations (McFalls, 2007; Munir et al., 2010). SBMs, especially those repurposing for society and environment (Bocken et al., 2014), differ from CBMs by prioritizing social and environmental benefits over economic profits. This converts profit from

an independent goal into a tool to achieve social and environmental goals and limits the risk of a company withdrawal due to lower than expected profits.

Second, poverty is a complex problem with a set of interrelated and continuously changing issues such as violence, health problems, environmental degradation, and low literacy. Truly alleviating poverty requires understanding how poverty is embedded in the different systems (e.g., education, economy, society, environment) and addressing more than one issue. CBMs that are “defined on the micro level of a single firm, business unit, or entrepreneur” (Lüdeke-Freund et al., 2018, p. 147) are unable to account for this complexity. SBMs are systemic in their approach and “provide room for relationships with the natural environment and society” demanded by BoP 3.0 approach, which are often ignored or limited in CBMs.

Third, alleviating poverty is a long process, whereas CBMs tend to have relatively short-term focus, which was associated with transitioning BoP initiatives away from the poor and toward other markets (London, 2010; Sharma & Jaiswal, 2018). In contrast, SBMs are suited to balancing short- and long-term interests of multiple stakeholders through their sustainable value proposition, defined as “a promise on the economic, environmental and social benefits that a firm’s offering delivers to customers and society at large considering both short-term profits and long-term sustainability” (Lüdeke-Freund et al., 2018; Patala et al., 2016, p. 147).

Fourth, it is likely that BoP communities will lack the capacity to benefit from value created in the form of opportunities, given that knowledge deprivation and lack of capabilities are common manifestations of systemic poverty (Ansari et al., 2012; Nakata & Weidner, 2012). Although BoP literature indicates that mutual value creation requires value capturing mechanisms for the poor to benefit from the value created, CBMs limit the concept of value capture to converting incomes to company profits assuming that customers will be capable of deriving value from what is offered to them (London et al., 2010; Richardson, 2008). In contrast, a key principle of SBMs is that the value they create should benefit multiple stakeholder groups (Bocken et al., 2013).

Although SBMs seem well-matched to BoP ventures, little is known about how they can be used in BoP context and what mechanisms they use to create mutual value with only a few studies so far dedicated to this area (Bittencourt Marconatto et al., 2016; Palomares-Aguirre et al., 2018; Rosca et al., 2017; Sousa-Zomer & Cauchick Miguel, 2018). According to Dentchev and colleagues (2016), “it is not yet well researched or understood how alternative, often new, creative or innovative sustainable business models function and how their application in the real world evolve to create value without predominantly generating only profit in their ventures” (p. 1). Hence, the purpose of this article is to shed more light on how SBMs function at the BoP by

exploring *whether and how SBM characteristics manifest in the activity system and value outcomes of a business model incorporating suppliers from BoP communities.*

SBM Concept at the BOP: The Case of Habi Footwear

Method and Case Selection

To address the above purpose and question, we conducted an in-depth, qualitative case study of Habi Footwear (Habi). Habi designs and markets Filipino-made, environmentally friendly shoes. Habi was initially conceived as part of an entrepreneurship course at the Ateneo University and was set up in 2011 by three young entrepreneurs with an aim of alleviating poverty in Manila's slums. Habi products are partly manufactured by low-income urban community members, where women recycle scrap cotton from textile factories to weave small rugs, which are then assembled into the finished shoes by impoverished shoemakers using other recycled material such as discarded airplane tire rubber.

We selected Habi for three main reasons. First, it is an example of the sourcing-type models pursuing the "engaging the community to coproduce value" strategy identified by Rangan et al. (2011), which seem like a win-win by but do not seem to succeed any more than other BoP strategies (Dasgupta & Hart, 2015). Second, Habi expressively aims to create social and environmental benefits, is aligned with the "repurpose for society/environment" archetype of SBMs. Finally, Habi is particularly interesting from a research perspective because their business model was developed over years that included failures, instances of value destruction, and improvements.

Data Collection

The primary data for this study come from semi-structured interviews and focus groups conducted over three visits. Informants were sampled using a mix of random sampling and census study, meaning that all cofounders and Habi employees were interviewed, along with a random selection of weavers, and other stakeholders. Interviews were conducted in English with language support from a community leader where needed. To better understand the broader context of Habi's operations, these were supplemented with informal conversations with shoemakers and with members of the entrepreneurial support ecosystem (i.e., bankers, funders, managers of incubators, and accelerators). Secondary data include publicly available information and documents

provided by Habi such as marketing materials and company presentations. These data are summarized in Table 2.

The data collection protocols focused on understanding Habi's activity system and value outcomes through open-ended, exploratory questions related to the interviewees' roles with Habi, company activities, and value outcomes (see the appendix). We did not ask directly about SBM characteristics, but rather allowed for them to emerge from the data. One interview with the distributor was conducted by Skype. All other interviews and focus groups were conducted in person in interviewees' workplaces or homes. The interviews and focus groups were audio-recorded with permission of the participants and transcribed.

Data Analysis

This study sought to provide in-depth insight into *whether and how SBM characteristics manifest in the activity system and value outcomes of a business model incorporating suppliers from BoP communities*. We constructed an analytical framework combining the SBM lens developed in the literature review with the activity system view of business model and the stakeholder perspective on value outcomes (Harrison & Wicks, 2013; Zott & Amit, 2010). The activity system view of business models allows for illustrating *how* the business models work and for revealing the logic behind their value creation. The stakeholder perspective on value allows for focusing on value as stakeholder benefits and costs.

