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UTILIZING PPPS AS AN ALTERNATIVE TO ENTERING BOP MARKETS: BENEFITS, CHALLENGES, AND SUCCESS FACTORS

ABSTRACT

This paper examines public-private-partnerships (PPPs) as viable modes of entry into Bottom-of-the-pyramid (BOP) regions. BOP regions present attractive growth targets with untapped purchase power, however, recent case evidence and BOP research suggests that challenges associated with BOP regions present significant challenges for companies entering BOP regions with business-to-business (B2B) and business-to-consumer (B2C) strategies. In this paper, we concur with existing work by Vinogradov et al. (2014), which argues for PPPs as alternative modes of entry that generate mutual benefits for the regional government and the entrant. However, there is no conceptual framework that guides research and informs practitioners in this important area. To address this deficit, we examine extant PPP literature and case evidence to identify benefits, challenges, and the key factors that contribute to a successful bidding and execution process in a PPP. Finally, our work provides a discussion of how the key success factors can be implemented.

Key Words: bottom of the pyramid, mode of entry, public private partnerships, success factors, benefits, challenges

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INTRODUCTION

Bottom-of-the-pyramid (BOP) regions in emerging markets (EM) with 4 billion potential customers promise largely untapped purchase power and an opportunity to do business with a purpose. Guesalaga and Marshall (2008) report that more than 50 % of the purchase power in developing regions resides in the BOP segment. Despite the fact that 4 billion people live on less than US \$ 8 per day, they control more than US \$5 trillion in purchasing power. Because BOP regions are large, virtually untapped, and the discretionary incomes of potential buyers is rising rapidly, they represent exceptional growth opportunities. Correspondingly, existing research has highlighted high volumes and low competitive intensity as characteristics that render BOP markets attractive (Karamchandani, Kubzansky, and Lalwani, 2011). In addition to BOP regions' commercial appeal, "creating business activities in these markets [...] can make a significant contribution to poverty alleviation" and community development (Schuster and Holtbruegge, 2012), as well as provide valuable spillovers in technology and managerial practice (Zhang et al., 2010). Consequently, entering the BOP market provides an opportunity and perhaps an obligation to provide useful, immediate product needs to the local consumers, create business and employment opportunities and thereby alleviate poverty (Schuster and Holtbruegge, 2012).

Several multinational corporations (MNCs) like Unilever, Tetrapak and Vodaphone have profitably introduced services and products in BOP regions (Schuster and Holtbruegge, 2012). However, entrants in such markets face unique challenges, specifically, when they choose the most common modes of entry into these markets through business-to-business (B2B) channels, often in the form of joint ventures and strategic alliances with local businesses, or directly through business-to-consumer (B2C) channels. Among the challenges associated with end-customers and local businesses are low awareness, low literacy, poor infrastructure, low individual income, as well as lack of access to financial resources (Nakata and Weidner, 2012). Correspondingly, evidence from recent cases such as Whirlpool, Volvo, and Bufab entering India (Bhan, 2012; Heshmati and Lovic, 2012), shows that comprehending the needs of the end-customers, navigating the complexity of a new business environment, lack of local infrastructure, low initial sales volumes, as well as balancing the aforementioned challenges with the low individual incomes present significant growth constraints for firms who enter BOP regions with B2C or B2B modes.

By contrast, Vinogradov, Shadrina, and Kokareva (2014) propose public-private partnerships (PPPs), broadly defined as co-operative institutional arrangements between private businesses and governments (Hodge and Greves, 2009), as a viable alternative of

doing business, specifically for developing or transition economies. Vinogradov et al. (2014) note that PPPs in developing economies promise mutual benefits for government and business, because governments may not have the resources to provide product or service while businesses can generate large volume orders with profitability that is otherwise unattainable. Incentives for governments in BOP regions to act as a buyer on behalf of the BOP population are specifically strong for elementary products and services that alleviate deprivations associated with nutrition, education, mobility, personal hygiene, and basic healthcare, because of their positive impact on the regions' economic prosperity (Bloom and Canning, 2004). Addressing such deprivations is so important, because worker downtime due to inadequate health, education or mobility can highly affect overall regional economic productivity, and lack of healthcare technology can lead to higher costs for diseases in progressed states (Primus et al., 2015). Accordingly, we investigate a specific form of PPPs, which Hodge and Greves (2009) refer to as *civil society and community development partnership*, as a promising entry mode for BOP regions.

A recent example from the Central American country of Belize highlights this opportunity space for businesses targeting BOP regions. The government of Belize recently initiated a strategic plan to improve the quality of the country's healthcare services by 2024 by increasing the government's overall healthcare spending. With 44 % of Belize's population living below the poverty line, the government initiated the plan because officials believed that "healthy people are the foundation for national development" (Hon, 2014). Belize is among many developing countries with new healthcare initiatives, and similar to other developing markets, the "distribution of the Belizean population presents a key challenge for healthcare service delivery and impacts accessibility, patient transfers, the scope and mix of services available, and the availability of health professionals to deliver quality and equitable care to all" (Hon, 2014).

Likewise, several private entities targeting EM and BOP regions have identified elementary products and services as the primary opportunity to engage with local governments. Philips, a Dutch multinational corporation with lines of business in electronics, healthcare, and lighting, has recently focused its efforts on paying more attention to EMs and how the company could partner with its governments. Jan-Willem Scheijgrond, the Global Head of Government Affairs PPP, argues that Philips' innovation, if positioned correctly, can reach "the right communities whilst allowing countries to own and finance their unique ambitions." He stated, "Recipient governments need to recognize access to healthcare, or electricity and light, as a basic human right and source of economic

growth that will enable more domestic resources to be invested in policies that directly benefit citizens.”

