

**Playing with Fire: An MNC's Inability to Translate its
Market Logic in a Culturally Complex Exchange Setting in
Rural India**

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Abstract | This dissertation describes the manner by which a multinational corporation (MNC) enacts a market-based logic with a locally embedded partner in a complex and unfamiliar operating setting to fulfil both business and social objectives. It examines a hybrid partnership between BP, an MNC, and SSP, a rural Indian non-governmental organisation (NGO). Together, the organisations trained rural women, who were affiliated with SSP, as agents to distribute and sell BP's 'smokeless' cookstoves and fuel pellets to households who cook on smoky firewood stoves. The research draws on two theories—neo-institutional organizational theory and real markets theory—to examine the process by which logics are aligned across partners and projected and translated into the rural Indian exchange setting. It constructs a four-actor model (MNC, NGO, agent, customer) to explore the exchange relationships between the actors at the meso- and micro-levels. At the meso-level, it explains how the MNC and NGO's non-aligned logics, asymmetric power dynamics, and lack of mutual trust contribute to the venture's failure. In addition, the NGO was so determined to succeed as a professional, market-driven, channel partner that it shed part of its identity as a civil advocacy organisation and adopted mainstream commercial practices that were not sensitive to the needs of its local stakeholders. At the micro-level, the partners did not come to a common understanding with the agents regarding the cultural challenges they faced marketing the stove. Moreover, the marketing strategy glossed over the multi-layered social relationships and culinary, behavioural, and religious practices that needed to be translated for the technology to meet the needs of consumers. Using gritty ethnographic data, the dissertation highlights a challenge that large, foreign companies face when entering 'Base of the Pyramid' markets, namely the inconsistency between the MNC's market logic and the wider associational logics that motivate village agents and customers.

In loving memory of
my sister Alana,
whose rich but fleeting
life inspires everything I do.

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“So much potential was lost in all this.”

- Jeb Brugmann, BP's senior consultant (October 2007)

Chapter 1: Introduction

This dissertation presents an exposition and analysis of a multinational company's (MNC's) attempt to apply a conventional market logic to a rural, developing country exchange setting in an engagement with non-market institutions. It evaluates the extent to which an MNC re-conceptualises its logic in a manner that is sensitive to both its non-governmental organisation (NGO) partner and the local socio-economy. It explores the following overarching research question: *How does an MNC enact a market-based logic with an NGO partner in a culturally complex and unfamiliar operating setting to fulfil both business and social objectives?*

The research focuses on two levels of analysis: organisational and village exchange. At the organisational level, it investigates the dynamics under which the MNC collaborates with a locally embedded NGO, by examining the alignment of logics, formation of trust, and extent of power symmetry. At the village level, the research explores the complex social relations, deeply held religious beliefs, and symbolic meanings held by local stakeholders. It evaluates whether these contextual realities create a cultural distance between the MNC and these stakeholders that present obstacles in terms of operationalising these relationships.

The dissertation develops a four-actor model (MNC, NGO, consumer, and agent) that examines each actor's logics, scripts, and approaches, and the manner by which these logics are translated across actors and levels of analysis. It applies neo-institutional organisational theory (NIOT)¹ and real markets theory (RMT) to illuminate the dynamics of hybrid partnership, the projection and translation of logics across organisational, market, and cultural contexts, and the enactment of these logics in a new market setting.

¹ This dissertation will use the terms neo-institutional organisational theory, NIOT, new institutionalism, and organisational institutionalism interchangeably (Greenwood, Oliver *et al.* 2008).

The research uses qualitative techniques, such as interviews, direct observation, and process tracing, and quantitative techniques, including survey data and a sales audit.

1. Empirical Case Study

In 2005, multinational energy company BP initiated a profit-oriented partnership with Swayam Shikshan Prayog (SSP), an Indian NGO, to develop an innovative business model in rural India. Together they trained rural women to distribute and sell ‘smokeless’ cookstoves and biomass pellet fuel to households who cook on inefficient, polluting biomass cookstoves (in Hindi, ‘chulhas’). A chulha is a kitchen stove, typically ‘U’ shaped, with walls about a foot high made out of clay, brick, or stone.² Fuel, most often firewood or cow dung, is fed into the open side. Food is cooked in pots atop the ‘U’ shaped platform. BP marketed a stove, branded ‘Oorja’, as an alternative to the firewood chulha. Oorja is a ‘smokeless’ cooking appliance, fuelled by biomass pellets, which are made from compressed sugar cane stalk residue. The stove is made mostly of metal, requires fuel to be loaded from the top, and has a high-powered fan, which runs on rechargeable batteries.

This program, in addition to giving BP access to the 160 million Indian households who cook on smoky chulhas,³ aimed to reduce the adverse health and environmental consequences of the traditional chulha⁴ and create sustainable employment for poor rural women who served as village level, entrepreneur-agents (known as ‘jyotis’, which means ‘flame’ in Hindi and is a Hindu goddess). From 2006 to 2010, the partnership sold approximately 45,000 Oorja stoves and 520,000 five-kg bags of pellets (2,860 tons).⁵

² (Khare 1976)

³ (Venkataraman, Sagar *et al.* 2010)

⁴ (GACC 2011)

⁵ Author’s audit (July 2010)

While the partnership created a market for ‘improved’ cookstoves and pellet fuel, and generated income opportunities for nearly 800 rural women,⁶ BP sold the business in 2009 in the face of performance pressure. In July 2009, the ex-BP-India CEO and National Expansion Manager, Mahesh Yagnaraman and Mukund Deonkagar, respectively, acquired the business from BP and have since run it as an independent start-up, called FirstEnergy (FE). They have continued their partnership with SSP.

In this case study, BP aims to capture an unconventional market opportunity with an unconventional business partner through an unconventional operating model. The case study raises important theoretical and empirical questions with regard to the manner by which the MNC enacts its market-based logic across actors, institutions, borders, cultures, and operating contexts.

2. Methodology

The thesis conducts a within-case analysis of a single, deliberately selected case study.⁷ It aims to thoroughly investigate the meso-dimensions of MNC-NGO partnership and the micro-foundations of the village exchange setting. It examines the hybrid partnership over a six-year period from the project’s inception in 2005 to 2011. Through the methods mentioned below, this dissertation charts the dynamics and strategic effects of the partnership.

Organisational: This research draws on elite interviews, document review, organisational observation, and process tracing. The author conducts, records, transcribes, and analyses interviews with the management teams of both organisations as well as the team of consultants who helped to structure the initiative. The author also reviews project documents, including partnership contracts, e-mails, and operational and strategic files.

⁶ Author’s audit (April 2010)

⁷ As Gerring (2004) explains, a case study is “an intensive study of a single unit for the purpose of understanding a larger class of (similar) units” (342).

Village Exchange: This research phase uses mixed methods, including manager and villager interviews,⁸ direct household observation,⁹ case study document review, and secondary ethnographic data. The author also implements a stakeholder questionnaire and venture sales audit to evaluate the impact of the venture on agents and customers. The triangulation of results from these methods ensures a more conclusive evaluation of the village exchange setting than would be possible without mixed methods, and enables the perspectives of each key stakeholder group within the ecosystem to be taken into account.

3. Theoretical Framing

3.1 Organisational

At the meso-level, the dissertation investigates the dynamics of hybrid partnership. For MNC-NGO partnerships to function effectively, the partners must align institutional logics,¹⁰ balance power,¹¹ and form mutual trust.¹² The dissertation examines whether these dynamics materialise, and also the extent to which partnership has led to a transformation in the actors' identities and logics.¹³

The dissertation will compare the empirical case evidence to the range of positive and negative consequences of hybrid partnership theorised by different branches of NIOT. Organisational theory highlights a range of strategic,¹⁴ operational,¹⁵ financial,¹⁶ power-oriented,¹⁷ legitimating,¹⁸ and uncertainty-reducing¹⁹ implications of hybrid partnership,

⁸ (Brannen 1988)

⁹ (DeWalt, DeWalt 2002); (Spradley 1980)

¹⁰ (Battilana, Dorado 2010); (Borys, Jemison 1989)

¹¹ (Hardy, Phillips 1998); (Phillips, Lawrence *et al.* 2000)

¹² (Bachman 2001); (Lane, Bachman 1998)

¹³ (Sahlin-Andersson 1996); (DiMaggio, Powell 1983)

¹⁴ (Powell, Koput *et al.* 1996)

¹⁵ (Hardy, Phillips *et al.* 2003)

¹⁶ (Borys, Jemison 1989)

¹⁷ Actors can use hybrid partnerships to gain leverage or influence over other organisations (Hardy, Lawrence *et al.* 1998)

which are evaluated against the empirical case study. According to some NIOT literature, hybrid partnership can be beneficial for both parties. It can enhance strategic performance, generate competitive advantage,²⁰ and improve core business activities.²¹ As a result, actors can develop distinctive or inimitable capabilities,²² acquire new knowledge or technology,²³ obtain assets that cannot be developed internally,²⁴ garner legitimacy within or across organisational fields,²⁵ combine skills or resources to address otherwise insolvable problems,²⁶ achieve economies of scale, gain an understanding of new markets, and acquire new distribution channels.²⁷ For each of these reasons, partnership may help organisations gain a sustainable comparative advantage or achieve core competencies.²⁸

Other NIOT scholarship notes that hybrid partnerships can sometimes be detrimental. Partners can have conflicting objectives,²⁹ clash culturally,³⁰ and lack common context, understanding,³¹ transparency,³² or trust.³³ Even if both partners assume important operational roles, the partnership may be unbalanced towards the actor with disproportionate bargaining power³⁴—and as a result, may also be ineffective. If one actor is more powerful, it may use the resources of the weaker actor to pursue self-interested objectives.³⁵ The powerful partner may also be less eager to make credible

¹⁸ (Deephouse, Suchman 2008)

¹⁹ For instance, reduce mutual uncertainty in resource dependencies (Pfeffer 1972).

²⁰ (Porter 1996)

²¹ (Hamel, Prahalad 1990)

²² (Hamel, Doz *et al.* 1989); (London, Rondonelli *et al.* 2006)

²³ (Hamel, Doz *et al.* 1989); (Powell, Koput *et al.* 1996)

²⁴ (Powell, Koput *et al.* 1996); (Dyer, Singh 1998); (Hamel 1991); (Hamel, Doz *et al.* 1989)

²⁵ (Deephouse, Suchman 2008)

²⁶ (Trist 1983)

²⁷ (Hardy, Phillips *et al.* 2003); (Thorelli 1986); (Gulati, Nohria *et al.* 2000)

²⁸ (Porter 1996); (Hamel, Prahalad 1990); (Hamel, Doz *et al.* 1989); (Gulati, Nohria *et al.* 2000) in (Hardy, Phillips *et al.* 2003: 324)

²⁹ (Waddock 1989)

³⁰ (London, Rondonelli *et al.* 2006)

³¹ (Borys, Jemison 1989); (London, Rondonelli *et al.* 2006); (Ring, Van de Ven 1994)

³² (London, Rondonelli *et al.* 2006)

³³ (Koza, Lewin 1998)

³⁴ (Hardy, Phillips *et al.* 2003)

³⁵ (Gray, Hay 1986); (Prahalad 2004)

commitments³⁶ or share information,³⁷ may deviate from formal rules,³⁸ or have too short a time horizons to be effective.³⁹

Partnership can also weaken strategic performance in the several ways. When actors have different strategic intents and are trying to advance multiple, potentially incompatible ends, the organisations (or their partnership) can face an identity crisis,⁴⁰ mission drift,⁴¹ an abandonment of one set of aims (e.g. social or business mission),⁴² irreconcilable tensions,⁴³ or unintended consequences.⁴⁴ If the partners have different objectives,⁴⁵ and if power is imbalanced,⁴⁶ the more powerful actor may advance its interests by co-opting the weaker actor. Collaboration, which is predicated on organisational interdependence, can also lead coordination problems: ambiguity or unpredictability when one partner is uncertain how the other will react.⁴⁷ Finally, a lack of common domain knowledge, skill sets, operating norms, or mutual trust may cause increased transaction costs.⁴⁸

3.2 Village Exchange

At the village exchange level, the research examines the MNC's enactment of a conventional market model into a socio-culturally complex operating setting—in this case, rural India—and the extent to which local stakeholders adopt or contest it. It explores the relationship between the foreign MNC and the local stakeholders, and the convergence or tension in logics of action that such an engagement produces.⁴⁹

³⁶ (Kraatz, Block 2008)

³⁷ (Borys, Jemison 1989)

³⁸ (Archer 2000)

³⁹ (March 1991)

⁴⁰ (Albert, Whetten 1985); (Whetten 2006)

⁴¹ (Weisbrod 1998)

⁴² (Dart 2004a)

⁴³ (Borys, Jemison 1989)

⁴⁴ (Borys, Jemison 1989)

⁴⁵ (Waddock 1989)

⁴⁶ (Gray, Hay 1986)

⁴⁷ (Pfeffer, Salancik 1978)

⁴⁸ (Borys, Jemison 1989); (London, Rondinelli *et al.* 2006)

⁴⁹ (Hammack, Heydemann 2009)

The thesis also explores village and household micro-institutional structures. In particular, it investigates the manner in which the local exchange setting is configured by social structures (e.g. caste, religion, gender) and other local networks.⁵⁰ These structures may frame village exchange in complex and nuanced ways—by facilitating or constraining trade between village agents and consumers.⁵¹ The viability of the MNC’s business on the ground may be affected by whether these structures act as channels that can be leveraged to enable sales, or as sociocultural obstacles to sales. It may also be affected by whether the MNC can translate its market logic in a manner that is sensitive to these local sociocultural structures. If the MNC structures the partnership and designs its products and marketing campaign in accordance with the purchasing logics of local consumers, the venture is more likely to be successful.⁵² By contrast, the MNC’s venture may falter either because it does not align its business model with the logics of local customers or because local sociocultural obstacles present unintended consequences.