This framework guided a deductive coding process (Mayring, 2015). Data were coded for SBM characteristics (approach to profits, key business model perspective, time frames, and perspective on value capture) and then ordered according to the part of business model activity system (content, structure, or governance) or value outcome it reflected. Both researchers were involved in this process. The intercoder reliability was calculated based on a sample data coded by both researchers and yields 79% result. Intracoder reliability based on another sample was 92%. The results were then discussed and interpreted in terms of the existing literature. Finally, the results were mapped in two ways. First, a visual business model map was created representing (a) the *activities* content, structure, and governance; (b) examples of the *stakeholders* involved in and affected by these activities; and (c) examples of the *flows of value* that linked them. This map illustrated the underlying logics for value creation in the business model. Second, we created a matrix with SBM characteristics on one axis and related activity and value outcomes on the other, to provide greater detail of how Habi business model works. The business model map and the matrix are presented in Figure 1 and Table 3, respectively.

Table 2. Primary Data.

Primary data	Participants	#	Data collection format
Stakeholder type			
Key Habi stakeholders			
Habi (all)	Cofounders	3	Interview, focus group
	Employee	1	Interview
	Interns	2	Focus group
Communities ×2 (current suppliers)	Community leaders	2	Interview
	Weavers	5	Interview, focus group
	Weavers family members	2	Focus group
Communities ×2 (non-supplier stakeholders—e.g., to provide training)	People with disabilities	7	Focus group
	Manager of organization helping community	1	Interview
	Community leaders	1	Interview
	Family members	1	Interview
Shoe workshop	Owner	2	Focus group
	Shoemakers	1	Interview (recording failed)
Advisors	Academics	3	Informal
	Consultants	1	Interview
	Cofounders	1	Interview
Distributors			
Broader entrepreneurial ecosystem			
Banks	Social impact manager	1	Informal
Entrepreneurial ecosystem	Cofounders and managers of accelerators	3	Int, Informal
Investor	Impact investor	1	Informal
Secondary data			
Material			Count
Company website			1
Facebook page			1
Published articles			2
Internal documents (presentations, marketing materials, etc.)			4

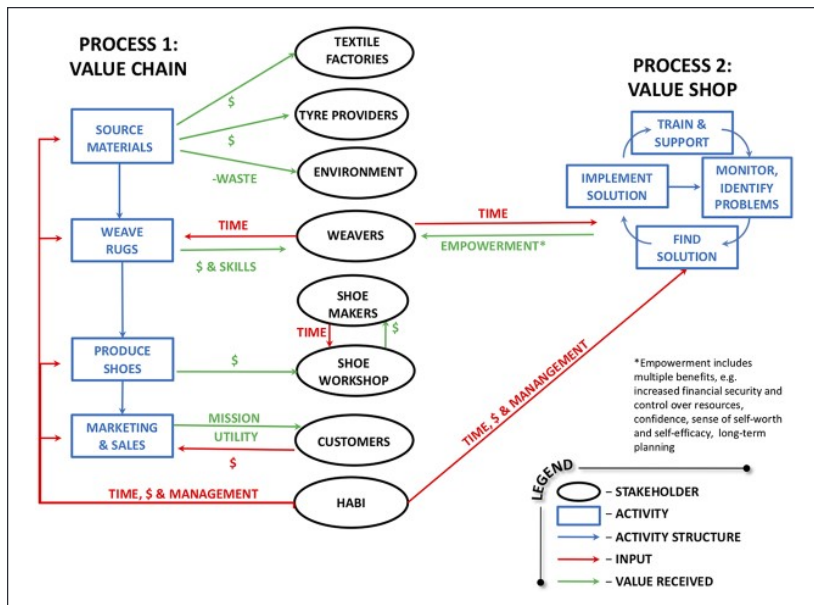


Figure 1. Habi business model.

We discuss these findings and provide supporting quotes in the following section.

The content, structure of activities in Habi's business model is presented in Figure 1 (this is not an exhaustive representation of stakeholders and value flows, some peripheral have been excluded for simplicity).

Table 3 summarizes how SBM characteristics were reflected in the activities and value outcomes in Habi's business model.

Findings and Discussion

Habi's purpose is to alleviate poverty in selected communities in Manila slums through entrepreneurship and market development while also providing sustainable products. To do this, the company business model has two streams of activities, as illustrated in Figure 1, organized in what Stabell and Fjeldstad (1998) identify as value chain and value shop. Value chain and value shop are ways of configuring value creation activities (Stabell & Fjeldstad, 1998). Value chain transforms lower value inputs into higher value products that then serve as mediums for transferring value from the firm to

Table 3. Habi's Use of Sustainable Business Model (SBM) Characteristics.

SBM characteristics	Summary of how the SBM was used	SBM characteristics reflected in activities	Related activity structure and governance	Value outcomes
Approach to profits	<ul style="list-style-type: none"> Dual company purpose of improving community well-being and providing sustainable options in footwear market Product and design created to match dual purpose and community strengths Profit seen as tool to achieve purpose rather than end goal 	<ul style="list-style-type: none"> Choice to incorporate weaving as a key production activity (rather than using other shoe design) Source up-cycled inputs (waste textiles and tires) 	<ul style="list-style-type: none"> Weaving and product assembly performed by BOP weavers 	<ul style="list-style-type: none"> Weavers and shoemakers: employment and income, with flow-on impact in community Company: market distinction, enactment of mission, creation of identity Consumers: durable and eco-friendly product
System perspective	<ul style="list-style-type: none"> Community viewed as ever-evolving system Company recognized need to monitor community needs and adapt as they changed 	<ul style="list-style-type: none"> Activities introduced and flexibly adapted to each community Impact monitoring to identify and mitigate potential problems and unintended consequences 	<ul style="list-style-type: none"> Value shop structure to collaborate with and develop weavers and their communities Multiple stakeholders, for example, bank training, local government, involved as necessary 	<ul style="list-style-type: none"> Weavers: Multiple benefits proactively developed in response to evolving needs, for example, organizing logistics to reduce transport costs, scholarships for children Company: community trust