In sum, civil society and community development engagements with governments in BOP regions present a viable alternative mode of entry into BOP regions to B2Bs or B2Cs. A plethora of research exists on PPPs focusing on large infrastructure and construction projects, the so-called LITCs (Hodge and Greves, 2009), for developed and developing regions. However, a comprehensive framework that informs the deliberate management of PPPs as an entry mode for BOP markets for civil society and community development for small firms does not exist. To address this deficit, we examine extant PPP literature and case evidence to identify benefits, challenges and the key factors that contribute to a successful bidding and execution process in a PPP.

Our work is structured as follows. In the next section, we describe our methodology for collecting and organizing our findings from cases and literature. In the following section, we provide a detailed review of benefits, challenges and success factors that inform research and practice concerned with PPP entry in a BOP context. Our article concludes with implications for research and practice.

METHODOLOGY

A review of extant research and archival cases was used to determine the scope and extract the findings presented in this study. We began our search for research articles and cases using the main themes of this study that are PPPs, market entry into BOP regions, and socio-economic impact in BOP regions. We learned from the first results, which included several works from the PPP research stream that the scope of our search needed to be interdisciplinary, as it draws from fields of international business, engineering, and political science. In order to support a thorough review of the literature and to develop a comprehensive case evidence collection, we searched for articles and cases in a diverse set of sources. We used the following scholarly and research databases to conduct a search for literature and case evidence: Business Source Complete, Cabell's, Ebscohost, Euromonitor Passport, Google Books, Google Scholar, JSTOR, Proquest, Sage Journals, Science Direct, and Worldcat. We used the following key words in our searches individually and in combinations: “business-to-government (B2G),” “e-government,” “public procurement,” “business-to-business (B2B),” “business-to-consumer (B2C),” “joint venture,” “emerging market (EM),” “bottom-of-the-pyramid” or “base-of-the-pyramid (BOP),” “developing country,” “developing economy,” “underdeveloped country,” “underdeveloped economy,”

“market entry strategy,” “free-entry market,” “economic impact model (EIM),” “social return on investment,” “public private partnership (PPP),” “build-operate-transfer (BOT),” “state-owned enterprise,” “publically provided goods,” “public-private sector cooperation,” “other public investment and capital stock,” “critical success factor (CSF),” and “resource exchange.” The list of keywords and use of combinations evolved throughout the process. We performed an initial review of abstracts, forward and backwards traces, using citations and references associated with each preliminarily discovered publication and a review of article conclusions, resulting in the preliminary collection of more than 100 articles and 30 cases. From this collection of scholarly work, we selected articles that (1) discussed one or more success factors of PPPs or (2) benefits and challenges of PPPs from a private party’s perspective and (3) indicated relevance to a BOP or community and society development context. A key selection criteria for cases was to work with a balance of successes and failures; another criteria was to employ cases whose firms represented a variety of industries and home countries. In the initial selection, we chose cases that highlight the constraints associated with B2Bs and B2Cs to further motivate our focus on PPPs.

Following a peer review of our work, we expanded our search on pertinent benefits and challenges PPPs presented from the private actor’s perspective, as well as the key factors that increase the likelihood of success during bidding and execution. Using the same scholarly and research databases discussed above, we used the following key words in our searches in combination with – “public private partnership,” “build-operate-transfer,” “public procurement,” “state-owned enterprise” – for this specific stream of research: “benefit,” “private benefit,” “company benefit,” “firm benefit,” “challenge,” “private challenge,” “company challenge,” “firm challenge,” “motive,” “private motive,” “company motive,” “firm motive,” “incentive,” “private incentive,” “company incentive,” “firm incentive,” “success,” “bidding success,” “project success.” Notably, much of the current supporting research on the PPP topic stems from the view of the public sector and its impact on constituencies. Consequently, we learned that research investigating benefits and challenges of PPPs from the private company’s perspective is still low in publication numbers and presents significant overlap between studies in terms of the findings reported. The initial survey of this literature resulted in the finding of eleven articles, which supported benefits and challenges of PPPs. In the second search, we found two new articles, directly focused on PPPs from the private party’s perspective. Using forward and backward traces on this initially small collection of articles and employing the logic discussed above in our

selection of scholarly work, we were able to expand our selection with 15 additional articles in support of our research goal.

To complete our case collection, we selected cases that supported the success factors found in the literature and offered some insight into how they can be implemented. As a result, the findings of our paper are based on 64 articles and 10 firm-level cases, published between 1981 and 2017. Table 1 shows the 10 firm-level cases. In addition, we used 2 country-level cases of Belize and the Philippines to motivate our research goal.

Table 1. Case examples and target region

Firm	Target region
Lanco – PPP - 2016	India
Canadian Firms PPP (Assanie and Woo, 2004) – 2002-2003	India
Samsung – PPP - 2013	Zimbabwe
FedEx – PPP - 2010	United Arab Emirates (UAE)
Philips – PPP - 2016	(Many emerging economies)
Cable & Wireless Communications – PPP - 2010	Latin America
Olympic Villages – PPP - 2013	United Kingdom, Brazil
Volvo - *Failure* - B2C/B2B - 2012	India
Bufab AB - *Failure* - B2C/B2B - 2012	India
Whirlpool - *Failure* - B2C/B2B - 2012	India

PPPS: BENEFITS, CHALLENGES, AND CRITICAL SUCCESS FACTORS

PPPs are working engagements between a firm and a regional, municipal, or federal governing body, which typically include three unique stages: the identification of the needs of the government, the drafting and submission of a bidding proposal, and the execution of the contracted service (Raus, Liu, and Kipp, 2010).