4 Empirical Framing

The research examines factors critical to enacting markets, including the translation of logics between MNC and NGO partners, and between the resultant partnership and its village agents and customers. At an organisational level, it explores a hybrid partnership between an MNC and an NGO, with the latter assuming a core operational role in the former’s value chain. At a village exchange level, it examines the relationship between the hybrid partnership and low-income, developing country villagers, a segment the MNC had no previous experience engaging as sales agents or customers.

4.1 Organisational

⁵⁰ (Powell 2007); (Lounsbury, Ventresca 2003); (Scott 2001); (Granovetter 1985); (Stinchcombe 1997)

⁵¹ (Bharadwaj 1985); (Harriss 1990); (Mackintosh 1990); (Crow 2001); (Harriss-White 2003)

⁵² Prahalad (2009) argues: “Being a multinational or large domestic firm does not guarantee success; *the capacity to adapt and innovate at the bottom of the pyramid does*” (9); italics in original.

Historically, MNCs and NGOs operated in different arenas and so developed distinct competencies and abided by divergent logics.⁵³ These actors⁵⁴ were often antagonistic⁵⁵ or at best indifferent to each other's activities.⁵⁶ MNCs tried to maximise shareholder value by focusing on efficiency and productivity improvements,⁵⁷ while NGOs aimed to raise their beneficiary groups' social, health, environmental, political, and/or economic welfare.

Yet the logics and practices of MNC and NGO actors have begun to converge: the organisations are evolving compatible competencies and complementary institutions to tackle challenges that were once exclusively in the other's domain.⁵⁸ Businesses increasingly believe that they can leverage their core competencies to benefit society.⁵⁹ They are using the knowledge and skills acquired through corporate social responsibility (CSR) projects to design and build core businesses to retail essential goods and services to people living in poverty.⁶⁰ Simultaneously, NGOs are setting up private companies to serve their beneficiaries.⁶¹ They are applying the lessons, networks, resources, and contacts developed doing social work, and learning corporate best practices,⁶² to facilitate their commercial market entrance.⁶³ The pioneering organisations are partnering across fields to give poor people in developing countries access to essential goods and

⁵³ (Brugmann, Prahalad 2007); (London, Rondinelli *et al.* 2006); (Borys, Jemison 1989)

⁵⁴ This thesis will use the words 'actor' and 'partner' interchangeably. Each term refers to "any individual or [organisation] that is assumed to be capable of making purposeful choices among alternative courses of action" (Scharpf 1997: 7); The terms 'agent' and 'jyoti' refer to the female village distributors discussed in later sections.

⁵⁵ London *et al.* (2006) note that relations between corporations and NGOs "have been marked by mutual hostility and mistrust" (354). They add, citing Gray (1985), that "these two types of organisations...have a history of being on different sides of an argument" (354). Mars and Lounsbury (2009) highlight the historically conflictual relations between activists and market actors. The authors then describe the formation of new institutional configurations that move beyond these ideological conflicts.

⁵⁶ (Brugmann, Prahalad 2007); (Edwards 2009)

⁵⁷ (Friedman 1970)

⁵⁸ (Brugmann, Prahalad 2007); (Mars, Lounsbury 2009); (Kanter, Summers 1994)

⁵⁹ (Porter, Kramer 2006)

⁶⁰ (Brugmann, Prahalad 2007)

⁶¹ (Dees, Anderson); (Eikenberry, Kluver 2004)

⁶² For instance, Kanter and Summers (1994) note: "[N]on-profits are increasingly setting more stringent financial goals, reporting 'operating income' as though it were 'profit', discussing strategic planning, 'repositioning' themselves to take advantage of 'marketing niches', and considering such market tests of performance as revenue from clients/customers as more important than the raising of non-market funds from donors" (221).

⁶³ (Brugmann, Prahalad 2007)

services.⁶⁴ These hybrid MNC-NGO partnerships are said to be co-creating market-based, sustainable, scalable initiatives for poverty reduction, economic empowerment, and business growth.⁶⁵

4.2 Village Exchange

At the village level, the dissertation investigates whether, and to what extent, the hybrid partnership is enacted functionally on the ground. It explores the process by which the MNC's market-based logic is translated to the local operating environment. More specifically, it determines whether the MNC's well-intentioned, but centrally devised operating model is embedded in, and sensitive to, the local structures, symbols, and beliefs that interpenetrate the village exchange. In so doing, it examines whether the logics are aligned between the partnership and two village-level actors (agents and customers):

- (1) *Agents*: The logics that informed the MNC and NGO's enactment of a door-to-door sales model as a 'last mile' channel strategy, versus the logics (individual and communal) that motivate rural women to become, or discourage them from becoming, village distribution agents. For instance, does the MNC sensitise its recruitment, training, and agent support strategy to the complex and nuanced social obstacles that may preclude some women from participating in economic activity outside the home?
- (2) *Customers*: The logics projected by the MNC through its product launch and marketing campaign versus the logics that motivate rural, low-income

⁶⁴ Examples of BoP corporate-NGO partnerships include: India: Microsoft – Pratham (vocational computer training), ICICI Prudential – SEWA (micro-pensions), BJR Raju – Dupont (water purification), Britannia – Naandi (iron-fortified biscuits). Bangladesh: Grameen Bank with Telenor (mobile phones), Danone (fortified yogurt), Veolia (water purification), and BASF (mosquito bed nets and micro-nutritional supplements); and Care-Bata/Unilever (shoes and fast-moving consumer goods). Uganda: Microcare – Aon (medical administration software). Brazil: ABN AMRO – Accion (microfinance).

⁶⁵ (Brugmann, Prahalad 2007); (London 2007)

households' purchasing decisions. For instance, does the MNC implement a standardised product launch, or do they orient their marketing campaign to the multi-layered, closed social relationships and product symbolism that may influence village-level consumer decision-making?

5. BoP prescriptive script

BP's logic for setting up a market-based venture in rural India was greatly influenced by the 'Base of the Pyramid' (BoP)⁶⁶ prescriptive script.⁶⁷ The BoP script argues that corporations can leverage their tremendous financial resources to establish core, profit-oriented business activities in developing countries that address the needs and interests of poor people. The BoP typically refers to the population in developing countries who live on \$2/day or less.⁶⁸ In brief, the BoP proposition can be distilled into several components:

1. There is a huge, untapped market opportunity serving low-income households in developing countries.
2. If corporations re-engineer their products and business models, they can profitably capture this opportunity.
3. In so doing, these ventures will reduce poverty and disease and improve living standards.

⁶⁶ London (2007) defines the BoP as "the poor at the base of the global socioeconomic ladder, who primarily transact in an informal market economy" (11). While Prahalad initially coined the phrase 'bottom of the pyramid', Ted London proposed changing the first word to 'base' "to remove any hint that those on the lower end of the income scale are in any way inferior to those on the high end of the income scale" (Hart 2007).

⁶⁷ (Prahalad, Hart 2002); (Prahalad 2004); (Hart 2005); (London, Hart 2004); (Prahalad, Hammond 2002); (Hammond, Prahalad (2004), (Brugmann, Prahalad 2007)

⁶⁸ This income cut-off is contested. An empirical definition of which people constitutes the BoP remains "elusive" (London 2007: 10). Prahalad (2009) is not even consistent within his book. In one instance, he claims "more than 4 billion people live at the BoP on less than \$2 a day" (28). Yet on the same page, Prahalad's chart (Figure 1.1) states there are 4 billion people (comprising tiers 4 and 5), who earn approximately \$4.00 or less a day (\$1500/year and below) (28). NB: This differential may be due to purchasing power parity but is not clearly specified. The WRI-IFC "Next Four Billion" report, cited in Prahalad's introduction, indicates there are 4 billion people who live on \$8.00 a day or less (Hammond, Kramer *et al.* 2007).

4. In treating poor people as consumers and entrepreneurs, rather than as victims of destitution and disease, corporations enhance the choice and dignity of poor people.

In the context of exploring the MNC's translation of logics across organisations, borders, and cultures, the dissertation also assesses the descriptive accuracy and explanatory power of the BoP script by testing it against the BP-SSP case study. It is important to rigorously test the BoP script because it is becoming orthodoxy and influencing the manner in which foundations and companies engage billions of poor people. It is advanced by development practitioners, multi-lateral agencies, think tanks, social entrepreneur networks, and consultancies. Prominent proponents of market-based poverty alleviation include Bill Gates, who has called for 'creative capitalism',⁶⁹ whereby large companies develop pro-poor business solutions that lead to both profits and social recognition, and Dr. Muhammed Yunus, whose Grameen Bank has partnered with MNCs to develop 'social businesses', which aim to tackle a social challenge and reinvest all profits.⁷⁰ The World Bank's International Finance Corporation (IFC), United Nations Development Programme (UNDP), the United Nations Global Compact (UNGC), and the World Business Council for Sustainable Development (WBCSD) have both prescribed the BoP script, through reports entitled "Scaling Up Inclusive Business: Advancing the Knowledge and Action Agenda,"⁷¹ "Creating Value for All: Strategies for Doing Business with the Poor,"⁷² and "Inclusive Business: Profitable Business for Successful Development,"⁷³ and have collaborated with scores of private sector clients to

⁶⁹ (Kinsley, Clarke 2009)

⁷⁰ (Yunus, Weber 2010); (Yunus 2008). Yunus differs from mainstream BoP proponents by arguing that any economic surplus created by these ventures should be reinvested into the business. The other adherents mentioned in this section normatively support at least some profit taking.

⁷¹ (Jenkins, Ishikawa 2010)

³⁵ (UNDP 2008)

⁷³ (WBCSD 2008)

launch inclusive businesses in developing countries.⁷⁴ These multi-lateral organisations argue: “the conceptual win-win [between business and poverty] is clear;”⁷⁵ there is scope for “build[ing] bridges between business and the poor for mutual benefit;”⁷⁶ “the business sector is now widely acknowledged as a key actor and provider of solutions in the fight against global poverty;”⁷⁷ “inclusive business leads to: increased profitability for the company as a result of lower supply costs, market expansion through the inclusion of low-income sectors, and greater sustainability of the business activity; improved living conditions for poor populations as a result of increased incomes and/or greater access to goods, services or infrastructure.”⁷⁸ Moreover, the Overseas Development Institute (ODI), a UK-based humanitarian think tank, has launched a “Business Fights Poverty” network; Ashoka: Innovators for the Public, a global network of social entrepreneurs, has a hybrid value chain group focused on delivering goods and services to poor people through corporate-NGO business models; and leading private sector consultancies such as McKinsey & Co. and Monitor Group have launched BoP practices.