(continued)

Table 3. (continued)

SBM characteristics	Summary of how the SBM was used	SBM characteristics reflected in activities	Related activity structure and governance	Value outcomes
Time frame	<ul style="list-style-type: none"> Recognition that community development requires time. Company took a long-term perspective for both community and own development Company needed to balance and navigate initial short-term time frame of weavers, its own short-term needs, and long-term perspective 	<ul style="list-style-type: none"> Company choice to adopt a slow-growth pace was key to community development Planning, training, and engagement with new communities long before providing them first orders 	<ul style="list-style-type: none"> Decisions (e.g., choice of target markets and investors) support the slow-growth approach 	<ul style="list-style-type: none"> Weavers: trust in reliable engaged support that is not going to abandon them; increased financial planning and security, eliminated borrowing Company: maintaining communities and developing their skills and innovativeness
Perspective on value capture	<ul style="list-style-type: none"> Lengthened time perspective and empowerment were the key mechanisms through which the weavers benefited from the value created by working with Habi Company created sustained value for weavers by helping them diversify client base 	<ul style="list-style-type: none"> Lengthen weavers' time perspective through activities such as—providing bank accounts, financial management training, scholarships for children, and using a mix of formal and informal approaches to communities Monitoring value as community needs evolved and time perspectives lengthened 	<ul style="list-style-type: none"> Value shop identified different value needs, shaped responses, and timing of interventions 	<ul style="list-style-type: none"> Weavers: value perception of weavers evolved with the development and time frame applied, benefits included elimination of borrowing, better support for children development, and more Company: realization of key purpose (community development—not leaving anyone behind)

the customers (Stabell & Fjeldstad, 1998). Value shop creates value by solving a problem, much as a doctor or mechanic would. In value shop, the content “combination, and order of application of resources and activities vary according to the requirements of the problem at hand” (Stabell & Fjeldstad, 1998, p. 420). The value chain allows Habi to create value by converting lower value inputs into higher value outputs (sustainable footwear). The key activities in this value chain are sourcing waste textiles and tire rubber, weaving rugs, assembling shoes, and marketing and sales. Value chains are typical for manufacturing companies.

A second group of activities involves training and supporting the weavers (suppliers), identifying their problems, identifying and implementing solutions to these problems, and monitoring impact. Examples include supporting education of weavers’ children, taking part in community events, and organizing transport, which are addressed in the next subsection. These activities are organized in a circular way and reflect a value shop structure (Stabell & Fjeldstad, 1998). This value shop component of the business model is dedicated predominantly to community development. By addressing their problems value shop enables women to weave and is in this way related to the value chain. Value chain and value shop are not new concepts. CBMs, however, use usually only one of them, whereas Habi combines both into one business model. This study provides detailed insights into how these structures reflect SBM characteristics and create mutual value for the impoverished weavers and the company, as summarized in Table 3.

Approach to Profits

In line with what Bocken and colleagues (2014) termed the “repurpose for society and environment” SBM archetype, Habi prioritized social and environmental benefits over profits. The company was created with the purpose of improving the well-being of the communities and the environment as a student project of the cofounders. From its inception, Habi viewed profits as a tool to achieve social and environmental benefits. As explained by a cofounder, Habi’s brand invites

everyone to walk with us to brighter future, a happy future—not just us, but also other people, so no one gets left behind . . . also the environment itself, because we’re trying to make it a sustainable future, a sustainable future yet brighter future even for our children and their children, and so on, and so on.
(Cofounder)

The company and the product were created to align with the skills of poor women in Manila slums.

We spent three days just to basically scan the skills that they have in hopes of help capitalizing on that, and that's where we saw that these mothers are various artists. . . . we came up with idea to turn it into something of higher value that they can be compensated higher for it. So we thought of the idea of turning it into footwear. (Cofounder)

Over time and with the help of local shoe experts, Habi developed a product and value chain-based business model making shoes from upcycled materials. Using waste material from Manila textile factories and retired airplane tires makes for a long-lasting product while diverting material from waste. Weaving activities in Habi's business model included women from the poor community as suppliers of shoe components, providing them with income and skill development. The decision to assemble the shoes locally provided support for a workshop employing impoverished shoemakers, which further strengthened the company identity and delivered on their vision and mission. Hence, the design of the shoe became a key source of value for communities allowing for their involvement.

Sometimes people would tell you, "It would be much more efficient for you to just get a regular employee" And then we'd say, "No, that's what we stand for. That's what we stand for, so, the community is who we are, we can't just save up money just so that we can earn more." (Cofounder)

BoP literature often focuses on the business and profit aspects of BoP initiatives and defines poverty in terms of insufficient income (Dembek et al., 2019; Kolk et al., 2014). This reinforces a belief and assumption that increased income is sufficient to alleviate poverty. The case of Habi challenges this view in two ways. First, it shows that increased income must be combined with a range of other activities, which have important implications for the business model. Second, it shows that without these other activities, income can result in harm and value destruction in BoP communities, even when putting social and environmental benefits before profits.