Benefits and challenges of PPPs in a BOP context

In this section, we identify benefits and challenges associated with civil society and community development PPPs in BOP regions. Our survey of the literature indicated that research on benefits and challenges of PPPs from the perspective of the private company is ongoing and in its infancy. While there is an abundance of literature devoted to the theoretical application of PPPs, and the benefits and challenges presented from the public sector’s viewpoint, the benefits and challenges which control the private actor’s interests and motives to participate in the PPP structure have been much more neglected (Kivleniec and Quelin, 2012; Shakirova and Filina, 2013).

Nonetheless, there is a small collection of scholarly work that focuses on the benefits for firms utilizing PPPs for market penetration and product or service development (Barringer and Harrison, 2000; Buse and Walt, 2000; Jost, Dawson, and Shaw, 2005; Kivleniece and Quelin, 2012; Reich, 2000; Rupprecht and Werderman, 2011). We have surveyed this collection and closely related current literature and found four major themes that specifically relate to PPPs in the context of our work. They are buyer concentration and centralization, access to government resources, administrative challenges, and public pressures to redistribute profits, as shown in Table 2.

Table 2. Benefits and Challenges of PPPs

	Selected References
Benefits	
Buyer concentration and centralization	Vinogradov et al. (2014)
Large volume orders	Dolpanya, Land, Dick (2008)
More stable and predictable demand	Purchase, Goh, Dooley (2009)
One single point of sale	Loader (2007)
Access to government resources	OECD (2004)
Expertise and knowledge	Rupprecht and Werderman (2011)
Public infrastructure (distribution)	Jost et al. (2005)
Public funding	Kivleniece and Quelin (2012)
	Buse and Walt (2000)
	Reich (2000)
	Van Herpen (2002)
	Geyskens, Gielens, Dekimpe (2002)
	D'Aveni and Ravenscraft (1994)
	Lau (2005)
	Benjamin, Malone, Yates (1987)
Challenges	
Administrative structure and practices	Kivleniece and Quelin (2012)
Bureaucracy	Coff (1999)
Complexity	Rufin and Rivera-Santos (2010)
Corruption	Timmins (2008)
No single best practice	Spiller (2008)
Public pressures to re-distribute surplus profits	Den Hond and De Bakker (2007)
	King (2008)
	Pfarrer et al. (2008)
	Levin and Tadellis (2010)
	Arnstorp (2013)
	Krilla (2010)
	Asiedu (2006)
	Bozeman and Bretschneider (1994)
	Rainey and Bozeman (2000)

Buyer concentration and centralization make governments as desirable customers in the context of an entry in BOP regions, because it helps to overcome the negative effects associated with fragmented B2C or B2B relationships in BOP regions. The first benefit associated with buyer concentration and centralization is *large volume orders*. Buying volumes

of governments are typically large and therefore attractive for suppliers (Dolpanya, Land, and Dick, 2008; Vinogradov et al., 2014). This is particularly true for developing countries, for example Bangladesh, whose government is the largest buyer and investor, as well as the holder of the most valuable assets within the state (World Bank, 2007). From the perspective of a business entering a BOP market, fewer, larger orders from governments are more beneficial than many smaller and fragmented B2C and B2B orders, because they reduce costs associated with finding, selling, negotiating, contracting, monitoring, and resolving disputes with other firms in the open market (D'Aveni and Ravenscraft, 1994).

Another benefit is that government accounts provide *more stable and predictable demand* (Purchase et al., 2009). Prior studies indicate that government spending is relatively stable over time and that the government is unlikely to declare bankruptcy, even during times of economic recession (Loader, 2007). The implied benefit for a business entering a BOP market is that stable and predictable demand will reduce opportunity and market mediation cost associated with fragmented and unpredictable orders, as well as economic cycles of B2B and B2C channels (Loader, 2007).

Government procurement, by nature, is also centralized, and therefore, there is *one single point of sale*, which is usually monitored by a General Services Administration (GSA) governmental agency. Consider the nation of Ethiopia as an example, whose Public Procurement and Property Disposal Service facilitates all planning and executing of government purchasing (Export.gov, 2016). From the perspective of a business entering a BOP market, one single point of sale is preferred, because it also lowers costs associated with marketing to a population that is often difficult to access in terms of remoteness, culture and language. Many developing governments are adopting new technologies such as the use of e-auction markets, to coordinate and develop more centralized procurement processes in order to create opportunities for market expansion and increase trading activities (Dolpanya, Land, and Dick, 2008). Geyskens et al. (2002) argue in their work that targeting one specific point of sale in this case can allow firms that utilize this entry mode for opportunity to expand into new markets, increase their success of market penetration, and help to decrease overall transaction costs. Another example is the country of Philippines, who has adopted a single bid submission process that streamlines the bidding and ultimately awarding of a government contract (Asian Development Bank, 2013).

Furthermore, access to government resources is a benefit in the context of an entry in BOP regions, because it can help to mitigate voids in the business infrastructure of BOP regions. For example, governments can provide valuable *expertise and knowledge* about

customer preferences, and this “private actor access to unique public knowledge-based resources will allow capturing and transforming at least part of them into private benefits” (Kivleniece and Quelin, 2012). In turn, this knowledge and expertise can mitigate the challenges associated with articulating and comprehending the needs of the BOP population, and may prove to provide the private sector with advantages in new market entry (Kivleniece and Quelin, 2012). Governments are in place to identify and attend to the needs of their constituencies, and to do so, they are also adopting information society tools and working practices in both the front and back office to remain responsive to citizens’ needs (Lau, 2005). Mexico for example, has established a “Federal Register of Formalities and Services” on the Internet which includes the principal procedural requirements imposed by all federal departments and agencies on private citizens and businesses (Lau, 2005). These tools are providing valuable information to developing countries and helping them to track and analyze data to better support their residents. With this better and more equal access to government information of all types (e.g. research, regulations, analysis, statistics, etc.), businesses can find more opportunities or improvement in current activity (Benjamin et al., 1987; Lau, 2005).