While recent scholarship has described—even promoted⁷⁹—the emergence over the past few years of MNC-NGO partnerships at the BoP, this literature has not included a rigorous empirical assessment of whether, and under what conditions, the script is substantiated, and where it falls short. As London (2009) observes, “Feel-good stories aside, however, it’s been nearly impossible to gauge the efficacy of these [BoP] ventures.”⁸⁰ As a result, very little is understood about the nature and effectiveness of these partnerships, and, most importantly for economic development, the impact of these partnerships on NGO beneficiaries. This thesis is a step in addressing this

⁷⁴ (Jenkins, Ishikawa 2010)

⁷⁵ (Jenkins, Ishikawa 2010)

⁷⁶ (UNDP 2008: 2)

⁷⁷ (WBCSD 2008: 2)

⁷⁸ (WBCSD 2008: 2)

⁷⁹ (Prahalad, Hammond 2002); (Prahalad 2004); (Hammond, Prahalad 2004)

⁸⁰ (London 2009: 107)

knowledge gap.

Broadly speaking, a BoP venture “requires non-local and local partners to collaborate in creating innovative ventures that rely on profits to generate scalable impacts.”⁸¹ It is a type of social enterprise, which is defined as “any non-profit, for-profit or hybrid corporate form that utilises market-based strategies to tackle a social and/or environmental need.”⁸² More specifically, BoP enterprises take one of two operational forms, differentiated by whether poor people interact with the venture as consumers or producers. ‘BoP-as-consumer’⁸³ enterprises are “scalable, profit-oriented ventures operating in the informal economy, catalysed by external participation and co-created with those at the BoP, that connect non-local goods and services to BoP markets.”⁸⁴ ‘BoP-as-producer’⁸⁵ ventures share the above characteristics, with the exception that these enterprises connect BoP producers to external markets.⁸⁶

The above definitions have empirically problematic aspects. Practically speaking, few BoP enterprises have attained scale.⁸⁷ Moreover, the term ‘profit-oriented’ is somewhat misleading, as some BoP ventures are non-profit: Prahalad (2004) includes BoP case studies on not-for-profit organisations Jaipur Foot and Aravind Eye Care.⁸⁸

6. History of the BoP Prescriptive Script

⁸¹ (London 2007: 25)

⁸² (Ashley 2009)

⁸³ This model has alternatively been termed “demand aggregation” (Prahalad 2009: 306) and “embedded distribution” (Hart 2007: 195).

⁸⁴ (London 2007: 26)

⁸⁵ This model has alternatively been termed “supply aggregation” (Prahalad 2009: 306) and “deep procurement” (Karamchandani, Kubzanski *et al.* 2009: 86).

⁸⁶ (London 2007: 26)

⁸⁷ Karamchandani *et al.* (2009) note several exceptions: AMUL, a dairy cooperative with 2.6 million farmers; Aravind Eye Care, which performs 285,000 low-cost eye surgeries annually; ITC e-Choupal, which procures grains from four million farmers; and Grameen Bank, which has over eight million microfinance borrowers. This thesis adopts Karamchandani *et al.* (2009)’s notion of scale, which they argue is “sensitive to national context” (28). In India, they define scale as one million customers or 30,000 small-scale producers or suppliers.

⁸⁸ (London 2007)

In the decade since Prahalad and his colleagues conceptualised the BoP script,⁸⁹ there has been an increase in interest and initiatives by corporations to engage low-income households in developing countries.⁹⁰ Just as the lustre of CSR was wearing off due to cynicism about the sincerity of corporations' intentions, the peripheral nature of many of the projects,⁹¹ and the lack of projects' economic sustainability,⁹² the BoP proposition⁹³ presented a new approach for corporations to achieve social impact through business activities. Moreover, as growth opportunities in the developed world have begun to wane,⁹⁴ the BoP market seemed to hold tantalising prospects for new sources of revenue and profits.⁹⁵

The BoP script is a composite institutional narrative that has gained legitimacy because in part because it draws upon conventional wisdom about NGOs,⁹⁶ sustainable enterprise,⁹⁷ social enterprise,⁹⁸ development,⁹⁹ poverty,¹⁰⁰ and CSR.¹⁰¹ The script is created through texts that run the gamut from scholarly articles¹⁰² to reports¹⁰³ to magazine stories.¹⁰⁴ The narrative is then substantiated by selected inspirational cases.¹⁰⁵ Moreover, the BoP story resonates with the need to identify a concrete poverty reduction strategy while simultaneously relying on, and defending, society's inherently self-interested institutional

⁸⁹ (Prahalad, Hart 2002); (Prahalad, Hammond 2002)

⁹⁰ As mentioned earlier, MNCs including, but not limited to, Unilever, Microsoft, Telenor, Danone, Dupont, Bata, Veolia, BASF, and ABN AMRO have all launched BoP ventures.

⁹¹ (Friedman 1970); (McWilliams, Siegel 2001); (White 2005)

⁹² As *The Economist* bluntly states: "When commercial interests and broader social welfare collide, profit comes first" (Crook 2005).

⁹³ This dissertation uses the terms 'BoP prescriptive script' and 'BoP proposition' to refer to the arguments advanced by Prahalad and his acolytes. I will use the term 'BoP critics' to refer to those who disagree with the BoP thesis.

⁹⁴ (Hart 2007); (London 2007)

⁹⁵ (Prahalad 2009); (London 2007); (Hart 2007); (London, Hart 2004)

⁹⁶ (Brugmann, Prahalad 2007); (Prahalad 2009)

⁹⁷ (Hart 2007)

⁹⁸ (Ashley 2009)

⁹⁹ (Prahalad 2009); (Hart 2007)

¹⁰⁰ (Rangan, Quelch 2007)

¹⁰¹ (Prahalad 2009); (Ashley 2009)

¹⁰² (Prahalad, Hammond 2002); (London 2009)

¹⁰³ (UNDP 2008); (Karamchandani, Kubzanski *et al.* 2009)

¹⁰⁴ (Prasso 2007); (Karunakaran, Prasad *et al.* 2009); (Yadav 2010)

¹⁰⁵ London (2009) levels this critique. See, for instance, Prahalad (2004) and Prasso (2007).

structures (i.e., corporations).

The script has also garnered rapid adoption because it relies on neoliberal assumptions. As Karnani (2007) explains, “a by-product of the BoP proposition is its de-emphasis of the role of the state in providing basic services and infrastructure.”¹⁰⁶ The BoP script offers an alternative paradigm to more conventional (and perhaps fatigued) approaches to poverty alleviation (e.g. top-down aid);¹⁰⁷ contends that ‘business knows best’ and so presents a compelling strategy to balance and align market forces with social objectives;¹⁰⁸ and conforms to conventional accounts of poverty.¹⁰⁹ The BoP thesis ties poverty alleviation efforts to corporations’ core competencies, and is predicated on developing new, profit-making business models in collaboration with the local community and local organisations.

The BoP proposition argues that top-down, government-led ‘development’ schemes too often fall short of expectations.¹¹⁰ It notes at least six problems with such programs: (1) results are not commensurate with the billions of dollars spent;¹¹¹ (2) efforts by multi-lateral agencies are not tailored to local context¹¹² (3) projects lack long-run economic sustainability (4) management is plagued by graft and misconduct;¹¹³ (5) top-down hand-

¹⁰⁶ (Karnani 2007: 37)

¹⁰⁷ (Wheeler, McKague *et al.* 2005), (Prahalad 2009: 27-33); (Hart 2007: 155-6); (London 2007: 33)

¹⁰⁸ (Hart, Milstein 2003); (London, Hart 2004); (Wheeler, McKague *et al.* 2005)

¹⁰⁹ Prahalad’s preface resonates with the Left who want to solve poverty through bottom-up, community-based models: “This book is about all the players – NGOs...government agencies...most importantly the poor themselves...[We must] not ‘claim rights to impose our solutions’” (Prahalad 2009: xv). Prahalad’s account is also consistent with the Right who want to use entrepreneurial, market-based forces to alleviate poverty: “We should commence talking about [the poor] as underserved consumers” (Prahalad 2009: xv).

¹¹⁰ (Prahalad 2009); (Hart 2007)

¹¹¹ Prahalad (2009) laments that “[f]or more than 50 years, the World Bank, donor nations, various aid agencies, national governments, and, lately, civil society organizations have all fought the good fight, but have not eradicated poverty” (27). Easterly (2006) calculates that developed countries have spent \$2.3 trillion in aggregate aid over the last half-century, yet the number of people globally living on less than \$2 a day has remained remarkably constant.

¹¹² Hart (2007) writes that “post-colonialists and anti-globalizers” have joined with “development insiders” to “condemn the one-size-fits-all prescriptions of the International Monetary Fund and other Bretton Woods institutions” (175).

¹¹³ As London (2007) concludes, “government-to-government aid programs, despite the best of intentions, have been plagued by waste, corruption, and mismanagement” (33). See also Easterly (2006), Moyo (2009), and Bauer (1972).

outs undermine individual agency;¹¹⁴ (6) resources devoted are inadequate relative to the extent of global poverty and disease.¹¹⁵ The BoP thesis concedes that such schemes have some impact on poverty and disease¹¹⁶ but must be complemented by private sector activities.¹¹⁷

The BoP proposition marks the next form of corporate engagement with low-income communities after the CSR movement, which gained prevalence over the last two decades,¹¹⁸ but has also been heavily criticised.¹¹⁹ CSR, defined generically, refers to “actions that appear to further some social good, beyond the interests of the firm and that which is required by law.”¹²⁰ Practically speaking, it most often implies corporate philanthropy. As Porter and Kramer (2006) write, most CSR activities have “been neither strategic nor operational but cosmetic.”¹²¹ *The Economist* called CSR but a “gloss” on capitalism.¹²² The BoP literature stands on the shoulders of CSR, positioning itself as both a critique of CSR and a solution to CSR’s drawbacks.¹²³ The BoP proposition calls for pro-poor ventures that are integrated with, rather than peripheral to, the firm’s core activities and financially sustainable, rather than donor dependent.¹²⁴ Proponents of BoP engagement argue that purely commercial ventures can be financially sustainable and

¹¹⁴ Hart (2007) parrots Easterly’s (2006) assertion that “development’s preoccupation with lofty goals, large-scale intervention, and top-down prescription has all but squelched the ability of local people to solve their own problems” (176).

¹¹⁵ Even if aid programs are properly designed and implemented, they are too small in scale and resources to overcome the magnitude of social challenges they aim to address (Karamchandani, Kubzansky *et al.* 2009).

¹¹⁶ London (2007) admits that “[d]onation-based aid programs can make an important impact on alleviating poverty” (33).

¹¹⁷ (Hart 2007); (World Economic Forum and Boston Consulting Group 2009); (Karamchandani, Kubzansky *et al.* 2009)

¹¹⁸ (Orlitzky, Schmidt *et al.* 2003); (Bhattacharya, Sen 2008); (Kytte, Ruggie 2005)

¹¹⁹ (Friedman 1970); (Sternberg 1997); (McWilliams, Siegel 2001); (White 2005)

¹²⁰ (McWilliams, Siegel 2001)

¹²¹ For instance, Porter and Kramer (2006) critique the proliferation of MNC’s CSR reports that “aggregate anecdotes about uncoordinated activities” but rarely rigorously measure impact (81).

¹²² (Crook 2005)

¹²³ (Prahalad 2009); (Davidson 2009)

¹²⁴ Prahalad (2009) writes that poor people “cannot merely be relegated to the realm of corporate social responsibility (CSR) initiatives...[t]hey must become part of the firms’ core business” (30).

scalable, in contrast to CSR projects that require a continual infusion of cash to remain in operation.

7. BoP Script – Macro-Level Critique

At the societal level, critics contend that BoP ventures have not had their intended positive effects on poor people. First, they note that BoP enterprises are not actually serving poor people, but rather higher income segments.¹²⁵ Others point out that BoP ventures leverage an informal labour force,¹²⁶ and have made little effort to bring village agents and producers into the formal economy. They contend that BoP ventures may take advantage of poor people's vulnerabilities and deprivations instead of diminishing them.¹²⁷ Other scholars argue that the BoP script focuses excessively on income poverty instead of on enhancing capabilities,¹²⁸ and suffers from a "narrow, consumption-based understanding of local needs and aspirations."¹²⁹ Lastly, some contend that BoP product innovation may legitimise rather than address the asymmetric access poor people have to basic resources,¹³⁰ while BoP value chain innovation may exploit the adverse conditions (pollution, congestion, displacement, socioeconomic marginalization) in which poor people live.¹³¹

Critics also question whether BoP ventures are achieving their intended effects. Some argue that social impact and financial sustainability—which BoP ventures claim to

¹²⁵ (SadreGhazi, Duysters 2008); (Karnani 2007)

¹²⁶ (Hammond, Kramer *et al.* 2007); (London 2007)

¹²⁷ (Karnani 2007)

¹²⁸ Crabtree (2007), drawing on Sen (1999), suggests the BoP proposition should be reformulated to focus on the role businesses can play in enhancing fundamental capabilities. Sen (2005) refuses to explicitly lay out these capabilities, but others prescribe as fundamental: self-respect, dignity, ability to go without shame (Rawls 1971; Reyles 2007), quality of employment (Lugo 2007), agency, empowerment (Ibrahim, Alkire 2007), and physical safety (Diprose 2007). For more on this, see Oxford Poverty and Human Development Initiative's research.