Indeed, Habi's first attempt at this business model, which lacked supporting value shop activities, left weavers and their community worse off for their participation. Sudden income inequality created tensions within the community and led to breakdown in trust among the weavers, and the imposed structure for managing funds provided for purchase of materials allowed funds to be embezzled by the weaver managing the funds. After some time, Habi was unable to work with the weavers in the face of community dysfunction and withdrew.

We wanted to be like doctors to them . . . whenever there are problems you don't try to mediate too much, tried to somehow solve it in a safe way . . . it will be fine, but it's never gonna be "just fine," there's a lot of things you have to consider, if there's. . . There were already problems at the start, but we were blind-sighted, because we just wanted to make sure that the community looks perfect. . . . And then the money was, of course, the main issue. (Cofounder)

After Habi's withdrawal from this community, the community dysfunction also led to withdrawal of other supporting organizations.

We thought that maybe they weren't nearly ready for it yet, because once, you know, you have to be ready for development, right? Because there are a lot of changes involved in it . . . we decided, you know, maybe we are not what they need as for now, we need to fix your relational problems. We're not social workers. And sadly even the other social workers who were organizing them apparently left as well. (Cofounder)

Habi learned from this experience that alleviating poverty required much more than income generation and was also a great responsibility.

And that was the problem that we first saw, that we had accountability and because we got too overwhelmed, we never really tried to solve it, we gave up. (Cofounder)

Habi's experience adds to scarce literature reporting possible negative, unintended consequences of BoP initiatives. Varman and colleagues (2012) also found that the initiatives aimed at generating income for the poor may end up creating greater divides as was in their case of e-Choupal, digitally enabled village information centers in India, which contributed to greater wealth gap and tensions by primarily benefiting the wealthy rather than the poor farmers it was intended to support. Hall and colleagues (2012) found in their study of tourism in Brazil that focusing entrepreneurship policies solely on economic indicators may deepen social exclusion of poor communities.

Our findings strengthen and add to the argument that putting profits first and focusing on maximizing profits does not align with poverty alleviation and may worsen it (Bonsu & Palsa, 2011; Karnani, 2007, 2008; Varman et al., 2012). Our findings go even further showing that even in an apparent win-win scenario generating income for the poor where company and community income are positively related, concentrating exclusively on financial outcomes may harm the poor. Ventures aimed at poverty alleviation require in-depth knowledge of communities and dedicated efforts that extend beyond profit and income generating activities. Some past research has called for

increased profit maximization in the BoP initiatives (Simanis, 2012). Our findings support the view that such calls may indeed create a dangerous illusion and unrealistic expectations leading to value destruction for both companies and poor communities (Bonsu & Palsa, 2011; Garrette & Karnani, 2010; Karnani, 2007).

System Perspective

After the negative experience with the first community, Habi changed its approach to working with weavers. It started paying much more attention to and addressing diverse community issues, and instead of imposing systems based on their business school curriculum, Habi started listening to and adopt the activities to communities:

Now what we're doing is, we listen to the system that they have, if you find a problem within, you try to regulate, to make it work, but now that system works for them pretty well, they are all happy about it, so, ok, now we're gonna listen to their system. (Cofounder)

An example of that is organizing work differently within different communities. In one weaver community, a leader organizes all the materials and logistics and is compensated through a commission from each woven piece produced by the weavers. In another community, one person delivers all materials and earns through a markup on materials delivered.

So, two different setups work for them . . . we don't want to impose a system that might not work, as what happened. (Cofounder)

Habi now treats each community as a system that is continuously evolving (partially as a result of Habi's activities), in which Habi becomes an actor. This perspective required expanding the activities in the business model to allow for monitoring changes (both intended and unintended), identifying needs and potential problems, and managing them by identifying and taking appropriate actions. Together these activities are what Stabell and Fjeldstad (1998) describe as value shop, a value creation mechanism focused on problem-solving. To enact this mechanism, Habi was in regular and proactive contact with the communities to talk about both community and business matters:

We're constantly checking . . . not in the numerical way, not. . . we don't have like a certain framework that we apply, but once in a while we get approached by experts of the governmental studies and they will somehow check like a certain framework and we'll listen to their suggestions. (Cofounder)

We go to the communities every once in a while to find out how are you? or how is Habi helping you? or, you know, we encounter some issues now in their families and I mean, thanks to as well, how is the production? So we're now in that set type of relationship, not overly informal anymore. But the informal would go to the rest of the bonding sessions during our visits; but for the rest it's in a good balance of "OK, delivery should be at this day, can you accomplish the orders by then? And they will tell you "Ok, yes, orders are ready. (Employee)

Monitoring change and coevolving with the community is a response that accepts the fundamental complexity of poverty and community development and provides basis for the necessarily flexible response in situations where "what works now might not work anymore in the near future" (Employee).

There are other facets of poverty, people don't really measure that before, they're really all over the financial side of it, that's why things don't work, because they forgot to focus on that side . . . So, you never know what can evolve you in your future, what other facet that you haven't really observed before, in our case, what if there's something we're missing in, a problem in a community, that's innate to them that we are not yet informed of. So . . . things like that. Makes you paranoid, but then it keeps you on your toes, that always know what the needs of their community is. (Cofounder)

An example of a wide-spread problem that Habi had to solve was resistance from weavers' husbands. Left unaddressed, this resistance could have rapidly led to domestic violence.

My husband does not want me to work, he wants me look after the house, but I want to help him also and get an extra income, maybe for my lipstick, to buy my lipstick. (Weaver 1)

In one community, the problem was addressed with the help of community coordinators through organization of work.