Another benefit, which is similar to the benefits gained from access to public knowledge-based resources, is the unique access to *public infrastructure* (Grimsey and Lewis, 2007; OECD, 2004; also see Kivleniece and Quelin (2012) for discussion). Accordingly, having this exclusive access to government infrastructure in the form of transportation assets can help improve product or service distribution, ultimately decreasing product costs. With a more transparent understanding of distribution capabilities or enhancements due to public infrastructure, markets, which were previously unviable due to distribution constraints, become practicable options for new market penetration.

The last benefit we present is the access to *public funding*. Public entities often provide co-financing arrangements and/or tax subsidies for projects that the private sector may not be willing to assume alone, by either assuming an equity stake, or securing long-term debt financing through various public financial institutions or government guarantee programs (Kivleniece and Quelin, 2012). Such capital and tax benefits grant avenues for low-cost financing and tax sheltering for firms who pursue PPPs (Buse and Walk, 2000; OECD, 2004; Reich, 2000; Van Herpen, 2002).

Although there are several expected benefits of PPPs to an entrant in BOP regions, there are also a number of challenges that firms may face. First are the challenges associated with administrative structures and processes. For example, *governmental bureaucracy* is a

challenge that slows down the decision-making process and draws on the entering firms' productivity (Rainey and Bozeman, 2000). Closely related, *complexity of administrative processes* creates an additional challenge for PPPs. Bozeman and Bretschneider (1994) found that when they asked public and private managers to estimate the time required to complete important administrative functions like hiring and purchasing equipment, they found that public managers reported much longer times to complete some of these important functions.

Next, Asiedu (2006) in her work illustrates how *political corruption*, the degree of corruption within the political system, raises the threat of potential losses from engagements with the government. This challenge can be especially prevalent in BOP countries that have weak governance structures, which ultimately result in inadequate economic investments and even the underutilization of resources (Krilla, 2010). All three of the above challenges increase coordination costs, ultimately decreasing firm efficiency and profitability (Kivleniece and Quelin, 2012; Levin and Tadellis, 2010).

Another administrative challenge is that there is *no universal "best practice"* when it comes to conducting PPP transactions, and therefore, it is important that each transaction is tailored to the needs of a specific regional government. Further, conducting business with governments requires an understanding that typically, multiple stakeholders are involved. In order to be successful, companies must address issues at the intersection of law, regulation, business, policy and politics. Additional stakeholders include the regional communities and the entire supply chain for the government service, including financiers (Krilla, 2010). What makes each market different is its institutional context, which encompasses formal institutions such as laws and regulations, and informal ones such as norms and cultures; the latter can differ strongly between nations, and therefore, tailoring the needs to the specific government is paramount (Arnstorp, 2013).

Finally, public pressures to *redistribute profits* are also more prevalent in developing regions and they will decrease the performance of a BOP entry, because they dis-incentivize any value creation that increases firm margins during an ongoing partnership. Public authorities may attempt to redistribute value, whenever the public sector's responsibilities or liabilities are deemed too high (Coff, 1999; Kivleniece and Quelin, 2012; Rufin and Rivera-Santos, 2010) or be forced by public stakeholders to split any surplus profits equally between the private investors and the tax payers (Timmins, 2008; as cited in Kivleniece and Quelin, 2012). Most of the pressure to redistribute value in favor of the public entity comes from external stakeholders, such as the country's constituencies (Kivleniece and Quelin,

2012; Spiller, 2008). In addition, private sector involvement in providing goods and services, which greatly impact the social well-being of the population (i.e. transportation, education, or health), is often met with heightened apprehension from social groups who seek to question the firm's incentives (Den Hond and De Bakker, 2007). An elevated level of scrutiny can further increase the firm's risks, as any action that is seen adversely or as unethical, can cause the firm to experience negative financial pressure (i.e., boycotts) or have a negative impact to the firm's reputation and image (King, 2008; Pfarrer et al., 2008).