¹²⁹ (Simanis 2008b: 2)

¹³⁰ Chatterjee (2009) attacks Prahalad's idea to create soap and detergent that does not require water as a legitimization of poor people's unequal access to water.

¹³¹ Chatterjee (2009) rebukes Prahalad's claim that rapid urbanization presents "intense distribution opportunities" (12).

balance—are potentially incompatible objectives.¹³² Moreover, few BoP enterprises are breaking even, let alone profiting. As Simanis (2008) a leading BoP scholar, admits: “Because there hasn't been any noted corporate or business success, the tide of enthusiasm for BoP is starting to ebb and even recede—people are starting to doubt and question whether it can be done.”¹³³

Others question whether it is the private sector's job to address these problems. According to this view, BoP ventures divert responsibility from the government, which should bear primary responsibility for addressing these social challenges.¹³⁴ Relatedly, while the social sector may lack the requisite financial resources to solve the world's social challenges on its own, one cannot conclude that the private sector is the solution. For instance, Offer (2009) demonstrates—at least for the US and UK—that the private sector lacks the financial capacity, incentive structure, legal framework, or long-term security to take over the welfare state even if it wants to.

8. BoP Script – MNC-NGO Partnership

BoP proponents consider cross-institutional collaboration essential to successfully engaging BoP markets.¹³⁵ Corporations need to forge partnerships with NGOs, which have extensive experience working with low-income villagers.¹³⁶ BoP proponents terms this institutional form of partnership *co-creation*, as the corporation and the NGO are assumed to be actively involved in every aspect of the initiative, including product development, marketing, distribution, financing, and training.

¹³² Dees and Elias (1998) review Bowie (1994) and note the “conflicts of interest and commitment” that result from trying to simultaneously achieve social and commercial objectives (Dees, Elias 1998: 169). See also Foster and Bradach (2005), Weisbrod (2004), and Dees and Anderson (2003).

¹³³ (Simanis 2008b: 2)

¹³⁴ (Leys 2007); (Huws 2003); (Karnani 2007)

¹³⁵ (Prahalad 2009); (Brugmann, Prahalad 2007)

¹³⁶ Walsh, Kress *et al.* (2005) write that Prahalad (2004) aims to explain how “treating the BoP as a market can lead to poverty reduction, particularly if NGOs and community groups can join with MNCs [multinational corporations] and local companies as business partners” (474).

The BoP script states that hybrid partnership serves the interests of both the corporation and NGO. Collaboration is attractive because each organisation's strengths match the other's weaknesses.¹³⁷ The NGO's local market knowledge, expertise in community network creation and villager trust can help a corporation—which generally lacks credibility and operational experience in low-income (especially rural) markets—to gain market entry in remote communities.¹³⁸ Moreover, partnerships with NGOs at the BoP are said to enhance an MNC's competitive advantage and attendant long-term sustainability in local communities.¹³⁹ For the NGO, working with an MNC can overcome its capital constraints and limited capabilities in product development and supply chain management to deliver essential goods to its beneficiaries.¹⁴⁰

Through hybrid partnership, the MNC and NGO are said to develop shared principles and objectives, make credible commitments, align informal norms, and prioritise collective responsibility over organisational logics.¹⁴¹ According to the script, the partners have equal bargaining power, and share information, capabilities, and knowledge freely.¹⁴² Through these BoP partnerships, corporations and NGOs are establishing partnerships that are said to be both profit-oriented and pro-poor.¹⁴³

9. BoP Script Critique – MNC-NGO Partnership

¹³⁷ (Brugmann, Prahalad 2007)

¹³⁸ (Brugmann, Prahalad 2007)

¹³⁹ (London 2007); (Brugmann, Prahalad 2007); (Hart, Sharma 2004); (London, Rondinelli 2003); (Sharma, Vredenburg *et al.* 1994)

¹⁴⁰ This description of organisational strengths and weaknesses is highly stylised.

¹⁴¹ (Brugmann, Prahalad 2007: 89-90)

¹⁴² (Brugmann, Prahalad 2007: 89-90)

¹⁴³ Brugmann and Prahalad (2007) note corporate-NGO collaboration first occurred through shared regulatory frameworks (e.g. Kimberley Process for diamonds), joint marketing campaigns (e.g. Red Campaign with Gap and Apple), and business managers focused on social impact (e.g. Phillips Van Heusen has a VP for Global Human Rights and Social Responsibility) (Brugmann, Prahalad 2007: 85). Over time, this collaboration graduated to core business partnerships. See also London (2007) and Prahalad (2004).

The BoP script remains untested and speculative rather than evidence-based.¹⁴⁴

Proponents frame the script not based on actual impact but potential, and so it cannot be proven wrong (at least in the short-term).¹⁴⁵ Moreover, the BoP script has a selection bias. For instance, in Prahalad's seminal text,¹⁴⁶ all of the included cases were 'success stories'.¹⁴⁷ Prahalad openly admitted that he was only concerned with success, not failure: "This is not a debate about who is right. This book is only concerned about what works...I am even less concerned about what [at the BoP] might go wrong."¹⁴⁸ Such a stance is both irresponsible in scholarly terms and may have consequences for poor people if these projects falter.

While the BoP script makes a compelling case for inter-organisational collaboration, critics argue that it cherry picks arguments and evidence, only identifying the benefits of cross-institutional BoP partnerships.¹⁴⁹ As the organisational theory literature notes, when a corporation forms an alliance with an NGO, many of the preconditions to successful partnership are lacking. Foremost, MNCs and NGOs have historic tensions and distrust.¹⁵⁰ Moreover, MNCs and NGOs may have conflicting goals and interests, with the MNC focused on profits and the NGO social impact.¹⁵¹ The personnel may clash due to disparities in nationality, language, professional background, expertise, values, or socioeconomic levels.¹⁵² The would-be partners may operate in different contexts,¹⁵³ view issues through different lenses,¹⁵⁴ have "few direct relational ties,"¹⁵⁵ and lack any prior experience of partnership. Furthermore, as noted, some neo-institutional

¹⁴⁴ (London 2009)

¹⁴⁵ Hart (2007), for instance, emphasizes the 'potential', 'prospective', and 'possible' benefits of BoP ventures (140).

¹⁴⁶ (Prahalad 2004)

¹⁴⁷ (Walsh, Kress *et al.* 2005)

¹⁴⁸ (Prahalad 2009: xiv)

¹⁴⁹ (Karnani 2007); (Jaiswal 2008); (Crabtree 2007)

¹⁵⁰ (Gray, Hay 1985); (London, Rondinelli *et al.* 2006)

¹⁵¹ (Borys, Jemison 1989)

¹⁵² (London, Rondinelli *et al.* 2006)

¹⁵³ (London, Rondinelli *et al.* 2006); (Borys, Jemison 1989)

¹⁵⁴ (Ring, Van de Ven 1994)

¹⁵⁵ (Gulati 1995)

scholars demonstrate that the consequences of partnership may include power asymmetry,¹⁵⁶ lack of transparency¹⁵⁷ or information sharing,¹⁵⁸ irreconcilable tension, lack of trust,¹⁵⁹ or opportunism.¹⁶⁰

These pitfalls have potentially negative consequences to both NGOs and MNCs. The NGO partner may face mission drift¹⁶¹ or an identity crisis,¹⁶² prioritise of business goals over social objectives,¹⁶³ and abandon its most needy constituency to meet market objectives.¹⁶⁴ The MNC may face reputational risks if its venture causes adverse consequences to those living in poverty.¹⁶⁵ These material trade-offs are not acknowledged by the BoP literature. In a rejoinder to Prahalad's co-creation prescription, London *et al.* (2005) note that the preponderance of organisational scholarship "is not optimistic about the prospects of corporate-[NGO] alliances."¹⁶⁶

10. Rationale for Selection of Case Study

10.1 Research Significance

The BP-SSP case study was selected for the following reasons. First, the hybrid partnership was conceived by Prahalad, who conceptualised the BoP script¹⁶⁷ and became its leading proponent.¹⁶⁸ Prahalad convinced Lord Browne, CEO of BP-Global, to launch this partnership, and advised BP on the development and implementation of

¹⁵⁶ (Hardy, Phillips *et al.* 2003)

¹⁵⁷ (London, Rondinelli *et al.* 2006)

¹⁵⁸ (Borys, Jemison 1989)

¹⁵⁹ (Koza, Lewin 1998)

¹⁶⁰ (Borys, Jemison 1989)

¹⁶¹ (Weisbrod 1998)

¹⁶² (Whetten 2006)

¹⁶³ (Oster 1995)

¹⁶⁴ (Dart 2004b)

¹⁶⁵ For instance, Nestlé has faced an international boycott since the 1970s for promoting infant formula instead of breastfeeding in poor countries. Activists argue the formula has caused serious health problems and even deaths among infants in developing countries (Sethi, Akhter 1994).

¹⁶⁶ (London 2005: 355)

¹⁶⁷ (Prahalad, Hart 2002); (Prahalad, Hammond 2002); (Prahalad 2004)

¹⁶⁸ Prahalad was selected as the most influential living management thinker in 2007 and 2009 by the *Thinkers* 50.

its business model in rural India. As BP's consultant, Prahalad seemingly put into practice what he deemed to be the requisite features for a successful BoP project. Second, in their influential¹⁶⁹ 2007 article on hybrid BoP partnership, Brugmann and Prahalad (2007) describe this venture as a successful archetype of MNC-NGO engagement. They descriptively highlight features of the case to advance, and to some extent even to build, their prescriptive script on BoP partnership. Therefore, they implicitly endorse this partnership as a case on which to test their script. This dissertation will explore the archetypal features that Prahalad says make a BoP partnership succeed, and test whether in practice this case meets these criteria. Third, the case provides unique insight into the dynamics of BoP partnership, as BP's venture was one of the first to leverage an NGO's social infrastructure as a distribution channel, and later became the world's largest commercial cookstove program. As Siggelkow (2007) suggests: "It is often desirable to choose a particular organization precisely because it is very special in the sense of allowing one to gain certain insights that other organizations would not be able to provide."¹⁷⁰ Fourth, the case relates more generally to key institutional concepts at different levels of analysis, including: the dynamics of inter-organisational collaboration, and the projection and translation of logics across sectors and borders. Fifth, the case pertains to a practical business problem: how corporations can profitably and sustainably extend their channels into rural markets in developing countries. Sixth, the partners appear to be perfect candidates for successful collaboration. Prahalad cites that each partner can contribute what the other lacks as the principle rationale for BoP partnership.¹⁷¹ In this case, the partners have in abundance the capabilities that the other lacks (e.g. BP has extensive financial resources and operational capabilities while SSP has community-level trust and a large rural network). For each of these reasons, the BP-SSP

¹⁶⁹ This article received the 2007 McKinsey Award as the best article published in *Harvard Business Review*.

¹⁷⁰ (Siggelkow 2007: 20)

¹⁷¹ (Brugmann, Prahalad 2007); (Prahalad 2009)

partnership is a ‘crucial case’,¹⁷² the refutation of which would somewhat undermine the BoP script, particularly if the actual strategic effects and impact of the venture differ significantly from the script’s claims.