At first there were problems, but then they understood that it is good for the family too. Little by little they understand. . . . When they [women] finishing caring for the family this is when they work, this is their free time. After cooking food for children and preparing them to school when the husbands work. (Community Coordinator 2)

Managing some changes required accepting "we cannot solve all the problems" (Employee) and involving other stakeholders like local government or nonprofit organizations.

Approaching communities as systems and addressing the changes flexibly created a number of important value outcomes for both the weavers and Habi.

First, this approach fostered and reinforced positive relationships within the weaver's communities. One of the weavers described the work as

our bonding moment for my neighborhood, . . . also gossiping. (Weaver 2)

This success sits in stark contrast to the outcomes in the first community, in which weaving was not embedded in a systemic perspective and became a source of division and fracture of the social fabric instead of being social gelling agent. The systemic approach and related activities also built trust and relationships between weavers and the company, as shown in this example:

Last month it was moon cake festival and [Habi] came and brought cake and played a game with the mothers. I saw the mother they were very happy. Small things but it makes them feel very, very happy. Nothing material but the feeling that they have, it makes me happy also. (Community Coordinator 1).

Finally, the systemic approach reinforced Habi's company identity and its impact-first approach. It also enabled smooth functioning of its value chain as it ensured steady supply of woven elements for shoes.

Through its value shop and systems perspective focused on community, Habi created a locally embedded business model that engages in local capacity building, grassroots learning, and develops multisector collaborations and partnerships (Goyal et al., 2014). Work on community building attracted different stakeholders including local government and made the organization an integral part of the local ecosystem (Lashitew et al., 2020). Local embeddedness has been widely recognized as an important element for innovation building and overall success of BoP initiatives (Chatterjee, 2016; Hart, 2010; Lashitew et al., 2020). In the process of building this embeddedness by Habi, we can see parallels with the BoP service ecosystem perspective developed by Ben Letaifa and Reynoso (2015), in which companies shift from a top-down to a multi-actor BoP approach, become socially embedded, cocreate services for and with local communities and with actors playing multiple social roles, and engage in multi-actor and multidimensional value creation.

Flexible and locally embedded business models are needed for both innovativeness and for enhancing sustainability at the BoP (Chatterjee, 2016). As Khavul and Bruton (2013) indicate "if sustainability enhancing innovations introduced in developing countries are to stick, they need to be designed with local customers, networks, and business ecosystems in mind" (p. 285). Our findings contribute to the BoP literature by suggesting that value shop and systems perspective of managers are two key mechanisms for building such business models.

Time Frames

Habi recognized that addressing poverty and community development were long and slow processes that could not be rushed. Hence, the company business model needed to be rooted in an underlying long-term time frame. This long-term time frame was reflected in Habi's commitment to slow growth.

Concentrate on what you have, don't rush in becoming bigger than we are. We don't want to just chase the statistics or the time. . . . you can tell people that you're working with ten communities, but if the reality is, you don't really know what you're doing, you're gonna make it worse for them. (Cofounder)

Habi's growth was a planned process that included development of markets and supplier communities. New communities were approached well before including them in the value chain, to establish the necessary relationships and to identify and address any preexisting problems.

What we are doing now can be replicated at other target, better target, you know, sectors within our out-of-school-youth and . . . persons with disabilities, and our goal, of course, is to also somehow give opportunities for them, like we've started training some, and since we've been already also encountering some problems, we want to be answered for that. (Cofounder)

Habi's business model grew through specific replication of a process rather than simply scaling activities. What was replicated was the process of engaging communities to establish the relationship, build trust, identify, and address their needs. The resulting solutions and activities might be repeated between communities, but they were tailored to the specific needs of each community. Value shop was a key enabling mechanism for this approach.

This long-term and slow-growth approach contrasts with those typically seen in BoP research, where the success of an initiative is often defined in terms of its scale. London (2016, p. 56) argues that BoP enterprises "come up short" in terms of "growth based on an economically SBM."

While we see many pilots launched, few of these achieve sustainability and scalability. Pilots and small-sized ventures are fine in and of themselves and can have important local impacts and generate useful insights into opportunities for innovation. But without a path to scale, these efforts will not attract sizable investments, and they are unlikely to play a substantial role in poverty alleviation. (London, 2016, p. 56)

This focus on rapid growth shortens the time frame for community development and can lead to companies withdrawing from BoP communities (Sharma & Jaiswal, 2018). Finally, BoP research to date seems to seek universal solutions that can be scaled, while entirely overlooking approaches based on replicating the process of generating solutions like the one used by Habi (Dembek & Sivasubramanian, 2019). The focus on scale remains even in the studies exploring SBMs in the BoP context. Palomares-Aguirre and colleagues (2018) argued for scaling SBMs delivering affordable housing to the poor. Although scale may be appropriate for providing housing, Habi's case indicate that it may not be seen as universal as research so far has suggested.

Habi's dominant long-term perspective created a "time frame paradox" or a situation of "contradictory yet interrelated elements that exist simultaneously and persist over time" (Smith & Lewis, 2011, p. 382). To implement long-term community development successfully, Habi needed to balance it with the shorter term needs of the company. This was done by selecting the right amount and type of capital. Habi complemented its own resources with investment (both equity and debt) from investors who understood and cared for the community development work of the company.

we've met one impact investor . . . her social business is concentrated in Africa, but she wanted to somehow contribute in the Philippines or in Asia, so she wanted us to be that starting point. (Cofounder)

Habi attracted many potential investors but was always careful not to take on too much capital, which might lead them into unsustainable growth.