Success factors of PPPs in BOP regions

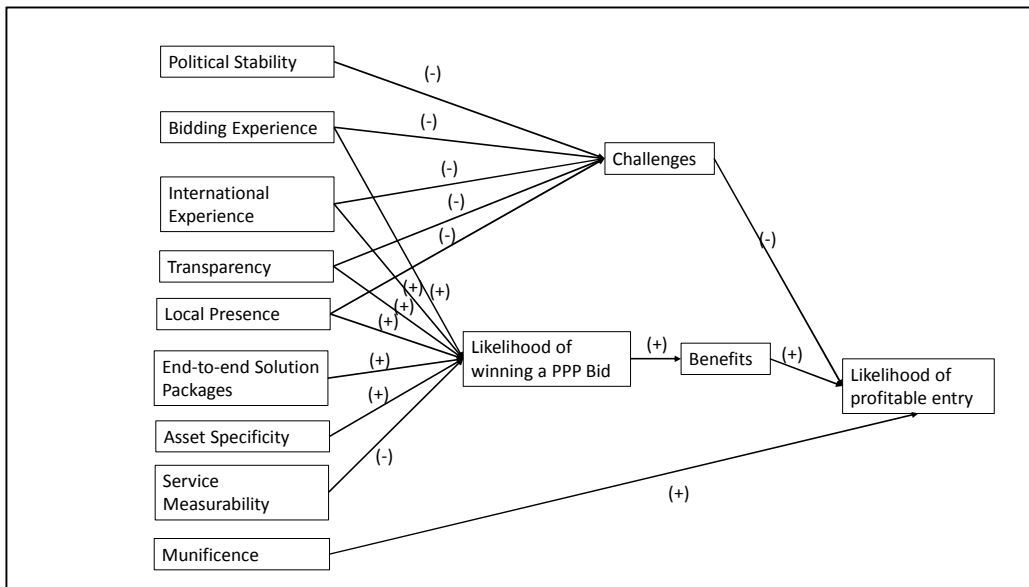
Thus far, we have used extant literature to establish that choosing a PPP strategy as an entry mode will provide benefits and mitigate some of the growth constraints associated with B2B or B2C channels. However, research from the PPP stream agrees that winning and executing a PPP contract can be difficult and time-consuming. Accordingly, this literature identifies a number of factors that increase the likelihood of success in a bid and execution of a PPP. At the same time, our review of literature on PPPs indicates there is no conceptual framework that synthesizes the key success factors and prescribes how those can be implemented in the context of entering a BOP region. To that end, we continue to leverage existing literature and case evidence to propose a conceptual framework that applies to BOP regions. Table 3 provides an overview of the literature used in the discussion of success factors.

Table 3. Literature on success factors of PPPs

Success Factor	Selected References
International experience	Chen and Orr (2009) Assanie and Woo (2004) Cable & Wireless Communications (2010) (Case) Khanna, Palepu, and Sinha (2005)
Bidding experience	Lau (2005) Boviard (2006) Holma et al. (2013) Lanco Group (2016) (Case) Kivleniece and Quelin (2012) Lilly, Chopoorian, and White (2008)
Local presence Comprehensive development and training of local population	Boscor and Bratucu (2010) Gupta and Narasimham (1998) Hall, Lobina, and Motte (2005) The Herald (2013) (Case) Sotund (2013) Export.gov (2016) Karamchandani et al. (2011)
Transparency	Justice.gov (2017) Erridge and Greer (2002) Loader (2007) Purchase et al. (2009) Lau (2005) OECD (2005)
Political stability	Worldwide Governance Indicators (2016) Purchase et al. (2009) The Economist Group (2017) Bollen (1990)
Market munificence	Sakarya, Eckman, and Hyllegard (2007) BI-ME (2010) (Case) Bamford, Dean, and McDougall (2000) Khanna et al. (2005)
End-to-end solution packages	Erridge and McIlroy (2002) Holma et al. (2013) Frawley and Adair (2013) (Case)
High asset specificity	Williamson (1981) Dolpanya, Land, Dick (2008) Brown and Potoski (2003)
Service measurability	Brown and Potoski (2003) Raus et al. (2010)

Figure 1 shows nine key success factors for PPPs and how they apply in the bidding stages and execution stages: (1) international experience (bidding and execution), (2) bidding experience (bidding), (3) local presence (bidding and execution), (4) political stability (bidding and execution), (5) transparency (bidding and execution), (6) end-to-end solution packages (bidding and execution), (7) market munificence (execution), and (8) high asset specificity (bidding and execution) and (9) service measurability (bidding and execution). In our discussion, we distinguish between factors in accordance with the Analysis-Formulation-Implementation (AFI) framework in strategic management (Grant, 2016; Rothaermel, 2015). Consequently, we divide the success factors into analytical capabilities that benefit PPPs through a better understanding of the business context, as well as capabilities that benefit PPPs in the formulation and implementation of the partnership. We discuss each factor in detail below and we include supporting case evidence of firms who entered EMs through PPP strategies.

Figure 1. Conceptual model of key success factors for PPPs in a BOP region



Firstly, *international experience* as a (formulation and implementation) success factor means that firms effectively leverage their resources and their past international experiences to win a bid and/or introduce their products and services into the EM (Chen and Orr, 2009). Preparation and the sound understanding of foreign processes is key for successful

implementation because “successful companies develop strategies for doing business in EMs that are different from those they use at home” (Khanna et al., 2005). Successful companies have leveraged their past experiences and their past relationships to understand the institutional differences between countries and to choose the best markets to enter (Khanna et al., 2005). Assanie and Woo (2004), in their research of Canadian firms who used PPP channels to penetrate the Indian market, state that the “[PPP] model depended on [the firm’s] ability to provide trusted advice gained from vast experience in large international projects and their ability to compete at cut-throat prices in a crowded domain”. Further, Cable & Wireless Communications (CWC), a British multinational telecommunications corporation has leveraged its vast international experience to enter EMs, particularly in the Latin American region. Panama is an example in which CWC established a dominant presence. Apart from its robust B2C and B2B product offerings, CWC also directly services the Panamanian government through its telecom platform for emergency services. CWC regards this partnership as an opportunity for high volume transactions and the betterment of public services (Cable & Wireless Communications, 2010).

International experience as a success factor can be built or acquired by a business entering a BOP market through PPPs through developing strong relationships abroad – with suppliers, supply-chain operators, joint ventures - prior to potential EM penetration.