10.2 Practical Significance

Having explained the case selection from a research standpoint, this section will explore the practical significance of choosing this case study. This hybrid partnership is important because it aims to tackle an important problem affecting a large and critical population. Firewood stoves have significant global health and environmental consequences, particularly for people living in poverty in developing countries.¹⁷³ Almost half the planet cooks on smoky, open fires,¹⁷⁴ leading to approximately two million annual lung-related deaths (or more than 5,000 daily).¹⁷⁵ More than half of these victims are children under the age of five,¹⁷⁶ and nearly one-third are in India.¹⁷⁷ To put these figures in context, cooking on an open fire kills more than HIV/AIDS (1.8 million deaths),¹⁷⁸ and more than twice as lethal as malaria (800,000 deaths).¹⁷⁹ Globally, household air pollution (HAP) from cooking on an open fire is the single most significant environment-related cause of death.¹⁸⁰

Despite these enormous health consequences for poor people, cookstoves have until recently received scant attention from governments and international aid agencies.¹⁸¹ Yet

¹⁷² (Eckstein 1975)

¹⁷³ (Rehfuess 2006)

¹⁷⁴ (Cordes 2011)

¹⁷⁵ (WHO 2009); The primary diseases of open fire cooking are acute lower respiratory infection (i.e. pneumonia) and chronic obstructed pulmonary disease. Open fire cooking also leads to 1.4 billion annual illnesses (Rehfuess 2006).

¹⁷⁶ (Rehfuess 2006); (Birol 2007)

¹⁷⁷ (Rehfuess 2006); (Bonjour, Prüss-Üstün *et al.* 2007)

¹⁷⁸ (Sidibé 2010)

¹⁷⁹ (WHO 2009)

¹⁸⁰ (WHO 2009)

¹⁸¹ While the Global Fund for AIDS, Tuberculosis, and Malaria, one of several major global financing structures for these diseases, has distributed \$10 billion since 2002, Shell Foundation estimates that global annual funding for ‘improved’ cookstoves—across all public and private initiatives—totals less than \$50 million (Smith, Bishop 2010).

over the past three years, cookstoves have risen up the global public health agenda, as a link has been established between black carbon (soot) from cookstoves and climate change.¹⁸² Globally, open fire cookstoves are the largest emitter of black carbon.¹⁸³ According to recent studies, black carbon is the second leading contributor to climate change after carbon dioxide (accounting for one-fifth of ‘observed global warming’).¹⁸⁴ Further, since black carbon remains in the atmosphere for a shorter period than carbon dioxide,¹⁸⁵ it is seen as the most promising immediate-term opportunity to slow down the effects of climate change.¹⁸⁶ As a result, in the lead up to the 2009 Copenhagen Conference, new multilateral, cross-sectoral distribution efforts were announced to support ‘improved’ cookstove dissemination, most notably the Global Alliance for Clean Cookstoves,¹⁸⁷ and the Government of India’s National Biomass Cookstove Initiative.¹⁸⁸

HAP caused by traditional firewood stoves is not only a health and environmental problem. There is an association between reducing traditional stove usage and each of the eight United Nations Millennium Development Goals (MDGs). Access to clean cookstoves can reduce poverty (MDG 1)¹⁸⁹ and hunger (MDG 2),¹⁹⁰ enable greater educational opportunities for children, particularly girls (MDG 3),¹⁹¹ and redress intra-household gender imbalances (MDG 3).¹⁹² It can also reduce child mortality (MDG 4),

¹⁸² (Grieshop, Reynolds *et al.* 2009)

¹⁸³ (Grieshop, Reynolds *et al.* 2009)

¹⁸⁴ (Baron, Montgomery *et al.* 2009); (Carl 2009)

¹⁸⁵ (Baron, Montgomery *et al.* 2009)

¹⁸⁶ (Wallack, Ramanathan 2009); (Flanner, Zender *et al.* 2009)

¹⁸⁷ (Broder 2010); The Global Alliance, launched by U.S. Secretary of State Hillary Clinton, aims to stimulate distribution of 100 million clean cookstoves in developing countries by 2020.

¹⁸⁸ (Ministry of New and Renewable Energy 2009); The National Biomass Cookstove initiative planned to subsidize the distribution of three million clean cookstoves over the next five years but has made limited concrete progress since its launch in 2009.

¹⁸⁹ (Modi, McDade *et al.* 2005); Energy efficient cookstoves can reduce fuel consumption, and therefore expenditure.

¹⁹⁰ For instance, cow dung used for cooking can instead be used to improve soil fertility, and therefore increase crop harvests.

¹⁹¹ (Modi, McDade *et al.* 2005); Children are more likely to be in school if their families use modern fuels, as they are less likely to fall ill or spend school or after-school time collecting firewood.

¹⁹² According to ESMAP (2002), women in rural India spend an average of 37 hours per month collecting fuel wood. Women who cook with modern fuels are freed from the time and effort collecting firewood

remove the burden of carrying heavy firewood loads, thus improving maternal health (MDG 5), reduce the incidence of lower respiratory ailments and other diseases (MDG 6), and improve environmental sustainability by reducing climate change, deforestation, and soil erosion (MDG 7). Finally, expanding access to clean cookstoves may be achieved through multilateral partnerships (MDG 8).¹⁹³

10.3 Geographical Significance and Context

This research is focused on India for the following reasons. First, India is a complex market with an entrenched, stratified culture, which presents unique challenges for an MNC projecting a conventional market logic. Second, as indicated, approximately one-third of all deaths from cook stoves occur in India.¹⁹⁴ Third, more households in India (over 160 million, comprising 770 million people)¹⁹⁵ cook on smoky, open fires than in any other country in the world.¹⁹⁶ Fourth, more BoP ventures are being set up in India than perhaps in any other country.¹⁹⁷ Fifth, BoP enterprises have developed more cook stove-related innovations for,¹⁹⁸ and devoted more resources to, India than any other country.¹⁹⁹

To address this scourge domestically, in 1984 the Government of India launched the National Programme on Improved Chulha (NPIC), which distributed 33 million heavily subsidised ‘improved’ cookstoves over 18 years—stoves that require less fuel and emit

and dung, and spend less time cooking and cleaning pots. Women can also secure economic livelihood opportunities as sales agents for these stoves and fuels.

¹⁹³ See Sachs (2005), Birol (2007), and Rehfuess (2006) for further background on this intersection between modern energy access and the MDGs.

¹⁹⁴ (Rehfuess 2006); (Bonjour, Prüss-Üstün *et al.* 2007)

¹⁹⁵ (Barnes, Openshaw *et al.* 2008)

¹⁹⁶ (von Schirnding, Bruce *et al.* 2002); (Rehfuess 2006)

¹⁹⁷ (Karamchandani, Kubzansky *et al.* 2009: 4); The Monitor Group, a consultancy, describes India’s market-based poverty alleviation sector as “an advanced laboratory of approaches and an especially fertile source of lessons about performance.”

¹⁹⁸ (Barnes, Kumar *et al.* 2008)

¹⁹⁹ For instance, according to Oxford Analytica (2010), “[r]oughly 30 percent of the resources invested, according to the sample captured by a survey of 31 of the best-known funds in the [impact investment] sector...had an exclusive India focus.”

less pollution than open fire cooking.²⁰⁰ Yet most scholars concede that NPIC failed to fully achieve any of its objectives.²⁰¹ Notably, by the termination of the programme in 2002, more than two-thirds of these stoves had fallen into disrepair or disuse.²⁰² The recipients had overwhelmingly returned to cooking with firewood.²⁰³ Since 2002, BP and other commercial stove manufacturers (e.g. EnviroFit, Philips, Prakti, and EcoZoom) have emerged to fill the vacuum left by NPIC.

11. Contributions of dissertation

This thesis aims to make an empirical and theoretical contribution to scholarship by demonstrating the difficulty of translating market or individualistic logics across cultural frontiers. It seeks to shed light on how organisations stretch across institutional, national, and cultural boundaries, of which scholars have only a nascent understanding.²⁰⁴ The dissertation explores how micro-institutional structures, organisational power, and social embeddedness, at different levels of analysis, affect the MNC's strategy and implementation. It also extends the application of organisational theory to a complex, heterogeneous, rural developing country exchange setting. Since institutionalists have seldom examined organisations in India, social enterprises, or MNC-NGO partnerships,²⁰⁵ this project may also lead to new research avenues for NIOT itself.

The research also offers a response to the generally uncritical acceptance of the BoP script and the limited empirical and theoretical testing of it. To date, the debate over the BoP script has been largely based on conjecture, anecdote, and hypothesis.²⁰⁶ Although

²⁰⁰ (Winrock 2004: 17); The subsidized stoves were sold for approximately Rs. 200 (\$4.50).

²⁰¹ (TERI 1989); (Hanbar, Karve 2002); (Barnes, Openshaw *et al.* 1993); (Kishore, Ramana 2002)

²⁰² (Kishore, Ramana 2002)

²⁰³ (Barnes, Openshaw *et al.* 1993)

²⁰⁴ (Hammack, Heydemann 2009); (London, Rondinelli *et al.* 2006)

²⁰⁵ Exceptions include Battilana and Dorado (2010) and Mair *et al.* (2012).

²⁰⁶ As London (2007) writes: "To date, positive poverty alleviation outcomes of BoP ventures are demonstrated via anecdotes, which highlight the benefits accruing to specific individuals selected from the BoP. This approach, while indicative of positive poverty alleviation outcomes, is clearly insufficient in understanding the overall impact on the local community (Leonard, 2007)" (31).

many of the BoP script's macro-level and ideological arguments have been tested and challenged,²⁰⁷ there is an absence of empirical analysis²⁰⁸ around how a hybrid BoP partnership functions, changes, and interacts with its operating environment. This thesis presents a multi-dimensional empirical analysis of a single BoP case study, and its findings offer a critique of the BoP script at the meso- and micro-levels.

12. Chapter Précis

This introductory chapter has laid out the dissertation's overall research question, theoretical frame, methodology, empirical case study, and expected contributions. It will conclude by providing a synopsis of the remainder of the dissertation.

The Literature Review (Chapter 2) will present an introduction to, and intellectual genealogy of, NIOT and RMT. It will explore organisational hybridity, to both highlight the challenges of aligning logics and develop an evaluative framework that will be tested against the empirical case study. It will explain the theoretical process by which logics are projected and translated across institutional contexts. It will also discuss different perspectives on markets, both to locate the original BoP script in a broader debate on the role of markets in society, and to introduce RMT, which helps explain the complexity of actually-operating markets. It will conclude by providing a rationale for the selection of NIOT and RMT as theoretical frames to illuminate the empirical case study.

The Theoretical Framework (Chapter 3) will provide a conceptual framework for application to the BP-SSP cookstove case study. It will explain how the dissertation's discursive and empirical evidence will be operationalised, and construct a four-actor model (MNC, NGO, agent, customer) to explore the creation, projection, and translation,

²⁰⁷ (Chatterjee 2009); (Karnani 2009); (Karnani 2007); (Jaiswal 2008a); (Jaiswal 2008b); (Warnholz 2007); (Crabtree 2007); (Landrum 2007); (Walsh, Kress *et al.* 2005)

²⁰⁸ A recent notable exception is Munir, Ansari *et al.* (2010), which compares the expected and actual outcomes of several BoP ventures. Earlier, London and Hart (2004) drew on empirical evidence to suggest prescriptions for MNCs to engage poor people.

of logics. It will connect each empirical dimension to its relevant theoretical lens, use the theoretical lenses to determine which variables are most salient at each level of analysis, introduce each of the key theoretical concepts from NIOT and RMT that will be used to evaluate the case study, and present a methodology that directly flows from each institutional concept being investigated.

The Methodology (Chapter 4) will describe, explain, and justify the approach for data collection and analysis. It will identify in detail the methods (e.g. process tracing, interviews, surveys, quantitative analysis) and sources (e.g. texts, project documents, staff, and beneficiaries) used to analyse the empirical case.

Dynamics of Hybrid Partnership (Chapter 5) will provide background and context for the case study. It will employ NIOT to evaluate the dynamics of the hybrid BP-SSP partnership across four stages of collaboration (pre-partnership, contracting, operational partnership, divestment). It will examine three salient preconditions to successful hybrid partnership: alignment of logics, power symmetry, and formation of trust.²⁰⁹ It will then evaluate empirically each stage of partnership by using the theoretical framework developed above.

Direct Agent Model (Chapter 6) is the first of two chapters that explore the relationship between BP's logic of action and that of the village exchange setting. The chapter will introduce the direct agent sales model, in which women from the NGO's network are appointed to retail stoves within their village. It will explore each actor's logic of action for adopting (or participating in) the model, and provide empirical evidence that the direct agent model fell short of each actor's expectations. It will then explain how the combination of durable social structures (e.g. caste, religion, gender) and BP's non-reflexive policies undermined the viability of direct agent model in the local context.