So now we have those two, but there are some more who want to invest in us, but we're trying to keep our . . . that equity reach of the good standard. So we put because we wanted to focus more on utilizing our own resources and not be overexcited about getting loans or investments which we might not be able to sustain if we're too aggressive. So, we've stopped accepting, but there's like a list of people who want to invest.

. . . There was one business partner in the US, our distributor who once invested in the business, but we're like putting it on hold for risk because I don't wanna take it too much money and . . . We're in a healthy financial standing anyway, there's not much of a need for a huge amount of money. So we just said, ok, you're in a wait list, I'm so sorry, but we won't accept investors as of now, but we'll take you in consideration once again. (Cofounder)

In value outcomes terms, this dominant long-term and slow-growth perspective was instrumental in building trust with the weavers and their

communities because it demonstrated Habi's commitment to working with them and supporting them. This set Habi apart from the companies and non-profit organizations that had exited their communities in the past, conditioning the weavers to expect similar treatment.

"Ah, they'll leave us anytime!" but then we'll tell them "Ah, no!" There's a relationship already based, and they feel them. (Cofounder)

This long-term and slow-growth approach was critical for delivering on Habi's social mission and also drives their financial sustainability because it translates into skills and reliable source of quality materials for shoe production.

BoP literature is surprisingly scarce on issue of time and paradoxical tensions. Research has only identified and begun exploring this issue recently (Beckett et al., 2020; Sharma & Jaiswal, 2018). For example, Sharma and Jaiswal (2018) discovered similar paradoxical tensions between the different temporal orientations at the BoP to those identified in the context of sustainability. This is an important gap that needs to be further investigated, especially given that time frame radically changes what is perceived as value and thus affects the decisions, and because many companies were found struggling with balancing different temporal orientations and maintaining long-term time frame (Bansal & DesJardine, 2014; Sharma & Jaiswal, 2018; Slawinski & Bansal, 2015). Time frames and paradoxical tensions are particularly important for BoP 3.0 as it moves from poverty alleviation to sustainable development (Cañeque & Hart, 2015).

Value Capture

Habi's long-term time frame is related to its extended perspective on value capture. Weavers cannot benefit from value offered by Habi unless the company puts in place mechanisms that allow them to capture and to sustain value long term. As Habi's failure in its first community showed, engaging the poor in income-generating activities without mechanisms in place for them to capture and sustain value can actually create harm. We identified two key mechanisms that allow weavers to derive value (both monetary and non-monetary) and benefit from what Habi offers, namely lengthening of weavers' own time frames and empowerment.¹ Both of these mechanisms are mind-set shifts that develop slowly over long periods of time.

The key issue preventing weavers from deriving value from engagement with Habi was a very short-term perspective on all they did, focusing on the immediate at the expense of longer term considerations, as is typical for those living in poverty (Mani et al., 2013; Mullainathan & Shafir, 2013; Shah et al., 2013).

It was just like “Oh, my God, oh, my God, yes, it’s a real blessing, thank you!” and they spend their money on this and on that. (Employee)

To lengthen the time frame and planning horizon of weavers, Habi undertook a range of different activities including setting up bank accounts for them, organizing financial management training, providing scholarships for the children, and more.

Some of the mothers will have IDs, for example, but you only need an application form, and you’ll have your own bank account which you can access through your phone or through partner centers. . . smaller centers, not the official formal. So, when we offered that, ok, because normally they are scared of the idea of going to banks, but now they can save off and access their money and they will just text hot line. So we did that, we applied for them and the company assigned trainers for them: how we can work, how much they can save and interest rate that you can gain if you keep your money at a certain period (Cofounder)

Value shop and impact monitoring were once again crucial mechanisms for lengthening time frames, allowing Habi to identify specific activities that were appropriate at a given time. The process also required an in-depth understanding of how the weavers’ perception of value and planning horizons coevolved over time.

You have to strike a fine balance, a very, very, very fine and delicate balance between actually. . . between addressing their needs, especially their immediate needs, which is a lot in the society and on making them realize another need, a need that they don’t themselves as of yet realize. (Employee)

The longer time frame and planning horizon created multiple value outcomes for the weavers, including the elimination of borrowing, especially from loan sharks, and better education opportunities for the children. A Habi cofounder listed as an indicator of company success that weavers are “out of debt and also that they don’t borrow anymore.”

Another mechanism for deriving value, that at the same time is a form of value in itself, is empowerment—gaining power and control over their own lives and the ability to make strategic choices. As their empowerment grew through their involvement with Habi, the weavers became increasingly proactive in many areas, from voting out their concerns and problems to taking initiative in product development, which also created value for the company in form of more reliable and better quality supplies.

The fact that they can now tell us their issues without holding them until it gets worse is for me a good indicator. And then they voice out their concerns in a frank way, not to us directly, but to the leaders, and I think they believe that that's a good way, because before we had some setups then, that's what really happened here. Again, because they were shy to tell you the problems that they have. Whenever we have meetings with them, we also give them the hope . . . The fact that the skill that they have and needs are continuously evolving: you know, patterns, products. We feel like "You're ready for growth," because even without us telling them. . . without us telling them that you can improve on this and that thing, they already have ideas in place and sometimes they'll just come here and show us new samples . . . So I think that's a good indicator for me to see that these people really are competent; they really want to improve, continuously improve. They aren't afraid of suggestions. (Cofounder)

Empowerment was achieved mainly through valuing people and long-term trust and relationship building that created self-esteem and sense of belonging.