Bidding experience (formulation and implementation) implies that firms who have a strong command and understanding of a particular government’s procurement process, and potentially experience in other government-like procurement transactions, will have an added benefit over those competitors who may be less experienced (Boviard, 2006; Lau, 2005). More specifically, bidding experience helps to avoid the hazards of misunderstanding the practices required for bidding or the providing of inaccurate bids, and ultimately increases the chances of winning and securing the benefits of a PPP contract (Holma et al., 2013). Lanco, an Indian conglomerate that dominates in Engineering, Procurement, and Construction, Power, Solar, Natural Resources and Infrastructure business segments, exemplifies the positive effect of leveraging experience in winning new business. In early 1990s, Lanco was able to successfully diversify its service offerings by taking advantage of the liberalizing Indian economy. This ultimately led to its first PPP transaction in 2000, a power purchase agreement with the Kondapalli state government for a gas power plant (Lanco Group, 2016). In the last decade, the company has evolved and expanded into the infrastructure space. Most of its success can be attributed to the company’s capabilities,

which have been built to target government procurement. Lanco utilizes PPPs as a way to expand their market reach, and therefore the company dedicates valuable resources to researching local government procurement authorities. For example, as the company sought to expand and win more state contracts, management identified a need to improve compliance with key state players and their associated regulations. Lanco successfully transferred findings from this research to multiple markets, improving its ability to provide thorough and accurate bids. For that reason, Lanco is now very well versed in governmental procurement processes, and this experience gives the company a competitive advantage over other competing firms. As a consequence, Lanco recently won two PPP contracts that service the National Highways Authority of India in the states of Karnataka and Uttar Pradesh (Lanco Group, 2016). In sum and in agreement with Kivleniece and Quelin (2012), we expect that “private actors with a long record of public sector ties can be expected to develop idiosyncratic public-contracting capabilities, enhancing their value capture potential compared to novice entrants in the field”.

This factor can be built or acquired by a business entering a BOP market through PPPs by recruiting and onboarding a professional who has represented other firms that bid (and ideally won) government contracts. “Marketing professionals need to research the formalities of the government in order to be successful since those marketing efforts have to tailor to the procedures of whatever the government procurement protocol is” (Lilly et al., 2008). Utilizing the expertise and experiences of individuals, who have previously worked with the government procurement process before, especially within EMs, should help to provide less risk and more success in winning the proposed work. By putting in time and effort to develop such expertise in implementing and winning, government bidding process can prove to be costly and time-consuming, especially for those firms who are completely foreign to the procedure, a firm may best benefit from hiring someone with said known expertise, allowing them the ability to focus on overall project objectives.

Boscor and Bratucu’s (2010) work presents *local presence* (formulation and implementation) as another key success factor. According to the authors, the practice of developing commercial infrastructure involving local authorities, non-governmental organizations, local communities, financial institutions and infrastructure builders, as well as access to the local culture and knowledge by forming alliances with local firms and governments are the hallmarks of a successful PPP with BOP governments. In close association with local presence, *comprehensive development and training of local population*, together with the support of the public, will have a positive impact on competing for PPP contracts

(Gupta and Narasimham, 1998). Hall et al. (2005) note that if the public does not understand the practical value in the PPP, they will not necessarily accept it. They further argue that the public's willingness to accept a PPP project is an important indicator of whether or not the project will be successful. Samsung Electronics, a South Korean multinational electronics corporation leveraged the influence of a local Zimbabwe company to establish a presence in the Zimbabwe market, which ultimately led to significant PPP transactions. In 2013, Samsung signed a Memorandum of Understanding (MOU) with Zimbabwe's Lines Products and Services, to increase Samsung's visibility in the EM and to lower the cost of the products that at the time were being imported by costly resellers from South Africa and Dubai (The Herald, 2013). From this partnership, coupled with Zimbabwe's intermediaries and country managers as effective local content, the government of Zimbabwe held a public forum in 2014 to discuss PPP implementation strategies. This ultimately resulted in Samsung designing and marketing solar-powered schools and centers that were targeted to governmental procurement agencies (Sotunde, 2013).

Local presence, as well as comprehensive development and training of the local population can be implemented by a business entering a BOP market through PPPs by immersing the company in the target area prior to penetration. Prior immersion helps to create strong relationships with local tenders to minimize risks and ensure proper resources are allocated towards recruiting, training, and/or other areas of the local value-chain. Local presence may begin with having a local representative (individual or firm) from the desired country, work closely with the company. Local people know the preferences and what is ultimately best for their very own local community; therefore, they will know how to identify the most efficient and legitimate ways to create value. In their country profile, the Ethiopian government explicitly states "it is advisable to work with local agents or representatives in order to participate effectively in local tenders" (Export.gov, 2016). Karamchandani et al.'s (2011) research also shows that companies have successfully integrated large numbers of small, disaggregated suppliers into their value chain.

Transparency (analysis) relates to the level of translucency in the bi-directional flow of information between a government and its constituencies [including suppliers] (Justice.gov, 2017). The difficulties in obtaining government contracts are often due to the requirement for transparency and accountability to ensure the process is conducted in an ethical and equitable manner (Erridge and Greer, 2002; Loader, 2007; as cited in Purchase et al., 2009). In turn, transparency will help with understanding the practices involved in bidding and executing the contract by providing clearer lines of communication. It is, however,

important to note that firms need to create mutual transparency (e.g. by accurately presenting their capabilities) that benefits the government and its citizens and as a way to build mutual trust and credibility. In order to incentivize more foreign investment, governments in EMs and BOP regions are developing programs in order to increase the overall transparency of the government procurement process. The government of Mexico for instance, has recently developed a program in which it publishes a list of prospective purchases, as well as the terms and conditions under which the purchases were made (Lau, 2005). “The purchase and expenditures portal not only opens up the market to a substantial set of competitors, but also reduces corruption and saves taxpayers” (OECD, 2005; as cited in Lau 2005). The initiative has been an important tool in making [the Mexican] government more transparent by providing access to public information for all citizens (Lau, 2005).