²⁰⁹ These are not exhaustive but a meaningful proxy of partnership dynamics

Villager Purchasing Logics (Chapter 7) will explore the relationship between the logics that informed BP's market strategy and those that govern villagers' cookstove purchase decisions. After providing an overview of several economic and non-economic purchasing logics, the chapter will investigate in-depth the influence of local religious beliefs and practices that present obstacles in terms of BP enacting a new market in rural India, and create cultural distance between the MNC and its target consumer base. Specifically, it will unpack the symbolic significance and sacredness of the firewood cookstove (in Hindi, 'chulha') in Hindu mythology. By demonstrating the chulha's mythical, ritualised, and symbolic properties, the chapter will reveal some of the non-market challenges BP faces in selling a competing, modern cooking appliance that lacks the same transcendent properties.

The Conclusion (Chapter 8) will summarise the challenges of an MNC enacting its market-based logic across cultures, borders, actors, and operating contexts. It will locate the findings of the research in broader debates about the nature of markets and poverty alleviation. It will explain the implications of the research on the BoP prescriptive script, and provide groundwork for identifying and resolving the pitfalls of BoP partnership. It will also provide the basis for a new approach to engaging BoP households through market-based mechanisms—one that is sensitive to the realities of actually-operating markets. Lastly, the chapter will elaborate on the dissertation's contributions and present avenues for further research.

Chapter 2: Literature Review

This chapter will introduce two theories, new institutionalism (NIOT) and real markets theory (RMT), which will be used to illuminate the empirical case study at different levels of abstraction. These theories will be applied to explore the dynamics of hybrid partnership and its enactment of a new market in a culturally complex exchange setting.

The first half of the chapter will provide an intellectual genealogy of institutional theory, to set the context in which NIOT emerged, and then present several branches of NIOT.

The second half of the chapter will frame the debate between neoclassical economics (NCE) and RMT with regard to the nature of markets. It will describe evolving historical perspectives of markets within economics, from Adam Smith's Classical Economics to contemporary NCE. It will present RMT, a framework from economic sociology that critiques NCE's abstract notion of markets, and then introduce how social structures interpenetrate exchange in rural India. The chapter will conclude by providing a rationale for selecting NIOT and RMT as the dissertation's theoretical frames. The subsequent 'Theoretical Framework' chapter will explain how NIOT and RMT will be operationalised to investigate the case study's multi-levelled exchange relationships.

1. Overview of Institutional Theory Applied to Organisations

1.1. The Organisational Theory Research Agenda

Over the last half century, there have been three major strands to the organisational theory research agenda,²¹⁰ which differ according to their perspectives on action: (1) *rational action*,²¹¹ which was concerned with internal organisational functions, dynamics,

²¹⁰ This research trichotomy synthesizes the agendas of Parsons (1956) and Pfeffer (1982).

²¹¹ (Pfeffer 1982)

structures, and change; (2) *external constraint*,²¹² which was focused on the organisation's adaption to its environment; and (3) *new institutionalism*,²¹³ which examines interactions between socially embedded organisations and their particular institutional contexts.²¹⁴

In the 1950s, certain theorists viewed organisational studies as an “administrative science,” concerned primarily with optimising organisational efficiency.²¹⁵ This perspective, which Pfeffer (1982) called ‘rational action’, draws upon NCE’s assumptions and conceives organisations as “abstract instrumentally-oriented entities...locked in concrete exchange relations...operating in material resource spaces.”²¹⁶ It argues that inter-organisational relations and institutionalization are mediated by economic institutions such as transaction costs and incentives,²¹⁷ rather than by social and cultural factors.²¹⁸ It acknowledges an external environment, one primarily comprised of other organisations. This perspective, which in its strong form is based on rational choice assumptions (conceding at most ‘bounded’ rationality), posits that organisations behave in accordance with their internal preferences or objectives. This perspective grew in stature with organisational theory’s increasingly close alliance with management studies, remains influential today, and informs the BoP prescriptive script.²¹⁹

²¹² (Pfeffer 1982)

²¹³ Stern, Barley (1996) term this the ‘social systems perspective’.

²¹⁴ The latter two perspectives are evolving strands of open systems theory, which emphasizes “the importance of the wider context or environment as it constrains, shapes, penetrates, and renews the organization” (Scott 2001: xx). See also Scott (1998) and Katz and Kahn (1966).

²¹⁵ *Administrative Science Quarterly* journal, established in 1956, being one noteworthy by-product. See, for instance, Thompson (1956) and Blau and Scott (1962). Another strand of organisational theory that emerged during this period emphasized the influence of societal-level social structures on organisations. See, for instance, Selznick (1949; 1957), and later, Stinchcombe (1965). Many works from this strand of organisational theory have appeared in *American Sociological Review*.

²¹⁶ (Lounsbury, Ventresca 2002: 14)

²¹⁷ (Hirsch, Lounsbury 1996: 873)

²¹⁸ (Pfeffer 1982)

²¹⁹ (Lounsbury, Ventresca 2002); (Stern, Barley 1996); For instance, Prahalad and Hammond (2004) apply rational action assumptions when they argue “that there’s a real opportunity for companies, particularly big companies with economies of scale and efficient supply chains, to capture market share [at the BoP] by offering higher quality goods at lower prices while maintaining attractive margins” (50).

During the 1960s and 1970s, the external constraint perspective gained prominence in organisational theory. It encompasses theories such as resource dependency,²²⁰ structural contingency,²²¹ and population ecology.²²² This perspective presents a point of departure from the endogenous rational action framework by emphasising that exogenous factors shape, constrain, and even determine organisational actions and structures.²²³ According to the external constraint view, actors will strive to behave instrumentally, but *in response* to the demands or constraints of external environments in which they are situated.²²⁴ Rationality is mediated by situational and environmental factors, meaning that actors may not be able to follow their ideal preferences. This external constraint on rationality differs from rational action's notion of bounded rationality, where the obstruction is inside the actor's head. Unlike new institutionalism,²²⁵ which also examines the institutional environment but through a cultural-normative framework, the external constraint perspective focuses on the influence of the material structures, including resources, information, and market principles such as efficiency and competition.²²⁶ This restrictive

²²⁰ Resource dependency theory explored how organisations aimed to secure requisite resources by manipulating their environment, and managing their inter-organisational relations and reliances ((Pfeffer 1982); (Pfeffer 1972); (Pfeffer, Salancik 1978)). Resource dependency stressed that organisations are constrained in their choices and actions by “numerous and frequently incompatible demands from a variety of external actors” (Oliver 1991: 147). Accordingly, an organisation's relative power over another organisation is contingent on the extent to which the latter organisation depends upon the former's resources.

²²¹ Structural contingency theory was concerned with how the environment shapes organisational activities (Galbraith 1973); (Chandler 1962); (Hirsch, Lounsbury 1997). Theorists from this school argued there is not an ideal way to organize, as organisations vary in their objectives, environments, and technologies. Rather, effective organisations configure their institutional structure to appropriately match the conditions under which they operate. While resource dependency was primarily interested in how organisational behaviour conditions environments, structural contingency argued the causal arrow could also move in the other direction (Stern, Barley 1996).

²²² Population ecology, which drew on the Darwinian natural selection process, posited that an organisational form would only persist if its structure matched that which could survive in the external environment (Pfeffer 1982); (Hannan, Freeman 1977); (Hannan, Freeman 1989); (Carroll, Hannan 2004); (Hannan, Pólos *et al.* 2007).

²²³ (Lounsbury, Ventresca 2002)

²²⁴ (Greenwood, Oliver *et al.* 2008)

²²⁵ (Hirsch, Lounsbury 1997); (Jepperson, Meyer 1991); (Zucker 1987); (Zucker 1983)

²²⁶ (Jepperson, Meyer 1991); (Greenwood, Oliver *et al.* 2008: 3). As Jepperson and Meyer (1991) note, external constraint scholars faced “uncertainty about how to think about wider environments—in effect, how to conceptualize society, its institutions, and its institutional effects” (204). These theorists “retain[ed] a limited view of the environment...seeing it mainly as a system of [technical and material] resources adjoining organisations, or their elemental actors and technologies, at some boundary” (Jepperson, Meyer 1991: 205).

view of the environment is consistent with the notion, then commonly held, of organisations as production systems that convert inputs to outputs.²²⁷ Accordingly, variations in the structural features of individual organisations were said to reflect differences in their respective technical environments or exchange relations. Such assumptions later came under attack by new institutional theory.

New institutionalism, which emerged in the late 1970s, builds upon the major organisational traditions that preceded it, by asserting, “formal organizational structure reflect[s] not only technical demands and resource dependencies, but [is] also shaped by institutional forces, including institutional myths.”²²⁸ Unlike earlier organisational frameworks that assumed a ‘means-end’ instrumentality,²²⁹ new institutionalism conceives organisational rationality as adherence to shared social practices, or what March and Olsen (1989) term, “the logic of appropriateness.” As such, organisations act in a manner they deem *appropriate* for a given situation, and in accordance with their identity, logic, practices, and norms.²³⁰ For an organisation to survive, it must adopt structures and practices that match the expectations of the institutional environments in which they operate.²³¹ For instance, unlike the external constraint view, which treats factors like ‘legitimacy’ as commodities to be acquired and exchanged, new institutionalism proposes that organisations attain legitimacy through the conformance between their actions and institutional expectations (i.e., wider social and cultural norms and rules).²³²

According to new institutionalism, organisations interact in an *institutional context*, “comprised of broader cultural rules and meaning systems as well as material resources –

²²⁷ (Katz, Kahn 1966)

²²⁸ (Powell 2007: 1)

²²⁹ March and Olsen (1989) term this the ‘logic of consequentiality’.

²³⁰ (March, Olsen 1989)

²³¹ (Meyer, Rowan (1977); (Geppert, Matten *et al.* 2006)

²³² (Scott 2001)

revealing the subtleties of both overt and covert power.”²³³ Their actions and structures are seen as a reflection of (or conditioned by) this wider social and cultural context in which they are embedded.²³⁴ As Oliver (1991) writes:

Organizational choice is limited by a variety of external pressures (Friedland & Alford, 1987; Meyer et al. 1983; Pfeffer & Salancik, 1978), environments are collective and interconnected (DiMaggio & Powell, 1983; Pfeffer & Salancik, 1978; Powell, 1988), and organizations must be responsive to external demands and expectations in order to survive (Meyer & Rowan, 1977; Pfeffer & Salancik, 1978).²³⁵

According to some early new institutional theorists, the institutional context is seen as “highly stable, permanent,” and conforming.²³⁶ Like the external constraint framework that preceded it, this perspective assumes the environment to be comprised of static and indigenous institutions, actors, technologies, and organisations. As Lounsbury and Ventresca (2002) note, this early new institutional scholarship “conceptualized organizations as passive, legitimacy seekers and environments as powerful, obdurate structures (Tolbert & Zucker, 1996).”²³⁷ Where institutional change occurs, it is activated via an exogenous shock that upends previously stable institutional arrangements.²³⁸ In this environment, “appropriate” formal organisational structures and actions diffuse across the field.²³⁹ Organisations are seen to be isomorphic with these shared social understandings to “signal their social fitness” and garner legitimacy.²⁴⁰

More recently, some neo-institutional scholars have reconceptualised the institutional context not as a consensual setting, but rather as a “contested terrain[], contoured by variation, struggles and relatively temporary truces.”²⁴¹ Instead, organisations are said to

²³³ (Lounsbury, Ventresca 2003: 457)

²³⁴ (Lounsbury, Ventresca 2003)

²³⁵ (Oliver 1991: 146)

²³⁶ (Tolbert 1985: 2) in (Greenwood, Oliver *et al.* 2008: 5)

²³⁷ (Lounsbury, Ventresca 2002: 14)

²³⁸ (Meyer 1982)

²³⁹ (Tolbert 1985: 2) in (Greenwood, Oliver *et al.* 2008: 5)

²⁴⁰ (Greenwood, Oliver *et al.* 2008: 4)

²⁴¹ (Greenwood, Oliver *et al.* 2008: 19)

operate in an environment comprised of numerous, often contradictory, but equally legitimate institutional myths.²⁴² Isomorphism is no longer seen as a singular homogenising force; it is recast as a consideration set of socially appropriate organisational responses to the environment. Moreover, organisations and their institutional environments²⁴³ are seen to be “highly interpenetrated,”²⁴⁴ thus expanding the scope of organisational agency. The two institutional spheres exert a systematic and distinct influence on one another. For instance, formal organisations can influence their environment by exerting sociocultural authority. Hirsch and Lounsbury, paraphrasing Perrow (1986), argue that “large and powerful organizations [have the capacity] to determine the material and cultural environments surrounding them rather than submitting or adapting to external definitions and conditions for legitimacy.”²⁴⁵ Yet organisations also rely on the external environment, “deriv[ing] their resources, meaning, and legitimacy from their linkages to the modern rules of the public good.”²⁴⁶ In this institutional context, organisations conceive, contest, and develop shared practices (known as institutional myths) via widespread, repeated social interactions with one another. These shared practices or myths become *institutionalised* when they are broadly adhered to, incontrovertibly,²⁴⁷ and so “define what it means to be rational.”²⁴⁸ Institutionalization is the mechanism by which “social processes, obligations, or actualities come to take on a rule-like status.”²⁴⁹

1.2. How Organisational Logics and Practices Travel

²⁴² (Greenwood, Oliver *et al.* 2008: 11)

²⁴³ Unless otherwise noted, this dissertation will use interchangeably the following terms (and related variants): ‘environment’, ‘external operating environment’, ‘operating context’, ‘environmental context’, ‘social context’, ‘society’, etc.