They [Habi] always find time to take care of the mothers. I am happy that they call me 'cuya' [elder brother]. . . I feel like I have found. . . I always feel and think like I am important to these persons. [starts crying] I am sorry I become emotional . . . I feel they are my new family that is why I always become emotional. (Community Coordinator 1)

Eventually, longer planning horizons and empowerment lead to eradication of the "poverty mind-set" and a growing sense of self-efficacy.

The communities just want them receiving and, you know, they feel like they deserve to get them receiving and then they have to benefit from it, that's that mentality: "help me, because I need your help, give me this because I'm the one who's at the bottom." You want. . . so now in our case in the community, that doesn't work with. . . I feel like we don't have that problem with them because, I guess because they had different minds then. (Employee)

An important value outcome of empowering weavers and lengthening their planning horizon is that they are able to develop their business activities and take on other buyers, thus creating real hope for poverty alleviation. Habi actively encouraged and helped the weavers to take on additional clients if they wished to.

So the money that we earned from that transaction we're also using now to help the mothers weave more materials and. . .we used that amount to. . . we have. . .

we donated a small amount for their bank accounts . . . for starting clients. For them, again, to have that reinforcement. (Cofounder)

Empowered communities with longer term perspectives are also a desirable value outcome for local government. Local governments have actively engaged with Habi and sought ways to support their work.

In terms of government, since they were the ones who referred us to one of the communities that we have now they just let us “How are you doing?” “How are you improving their lifestyle right now?” and also “What can we do to assist you in terms of marketing or, you know, governmental assistance?” like, if we have problems with regular papers. (Cofounder)

As London et al. (2010) indicate the concept of mutual value recognizes the fact that value needs to be captured by both the company and community members. Value capture by community members has not been extensively studied, however, and has been limited to the context of market development and value in monetary form (London et al., 2010; Sinkovics et al., 2014). Our findings suggest that the concept of value capture for the community members should be extended beyond purely economic meaning. In this case, weavers derived value in multiple forms, and the mechanisms that allowed them to capture this value were more related to their cognitive frames rather than market barriers. Finally, our findings suggest that key value capture mechanisms for community members relate to changing time frames and planning horizons. This requires from companies to develop the notion of “ambitemporality,” that is ability to “accommodate seemingly contradictory temporal orientations” (Reinecke & Ansari, 2015).

Contributions

This study provides empirical insight into the functioning of the “BoP solutions” subtype of SBM identified by Bocken and colleagues (2014) within SBMs that “repurpose business to benefit society and environment.” It shows how different SBM-specific characteristics contribute to the success in creating mutual value that benefits both the company and the impoverished communities. SBMs are “in the first place oriented to resolving social and environmental issues,” and this study indicates that they provide a promising alternative to conventional approaches when addressing even such complex problems like poverty (Dentchev et al., 2016, p. 1).

The study also supports the argument by Lüdeke-Freund and Dembek (2017) that to achieve its full potential, “the SBM field needs to assume the

role of an integrative field to break existing academic niches and silos and maximize practical impact” (p. 1668). Our findings indicate that BoP and SBMs are two fields of research where integration is likely to create impactful insights that complement or shed a new light on existing knowledge and approaches.

In particular, our application of SBM lens to a BoP sourcing initiative provides three such insights the BoP field. First, this study contributes to the discussion on the role of profit and income generation in poverty alleviation. It supports the claims that short-term profit maximization does not align with—and is unlikely to generate—poverty alleviation and may actually create harm (Dembek & Sivasubramanian, 2019). It may be necessary to revisit the approach to profits at the BoP (Simanis, 2012). Although profits are necessary for developing successful BoP ventures, they should be treated as a tool rather than a goal and used in combination with systemic view, in-depth knowledge of and relationships with communities, as well as substantial effort and time dedicated to community development. Without these efforts and without providing BoP communities mechanisms for value capture, income generation may still have severe unintended negative consequences for them.

Second, our study suggests that the focus on scale and rapid growth has dominated BoP literature as its inception is not a universal path to success for BoP ventures and may need to be reconsidered in some cases (Prahalad & Hart, 2002). If communities are not prepared for the economic development, pursuing scale and growth may harm both communities and the company. In these cases, slower growth and replicating the community development process may be much more effective than scaling universal solutions. Our findings indicate, in line with some previous research, that BoP ventures require continuous practice on the ground with care around power relationships with and within poor communities (Arora & Romijn, 2011). In addition, not all BoP ventures need to scale large and attract big investment to create mutual value, some BoP sourcing initiatives may be more suitable for smaller investors looking for impactful investment opportunities (London, 2016).

Third, our study contributes to addressing a gap in the BoP literature, which has overlooked the importance of time (Beckett et al., 2020). In line with recent research, our study indicates that aspects such as navigating different conceptual approaches to time and the paradoxical tensions between different time frames and planning horizons are crucial for successful creation of mutual value (Sharma & Jaiswal, 2018). Literature on sustainability should help address this gap and future BoP studies should consider its findings (Slawinski & Bansal, 2015).

Practical Implications

Our findings show that community development requires time, dedication, and long-term commitment. Mutual value creation requires designing business models that incorporate a value shop process dedicated to identifying and addressing problems and concerns in community on an ongoing basis. Those who are not prepared to commit substantial time and resources into building this structure and developing community should reconsider their plans to source from BoP communities or seek out communities that are well-prepared for collaboration. That is those with the mind-set, means, and skills needed to capture value created by participating in economic activity and preferably already involved in such activity.