Political Stability (analysis) refers to the measurement of political instability and/or politically motivated violence, including the impact of protests and riots, terrorism, corruption, and war, on the likelihood of damages to assets or disruption to normal business operations (Worldwide Governance Indicators, 2016). At first glance, political stability and transparency seem to be closely related, as Purchase et al. (2009) argue in their work. For example, formalizing certain processes - such as public procurement - to make them more transparent typically also creates more stringently monitored business relationships, which can mitigate corruption. It is important to note, however, that the two factors need to be considered separately, as it is not necessarily true that all transparent governments operate in politically stable regions or that all governments in politically stable regions afford high levels of transparency.

Both factors, transparency and political stability, can be analyzed and understood by a business entering a BOP market through PPPs by doing both an internal and external audit prior to market approach. In order to be fully transparent, there needs to be full understanding of the firm’s own resources and capabilities. Furthermore, before market penetration, the firm must assess the levels of transparency and risks associated with the potential operating environment of the targeted region. It is important to have a solid understanding of the influential political drivers and how they create and sustain governmental policies. These are readily available through resources such as the Political Instability Index via the Economist Group (The Economist Group, 2017). In sum, having a keen understanding of a target market’s transparency and political foundation are important in determining whether or not that country’s business environment is attractive to enter (Bollen, 1990).

Market munificence (analysis) is the measure of the country's economic openness and how it impacts the firm's ability to enter the market (Sakarya et al., 2007). UAE FedEx Express, a subsidiary of FedEx Corp., the world's largest express transportation corporation, and its partnership with Dubai Customs Agency serves as a case example for market munificence as a success factor in PPPs. In this case, Dubai's Customs agency put forth an initiative for firms within the airfreight and express transit industry to strengthen their security clearance systems in order to meet the needs of Dubai's forecasted trading requirements. Essentially, Dubai invited these firms to invest in and reposition their own corporate strategies to adapt to this large window of opportunity. Given the large volume of business in that region, and the chance to heighten its share of the business, FedEx invested in further developing its security clearance system. In August 2010, FedEx and Dubai's Customs Agency signed off on the partnership since FedEx's systems were aligned with the standards set by Dubai's Customs (BI-ME, 2010).

Similar to political stability, market munificence can be analyzed and understood by a business entering a BOP through PPPs by the hiring of a qualified person or professional services firm, or by collecting market data and determining a proxy for market munificence in accordance with Bamford, C., Dean T., and McDougall, P. (2000). However, Khanna et al. (2005) caution firms to consider the level of market munificence as an indicator of future competitive intensity, as well as a measure of current ease of entry.

When companies offer *end-to-end solution packages* (formulation and implementation), the customer (government) does not need to maintain multiple relationships with providers of services or products to complete their end solution (i.e. a one-stop shop for the government). End-to-end solution packages are a key success factor, because the key driver for most government purchases is productivity. Taxpayers want more for less; governments are responsible for the expenditure of public money and thus, experience greater pressures to increase productivity of their contracts (Erridge and McIlroy, 2002; as cited in Holma et al., 2013). To this end, firms who can provide multiple services or products along the government's value chain can help minimize the need for additional suppliers and in turn lower the transaction costs associated with the procurement process and save valuable time by minimizing the need for additional collaboration. For example, when governments seek suppliers for their large infrastructure projects, those suppliers that act as a "middleman" and can bring the project from beginning-to-end, without the need for the government to search and procure additional suppliers, are usually more successful in winning the project bid. The example of Olympic stadiums, sporting venues, and housing quarters will highlight

the impact of end-to-end solution packages on the success of winning and executing PPP contracts. Olympic projects are massive in scale and scope, and require a high level of upfront capital and project planning in order to be completed successfully. When initiating these efforts, governments look for contracting companies that can take control of the project and deliver it from its infancy to its completion. The contracting company essentially becomes a one-stop shop for the government, which then ultimately creates a venue that is high-value for citizens. The 2000 Olympic venues in Sydney, Australia were realized through the PPP between the New South Wales (NSW) Government and Stadium Australia Group Ltd (SAG) (Frawley and Adair, 2013). The SAG was able to provide an end-to-end solution for the NSW government, in which they would take control of the entire project and contract out the additional needed services. Having the ability to limit the number of suppliers that the NSW government needed to target, it ultimately aided in SAG winning the overall contract.

This factor can be built or acquired by a business entering a BOP market through PPPs by establishing and developing partnerships that expand a firm's ability to provide multiple services and products along the target government's value chain for a specific project or need. Multinational giants like General Electric or Siemens provide further examples for advantages of diverse end-to-end packages in a PPP. Smaller firms who aim to leverage this success factor should aim to form strategic partnerships with other providers that help to create more diverse end-to-end packages for PPPs. Accordingly, smaller firms have the potential to generate synergies between local presence and end-to-end solutions.

High asset specificity (analysis, formulation and implementation) is defined as a firm's ability to provide specialized investments needed to produce a product or a service (Williamson 1981, as cited in Dolpanya, Land, and Dick, 2008). When firms are able to provide products or services with high asset specificity, other suppliers are less likely to participate in this market and, thus, asset specificity would raise the likelihood of winning the bid (Dolpanya, Land, and Dick, 2008). Brown and Potoski (2003) illustrate this factor through the specificity of location of a production site, which would be extremely costly to move and where moving it would diminish the value of the service. For example, having steel distribution channels within close proximity of the desired construction site, minimizing the risk of project delays. The authors argue that if a firm has high asset specificity and desires to engage in business with the government, they are inherently at advantage to winning bid contracts given its well positioned capabilities and resources. Brown and Potoski (2003) further contend that firms with high asset specificity have the

opportunity to monopolistically gain control and build barriers to entry for competing vendors.