²⁴⁴ (Jepperson, Meyer 1991: 205)

²⁴⁵ (Hirsch, Lounsbury 1997: 415); See also Meyer and Scott (1983).

²⁴⁶ (Jepperson, Meyer 1991: 205)

²⁴⁷ (Tolbert, Zucker 1983: 25)

²⁴⁸ (Greenwood, Oliver *et al.* 2008: 3)

²⁴⁹ (Meyer and Rowan 1977: 341)

Some early neo-institutional theorists built on Rodgers (1962)²⁵⁰ and argued that institutionalization occurred when a logic, idea, or practice was first *diffused* across, then *adopted* by, the relevant audience.²⁵¹ During diffusion, a practice spreads via communication or influence from source to adopter. Greenwood *et al.* (2008) regard diffusion as “one of the basic insights of institutional theory.”²⁵² According to Tolbert and Zucker (1983), the diffusion process has two sequential stages: first, in the competitive stage, early adopters implement a new practice to enhance operations; second, in the institutional stage, late adopters embrace the same concept to garner legitimacy. The latter diffusion stage presents obvious risks: “uncritical adoption of managerial innovations can prove to be more malignant than benign (Kitchener 2002: 401).”²⁵³ Once adopted, the practice is either taken-for-granted – in which case it becomes an institution – or abandoned.²⁵⁴

There are several ways by which organisations adopt institutional practices. DiMaggio and Powell (1983) specify three drivers or ‘mechanisms’ of diffusion: coercive, to avoid sanctions; normative, to meet social commitments; and mimetic, to copy other organisations’ success.²⁵⁵ Scott (1992) notes several means by which ideas are spread. They can be imprinted via widely accepted assumptions, motivated by incentives like resources or rewards (or negative inducements like punishment), imposed by powerful actors, or sanctioned by legitimating bodies.²⁵⁶ Moreover, Strang and Soule (1998) propose two distinct sources of diffusion: relational networks, in which logics are communicated explicitly through interaction and influence, and generalised, macro-level

²⁵⁰ Rodgers (1962) describes the process by which technologies are adopted over time by various societal cohorts.

²⁵¹ (Tolbert, Zucker 1983); (DiMaggio, Powell 1983); (Scott 1983); (Meyer, Rowan 1977); (Fligstein 1985; 1987); (Zucker 1987)

²⁵² (Greenwood, Oliver *et al.* 2008: 9)

²⁵³ (Greenwood, Oliver *et al.* 2008: 18)

²⁵⁴ (Rao, Greve *et al.* 2001: 503)

²⁵⁵ (Dimaggio and Powell 1983)

²⁵⁶ (Lounsbury and Strang 2009)

diffusion, in which logics are spread by the media, new discourses, or influential change agents.²⁵⁷

More recently, this strand of institutional theory has been criticised for postulating that actors are over-socialised and passively and automatically adopt new practices and trends. As Friedland and Alford (1991) point out, organisations are exposed to several, often contradictory, practices, and must choose which to adopt among those available. Sahlin-Andersson (1996) and Czarniawska and Sevón (1996) take this agency-oriented perspective further, and say that organisations do not accept these new models wholesale but rather ‘edit’ the new practices so that they’re consistent with and sensitive to the organisation’s logic and operating setting. According to this process, known as *translation*,²⁵⁸ when an actor’s logic travels across a particular milieu, it is then internalised, modified, deflected, or appropriated by another actor.²⁵⁹ The primary reason for this conceptual refocus is the increased emphasis on organisational agency: while diffusion historically assumed that ideas were adopted passively and without modification, translation supposes they are “interpreted and reformulated during the process of adoption.”²⁶⁰

Translation emphasises the importance of symbolism and rational myths in transforming ideas and organisational identities across institutional fields. Through translation, these symbols and myths may be reconceptualised by the recipient actor to be more consistent with their logic and identity.²⁶¹ Shared practices that are consistent with the local organisation’s activities and experiences are accentuated, while those that do not match

²⁵⁷ (Lounsbury, Strang 2009)

²⁵⁸ See also Zilber (2006), Maguire and Hardy (2009) and Frenkel (2005).

²⁵⁹ (Latour 1986)

²⁶⁰ (Greenwood, Oliver *et al.* 2008: 17); Accordingly, even the process of diffusion itself has been redefined: “The experience of diffusion is not one of crowding out, as the local is displaced by the global, but of absorption, integration, layering, and, no less often, resistance” (Hammack, Heydemann 2009: 5).

²⁶¹ (Zilber 2006); (Greenwood, Oliver *et al.* 2008)

are moderated or outright ignored.²⁶² As these ideas are imported into the local setting, they are edited: new meanings are fashioned and attached to the organisation's activities, and may differ from those of both the source and the recipient. Therefore, translation may lead to the “displacement, drift, invention, mediation, or creation of a new link that did not exist before and modified in part the two agents’ (Latour, 1993, p. 6) that is, those who translated and that which is translated.”²⁶³

In their apt metaphor, Heydemann and Hammack (2009) describe organisations that operate across boundaries as:

The hermit crabs of globalization—flexible ideas that reside within portable structures. They scabble across national borders and drop their shells in remote settings where local inhabitants may find entirely new uses for a familiar form. There is a logic to the structure of a shell, but the structure leaves open multiple possibilities for how it might be used. In the process, the hermit crab builds a home from locally available materials.²⁶⁴

As these organisations travel across national and cultural borders, they continue to “carry with them, both explicitly and implicitly, both intentionally and otherwise, attributes and qualities that bear imprint on their place of origin.”²⁶⁵ Yet for their logics to be legitimate and acceptable in their new environment, they may need to be adapted to be consistent with local institutions and stakeholders. Organisations neither fully assimilate their structures to their new operating context nor fully reflect the social, cultural, and institutional contexts in which they were formed.²⁶⁶ Accordingly, the organisation that is projecting its logic must determine which attributes can travel across boundaries without modification and which must be adapted. Czarniawska and Joerges (1996) note the possibilities and risks of this process: “At best, in the course of the fitting process, the idea and the set of actions will get adjusted to each other in a new, unique

²⁶² (Sahlin-Andersson 1996)

²⁶³ (Czarniawska, Sevón 1996: 24)

²⁶⁴ (Hammack, Heydemann 2009: 8)

²⁶⁵ (Hammack, Heydemann 2009: 7)

²⁶⁶ (Dicken 2003)

combination... whereas materialized ideas go down like avalanches, with almost no resistance, especially if they acquire the form of complicated machinery...”²⁶⁷

The MNC is one such organisational form that operates across borders. An MNC, by its very nature, must handle the conflicts that inevitably arise from meeting the institutional demands of the global context and each of the local contexts in which it operates.²⁶⁸ As such, the MNC may need to reconcile tensions in logics between its global practices, myths, and symbols, and those of its local operating environments. To understand an MNC’s projection of its logic abroad, this dissertation explores the relationship in logics between home and host context—and by extension, between the MNC’s headquarters and its local subsidiary.

Since the MNC’s local subsidiary is embedded in both the MNC’s institutional practices and the local setting, it may face frictions between these two contexts in enacting its policies. In this context, hybridity²⁶⁹ is “the capacity of local actors to appropriate global norms and endow them with local meaning and local agency.”²⁷⁰ Corporate subsidiaries may either retain close institutional ties to their headquarters, or adapt to the local environment in which they are operating, or some combination thereof. Morgan and Kristensen (2006) distinguish between two types of subsidiaries, which differ in their degree of autonomy and agency, and by extension, whether they reflect the institutional practices of their home country or those of the local context in which they operate. The first type, “‘Boy Scout’ subsidiaries[, do] what they are told [by headquarters] and consequently allow locally distinctive capabilities to be undermined.”²⁷¹ The second type, “‘subversive strategists’...look to deepen their connection with the local context not the

²⁶⁷ (Czarniawska, Joerges 1996: 19)

²⁶⁸ (Dorrenbacher, Geppert 2006)

²⁶⁹ This definition of hybridity applies only to this section. Hybridity is elsewhere defined in this thesis as an organisational form that joins actors from different sectors for common purpose (Borys, Jemison 1989).

²⁷⁰ (Hammack, Heydemann 2009: 7)

²⁷¹ (Morgan, Kristensen 2006: 1467)

MNC itself.”²⁷² Either of these stylised forms is likely to present problems in enacting a new market opportunity. If the subsidiary is overly assimilated into the local operating setting, leading to significant “institutional distance”²⁷³ between the MNC’s headquarters and its subsidiary, there are “problems for the MNC as a whole in achieving legitimacy, externally in the host country, and internally within the MNC itself.”²⁷⁴ On the other hand, MNCs whose subsidiaries uniformly reflect their headquarters’ institutional structure and practices underperform those that are restructured to match local operating environments.²⁷⁵

Yet in general, more socially embedded organisations face less difficulty or resistance institutionalising practices in the local environment.²⁷⁶ In other words, if the subsidiary is locally embedded, its headquarters’ practices are more likely to be translatable to the local context. This is because the subsidiary can act as a legitimate conduit for the translation of practices and myths locally. As Geppert *et al.* (2006) explain, “concepts which have been developing elsewhere are actively influenced by subsidiaries ‘translating’ and adapting these ideas locally (Czarniawska & Joerges, 1996; Sahlin-Andersson, 1996; Boxenbaum & Battilana, 2005).”²⁷⁷

However, in actuality, the reverse dynamic is quite common. While foreign firms undoubtedly have to adapt some of their practices to the environment in which they are operating, MNC subsidiaries are often inadequately suited to, or geographically embedded in, local political, cultural, and social conditions.²⁷⁸ Even through the extension of their businesses to new countries, MNCs continue to embody and promote many of the core institutional characteristics of the home country in which they remain

²⁷² (Morgan, Kristensen 2006: 1467)

²⁷³ (Kostova, Zaheer 1999)

²⁷⁴ (Dorrenbacher, Geppert 2006: 254-5)

²⁷⁵ (Nohria, Ghoshal 1997)

²⁷⁶ (Geppert, Matten *et al.* 2006)

²⁷⁷ (Geppert, Matten *et al.* 2006: 1455)

²⁷⁸ (Dicken 2003)

deeply embedded.²⁷⁹ Rather than necessarily reflect the new environmental context in which they operate, or being “‘placeless’ organizations,”²⁸⁰ MNCs have acted as the key conduits through which host countries have institutionalised the business practices of dominant foreign economies.²⁸¹ As a result, as Nohria and Ghoshal’s (1997) research demonstrates, the extension of the MNC’s logic to a host setting has not necessarily been positive in terms of business performance. For instance, Coca-Cola’s global business long relied upon a high degree of corporate centralization. Yet in the 1990s, the MNC’s local subsidiaries were struggling, and so the firm realised it needed to adopt a ‘think local, act local’ strategy to succeed in its international expansion.²⁸² As Coca-Cola realised, too much institutional distance between headquarters and the local environment in which the firm operates may reduce the venture’s legitimacy and effectiveness.