One solution for doing this is following companies like Habi that are open to connecting new organizations to the communities in which significant groundwork and supplier development has already taken place and where the monitoring of impact is implemented. Past experiences reported in this and other studies show that not following these principles carries serious risks of harming communities and the company (Varman et al., 2012). It is important to remember that including communities in business models as suppliers may be an impactful, rewarding, and profitable activity but should not be seen as a path to instant riches.

Another important practical implication from this study is the importance of involving the right investment capital. This means, in particular, ensuring that the investors' goals and values are aligned with the objective of creating mutual value and community well-being. An important role of capital in BoP venture development is to help manage the temporal tensions that venture experiences. Capital should help venture address the short-term needs to allow it focus on long-term goals.

Finally, sourcing from BoP communities should not be based on linear and reductionist thinking expecting that income generation will eradicate poverty. Impoverished communities are indeed complex systems, and their behavior can be surprise. Developing BoP sourcing ventures require open mind, flexibility, and all a lot of listening.

Limitations and Future Research

The key limitation of this research comes from its design as a single case study. It has provided in-depth insight into how SBM characteristics are reflected in one company's business model activities and how this business model works to create mutual value. However, the findings cannot be generalized. Although our findings indicate the need to rethink the business models used in the BoP context, future studies need to address questions such as what

is the role of SBM characteristics in other (nonsourcing) types of BoP ventures? What are the activity structures that enact these characteristics and what is their potential to create mutual value? Are lengthening time frames and planning horizons in communities and empowerment universal value capture mechanisms for community members? What other mechanisms could be used and in what situations? The importance of dual value chain and shop structure in Habi's business model indicates that linking different value creation mechanisms may be an impactful avenue for SBM research both within and outside of BoP context. Pursuing this avenue requires seeing SBMs as value creation systems.

Future research should also address further the gap related to the role of time and include aspects like creating ambitemporality, managing temporal paradoxes, and navigating different time frames and planning horizons. Finally, in this article, we have used an SBM lens for the BoP context. Integrating other fields, such as sustainable supply chains, and design could provide additional insights.

Conclusion

In conclusion, the above findings suggest that SBMs provide a valuable alternative to CBMs and have important potential for creating mutual value in BoP settings. Our study shows that all four characteristics of SBMs need to be reflected in the company's business model activity structure. First, using profits as a *tool* for community development rather than a *goal* helps innovate and design the business model around the strengths of community. Second, to address the risks of harming communities, the *profit as a tool* approach needs to be combined with perceiving business model and communities as ever-evolving systems. Doing so allows for addressing the complexities of poverty and adjusting the initiative to the changing needs of the communities and as a result for embedding the business model in the local ecosystem. Third, as the process of community development takes time, a long-term perspective needs to underpin the business model development and be balanced with the short-term needs of the company and the communities. Finding the right type and amount of capital may be one way to help manage this temporal paradox. Finally, value capture mechanisms need to be implemented for BoP communities to lengthen the temporal perspective of communities and empower them. To enact these characteristics, Habi developed a dual business model structure connecting value chain dedicated predominantly to creating economic and environmental benefits, with value shop dedicated mostly to creating social benefits (Stabell & Fjeldstad, 1998). This study suggests that using an SBM approach may be fruitful, especially in helping develop BoP 3.0

ventures to advance sustainable development. Finally, although BoP research and initiatives have involved predominantly large, multinational corporations, it may be time to have a closer look at the sustainable development potential offered by smaller and local companies.

Appendix

Interview Protocol Habi

1. **Introduction**—History of the organization, how they got involved, what they do.
2. **Problem addressed**—What does the problem addressed look like.
3. **Motivation**—Why did they decide to address the problem.
4. **How problem is addressed**—How is the problem addressed (details of activities, who performs them, etc.), prompt information about collaborations if not emerging.
5. **Finances and profits**—How organization earns money, its costs and income streams, profitability, if unclear, prompt for how addressing the problem influences finances, and so on.
6. **Trade-offs and tensions**—If unclear, prompt for potential tensions for organization, and any difficult decisions to be made.
7. **Value capture** (stakeholder + value capture mechanism)—If unclear, ask about how the communities and different stakeholders benefit over time (pay special attention to the mechanisms that ensure the communities and other stakeholders benefit from being involved in the organization).
8. **Definition of success**—Definition of success in the organization. Pay attention to the time frame of success.
9. **Measurement and outcomes**—Whether and how the organization measures its success, examples of indicators, outcomes so far.
10. **Examples of what worked and did not work**—Examples of what worked really well and what did not work and why.
11. **What is needed to achieve success**—Success factors and obstacles to success.
12. **Additional details**—Are any important details omitted and do they want to add or change anything?

Interview Protocol Stakeholders

1. **Introduction**—Establish rapport.
2. **About the interviewee**—Ask about what they do, try to assess the situation (re. community members).

3. Involvement with Habi—What they do, how long, history of relationship.
4. Value—If information about value has not emerged, ask prompting questions, such as comparisons before and after relationships with Habi.

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Note

1. The UN Commission on the Status of Women identifies five components of women's empowerment: women's sense of self-worth; their right to have and to determine choices; their right to have access to opportunities and resources; their right to have power to control their own lives, both within and outside the home; and their ability to influence the direction of social change to create a more just social and economic order, nationally and internationally. In this context, education, training, awareness raising, building self-confidence, expansion of choices, increased access to and control over resources, and actions to transform the structures and institutions that reinforce and perpetuate gender discrimination and inequality are important tools for empowering women and girls to claim their rights. (Empowerment of women, 2019).

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