This factor can be built or acquired by a business entering a BOP market through PPPs by first analyzing whether and to what extent the government would have to make specialized investments, before it can provide the product or service to its people and to what level of asset specificity already exists within the firm's operations. Firms that can assess this need and successfully market its existing asset specificity will gain competitive advantage over those firms that will need the government to make additional specialized investments. For example, if a health service sought after by government requires specialized investment in diagnostic equipment, established firms that already own the equipment will be at an advantage.

Service measurability (analysis, formulation and implementation) is the challenge that firms face, when they need to identify and monitor the performance level of the service or product after having won a government contract (Brown and Potoski, 2003; Raus et al., 2010). Those firms that can provide proper measurement of the value of the products or services they provide will also have an advantage in the bidding process. In addition, high service measurability can contribute to mitigate the challenge of pressures to re-distribute surplus profits (see Table 2), because it can provide evidence of surplus firm performance. Thus, firms aiming to enter a PPP with a BOP government should invest by fully understanding and increasing the measurability of their service. Several methodologies for measuring service performance at different levels of the government procurement system have been examined by the SIGMA joint initiative of the EU and the OECD's Performance Measurement (SIGMA, 2011).

In sum, our discussion that identifies the key success factors also indicates that they play an integral part in amplifying the associated benefits of conducting business with governments, as well as in mitigating the anticipated challenges, as shown in Figure 1. More specifically, an effect that mitigates a challenge is reflected in our conceptual model (Figure 1) with a “-” sign. Correspondingly, an effect that amplifies the benefits associated with PPPs is indicated with a “+” sign. To summarize, firms that offer *end-to-end solution packages* can partner with a *government's public resources*, ultimately taking full ownership of downstream processes. This inherently increases consumer confidence, as consumers know that they are making a direct investment into the government's resources, while getting a product/service that is valuable and sustainable. Together with a strong *local presence* and the *comprehensive development and training of the local population*, these firms will reap the benefits of *large volume*

orders and will most likely maintain a *more stable and predictable demand*. Through a PPP, not only is a firm investing in the betterment of the community, but also it is investing in a sustainable revenue stream due to the constant demand. Furthermore, because of those advantages, the firm can be prepared in confronting the challenge of *articulating and comprehending the needs* of the population, especially in BOP countries. This is particularly important in BOP countries, since their basic needs are more closely related to health, wellness, and/or survival. Firms who also invest in *high asset specificity* and secure a high level of *service measurability* will have the appropriate tools to work with government procurement *single points of sale*. If firms do their research to make smart investments and solidify a plan to monitor service performance, they will be well positioned to succeed with a streamlined procurement partner.

Apart from amplifying benefits, several success factors also mitigate challenges associated with PPP deals. For example, firms that have *bidding experience* inherently know the intricacies of how the government operates; therefore, firms will know how to position themselves to reduce the effects of *governmental bureaucracy and political corruption*. Firms who have the right people and processes in place will understand the complexity in working with the government as well as the importance of going directly to the source of power/authority for decision-making. Favorable *transparency and political stability* as well as *market munificence* on part of the countries give firms an advantage in working with governments, who are inherently known for their *complexity of the decision-making process*. Correspondingly, firms that have on-the-ground resources are at an advantage when it comes to operating in BOP regions that are unpredictable and volatile. Finally, firms that have *international experience* can easily overcome the fact that there is *no universal "best practice,"* simply because if they have been successful in one region, they most likely have the appropriate resources and dynamic capability to enter into a new market.

IMPLICATIONS FOR RESEARCH AND PRACTICE ON PPPS IN BOP CONTEXTS

This paper has investigated PPPs as an alternative mode of entry to BOP regions. Based on a review of extant literature and case evidence, we find that PPPs promise to circumvent some constraints that limit adoption rates of new products and services in BOP regions. Specifically, successfully engaging governments promises high volume orders, stable demand and the use of government resources as a bridge for gaps in business infrastructure,

in markets where low margins are a given and thus building volume is the key to generating returns (Hart and Prahalad, 2002).

Our paper aims to contribute toward a playbook for practitioners, who consider offering products and services in a BOP region. To that end, we identify the challenges associated with PPPs, the key success factors during bidding and execution stage, as well as detailed prescriptions for how the key success factors can be built, acquired or understood.

For government representatives interested in partnerships with private firms, our work suggests that not only giant conglomerates such as GE or Siemens but others can be viable business providers of products and services. Regional BOP governments can position themselves as attractive partners for providers of elementary products and services by signaling their openness to work with strategic alliances of smaller firms on contracts with end-to-end requirements. Furthermore, BOP governments can attract more providers by monitoring and reducing some of the key challenges of PPPs, such as complex decision routes, bureaucracy and corruption.

Another important finding from our work is the increasing number of PPPs in BOP regions which increase the demand for intermediaries. Some examples are the local firms who specialize in providing services that facilitate a better understanding of the local bidding processes. Accordingly, entries in form of PPPs in BOP regions should create new business and employment and contribute to managerial and technical spillovers from the entrants to the new local businesses.

For researchers, our conceptual model provides a theoretical basis for future empirical work in this important area. For example, scholars could conduct case studies and map their findings onto our model. In addition, longitudinal studies should be carried out that show how success factors develop over time and how they mitigate the occurrence of bidding and execution challenges.

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