Therefore, MNCs must weigh the “pressures for integrating globally with those for responding idiosyncratically” to local markets.²⁸³ Prahalad and Doz (1987) developed a global integration-local responsiveness framework that aimed to help MNCs balance these conflicting institutional forces. Kobrin (1987) noted there are a spectrum of justifiable loci on the spectrum between centralization and devolution. In the middle of the spectrum is ‘glocalization’, in which “companies develop great products at home and then distribute them worldwide, with some adaptations to local conditions.”²⁸⁴

Glocalization allows MNCs to rely on their own technical expertise and project their own institutional logic while still acknowledging the unique needs of the local exchange context. As Inmelt *et. al* (2009) explain, glocalization aims to balance headquarter priorities with local market needs; it “allows multinationals to make the optimal trade-off

²⁷⁹ (Dicken 2003)

²⁸⁰ (Dicken 2003)

²⁸¹ (Geppert, Matten *et al.* 2006)

²⁸² (Dicken 2003)

²⁸³ (Dicken 2003: 220)

²⁸⁴ (Inmelt, Govindarajan *et al.* 2009: 3)

between the global scale so crucial to minimising costs and the local customization required to maximize market share.²⁸⁵ While the MNC continues to employ centralized structures and practices, it also aims to adapt models and product offerings to the local context.

Tightly related to the MNC's projection of its logic is its diffusion of a technological innovation to the local context. Nohria and Ghoshal (1997) explain the interplay between headquarters and the subsidiary during the process of local product innovation. At one pole, which they term *adoption*, subsidiaries implement in their respective local markets an innovation developed by headquarters. At the other pole, which Nohria and Ghoshal (1997) call *creation*, the decentralised subsidiary develops the innovation locally, with local technical and managerial expertise, and in response to local needs. These locally developed innovations, in turn, can be distributed in other markets in which the MNC operates. While adoption was the traditional model of MNC innovation,²⁸⁶ and was consistent with power-centric institutional perspectives on diffusion,²⁸⁷ creation has emerged more recently as a result of increased technological expertise and greater dispersion of technological adopters in subsidiary markets.²⁸⁸ Until recently, creation has traditionally focused on industrial markets. Yet the process has now been extended to rapidly developing countries like China and India, due to their increasing technical capabilities and market power. For instance, Inmelt *et al.* (2009) show how innovations designed under the technical and material constraints of the emerging market context may then travel back to developed world settings. They term this process *reverse innovation*, and prescribe its institutional requirements:

²⁸⁵ (Inmelt, Govindarajan *et al.* 2009: 3)

²⁸⁶ (Vernon 1966)

²⁸⁷ (Perrow 1986)

²⁸⁸ (Ghoshal, Bartlett 1988)

Almost all the people and resources dedicated to reverse innovation efforts must be based and managed in the local market. These local growth teams need to have P&L responsibility; the power to decide which products to develop for their markets and how to make, sell, and service them; and the right to draw from the company's global resources. Once products have proven themselves in emerging markets, they must be taken global, which may involve pioneering radically new applications, establishing lower price points, and even using the innovations to cannibalize higher-margin products in rich countries. All of those approaches are antithetical to the glocalization model.²⁸⁹

The empirical chapters will explore the relationship between the MNC's logics and those of the local operating environment, and evaluate the extent to which the operational model and product innovation is consistent with the logics of action and cultural-cognitive expectations of the local stakeholders.

2. Nature of Markets

This section will provide a historical account of conflicting perspectives of markets across economics and sociology. It will introduce the intellectual roots of NCE, which underpins the conventional economic perspective of an idealised market upon which management theory and BoP prescriptive script draw. It will highlight the work of Adam Smith, Alfred Marshall, and Friedrich von Hayek, who laid the foundations of this free market ideology. It will then present RMT as a critical alternative to NCE, and describe key differences between the two frameworks in conceptualising markets. It will draw on economic sociology to argue that 'real' markets are far more complex than NCE theorises, in part because they are embedded in broader social and cultural structures and practices.

2.1. Cross-Disciplinary Debate about Markets

Within orthodox economics, a 'market' is conventionally defined as a system through which buyers and sellers exchange goods. Yet despite this straightforward definition, scholars have disagreed for at least two centuries with regard to the nature of a market.

²⁸⁹ (Inmelt, Govindarajan *et al.* 2009: 4)

Neoclassical economists regard the market “as an abstract realm of impersonal economic exchange of homogenous goods by means of voluntary transactions on an equal basis between large numbers of autonomous, fully-informed entities with profit-maximising behavioural motivations and able to enter and leave freely.”²⁹⁰ By conceptualising a market as abstract and homogenous, NCE ignores the socio-cultural institutional setting in which a market operates—“such relations, when recognized at all, tend to be viewed as irrational obstacles to the proper functioning of a free and efficient market.”²⁹¹ By contrast, anthropologists and sociologists conceive the market as an institution *embedded* within a particular culture or set of social and political structures. For anthropologists, cultural factors frame the motivations of actors with regard to their production, consumption, and exchange decisions.²⁹² Sociologists focus on the “structures, groups, classes, and hierarchies of power” that enable or constrain the functioning of market mechanisms.²⁹³

2.2. Framings of Markets within Economics

NCE’s notion of a market as a free, abstract and homogenous context is characterised by perfect competition, full information, and costless exchange. It has its conceptual roots in three economic traditions: the late 18th Century’s Classical Economics (the market as free, competitive, and self-interested), the late 19th Century’s Marginalist Revolution (the market as an abstract, analytical mechanism), and the early 20th Century’s Austrian School (the market as an efficient allocator of resources).

2.2.1. Classical Economics

²⁹⁰ (Harriss-White 1995: 87)

²⁹¹ (Cantor, Henry *et al.* 1992: 3)

²⁹² (Cantor, Henry *et al.* 1992: 4)

²⁹³ (Cantor, Henry *et al.* 1992: 5)

The modern economic notion of markets originated with Adam Smith, whose *An Inquiry into the Nature and Causes of the Wealth of Nations* (1776) explains the nascent transition in Europe from feudalism and aristocracy to capitalism. Smith argues that at the foundation of capitalism are competitive free markets that foster individual liberty by enabling individuals to achieve their objectives through exchange. His *Wealth of Nations* advances the following precept: if each individual pursues his or her own self-interest, society will collectively maximise wellbeing and efficiency to mutual benefit.²⁹⁴ By contrast, Smith believed few social gains would come from an individual who selflessly acts in the interests of the public. He notes: “By pursuing his own interest, [the businessman] frequently promotes that of society more effectively than when he really intends to promote it. I have never known much good done by those who affected to trade for the public good.”²⁹⁵ Smith argues that free market exchange is the best mechanism for collective benefit, for it results in the most optimally efficient allocation of human and physical resources, without the need for external intervention.²⁹⁶ These ideas remain central to mainstream economic thought, as both the foundation for NCE and the intellectual basis of Western liberal market economies.

However, while Smith advanced the notion of a free market, his understanding of a market differs in two important ways from most of the neoclassical economists who followed him. First, Smith conceived of the market as a concrete physical or geographic setting in which production²⁹⁷ of labour and commodities occur.²⁹⁸ As Crow (2001) writes, “Adam Smith was curious about the institutional details of real markets and the traders who worked in them.”²⁹⁹ Second, Smith believed that price within a market is

²⁹⁴ (Etzioni: ix in Cantor, Henry *et al.* 1992)

²⁹⁵ (Smith 1776: 400)

²⁹⁶ (Etzioni: ix) in (Cantor, Henry *et al.* 1992)

²⁹⁷ More than exchange of goods.

²⁹⁸ (Swedberg 1994: 257)

²⁹⁹ (Crow 2001: 214)

determined by the labour costs required to produce a good. As the next section explains, his neoclassical forebears reconceptualised the marketplace as an abstract entity and the market price as a function of supply and demand.

2.2.2. The Emergence of NCE: The Marginalist Revolution and The Austrian School

During the Marginalist Revolution in the late 19th century, economists replaced Smith's perspective of the market as a concrete entity with the notion of the market as a "hypothetical" setting.³⁰⁰ The Marginalists, notably William Stanley Jevons and Léon Walras, conceived of the market as an analytically abstract mechanism that determines price and allocates resources on the basis of marginal cost and utility. This focus on market prices has, according to Coase (1988), completely divorced economics from the existence of a physical marketplace.³⁰¹ Moreover, economists of the Marginalist Revolution and the Austrian School built upon, but also modified, Smith's view of markets by forging three co-dependent postulates: supply and demand reach equilibrium, prices are the key signal, and markets solve allocation problems. These tenets, elaborated in the following paragraph, remain core to NCE's idea of markets.³⁰²

First, in 1890, Alfred Marshall, another Marginalist, extended Smith's free market theories in his NCE treatise, *Principles of Economics*, but proposed that markets reach equilibrium between supply and demand. Marshall defined a market as "the whole of any region in which buyers and sellers are in such free intercourse with one another that the prices of the same goods tend to equality easily and quickly."³⁰³ Second, Friedrich von

³⁰⁰ (Keynes Sr. 1891)

³⁰¹ (Coase 1988: 7)

³⁰² These claims collectively formed the basis of Arrow and Debreu's (1952) general equilibrium theory, which argued that prices signal supply and demand and solve allocation problems, and also built upon Walras' earlier theory by the same name.

³⁰³ (Marshall, 1890, Book 5, Chapter 1); In the same tome that helped for NCE, *Principles of Economics*, Marshall explored how actual markets function. For instance, he differentiated "particular" and "general"

Hayek, a member of the Austrian School, argued (1937) that markets are a mechanism to transmit price, and price is the key information an actor requires to make exchange decisions.³⁰⁴ Third, Hayek (1945) pondered the vexing question of “how [an economy can] secure the best uses of resources known to any of the members of society, for ends whose relative importance only these individuals know.”³⁰⁵ He concluded (1944; 1945), in critique of centralised planning, that markets are the most effective mechanism to allocate resources (via price signals).³⁰⁶ As mentioned, these three principles of markets remain at the foundation of NCE, a paradigm that dominated the economics discipline through the 20th Century.

2.3. Sociology’s Rejoinder to NCE’s Notion of Markets

Within NCE, the market exchange is “a system unto itself” and the fundamental institutional structure upon which society is organised.³⁰⁷ Sociologists, while failing to present a coherent alternative to NCE, nonetheless criticise the NCE conception of markets as “abstract, asocial and ahistorical.”³⁰⁸ NCE separates markets from “both the context of markets and the practice of exchange,”³⁰⁹ ignoring that in reality, exchange settings are subject to complex human processes.³¹⁰ Sociologists note that in modelling markets as homogenous entities, NCE also ignores the diversity in, and influence of, “social context...social practice, the forms of transaction and the traders involved.”³¹¹ Taking the existence of the market for granted has the effect of “making actual economic practices invisible.”³¹² Neo-institutional economists share these critiques: North (1977)

markets: in the former, the buyer and seller formed a relationship, even if it was temporary, while in a general market, the parties to exchange were anonymous.

³⁰⁴ (Hayek 1937)

³⁰⁵ (Hayek 1945)

³⁰⁶ (Hayek 1944); (Hayek 1945)

³⁰⁷ (Etzioni 1990)

³⁰⁸ (Swedberg 1994: 263)

³⁰⁹ (Crow 2001: 218)

³¹⁰ (Cassidy 2009)

³¹¹ (Crow 2001: 218)

³¹² (Watkins 1998: 27)

ponders the peculiarity “that the literature on economics... contains so little discussion of the central institution that underlies neoclassical economics—the market’.”³¹³

In its strict form, NCE adheres to the following assumptions: actors are instrumentally rational have full information and perfect foresight; markets are homogenous, perfectly competitive, and at an equilibrium state in which utility is maximised;³¹⁴ and there are no transaction costs or barriers to entry.³¹⁵ Sociologists contend that while NCE models are logical, elegant, and parsimonious, these assumptions are “unrealistic, unproductive, and amoral (Malinowski, 1922; Parsons, 1937; Thurow, 1983; Allvine and Tarpley, 1977; Wilber and Jameson, 1983).” Furthermore, NCE models can lead to suboptimal societal outcomes. For instance, Sen (1970) notes that an economy can be said to allocate resources optimally (Pareto efficiently) “even when some people are rolling in luxury and others are near starvation as long as the starvers cannot be made better off without cutting into the pleasures of the rich. In short, a society or an economy can be Pareto optimal and still perfectly disgusting.”³¹⁶

In contrast to neoclassical economists, sociologists perceive exchange as a form of social interaction between individuals who have specific, socially- and historically-derived motivations and relations. Weber, for instance, attacked Smith’s belief that market actors could be “indifferent” to one another, and instead proposed that parties in an exchange typically had prior relations, and that even those engaged in a one-off transaction tended to behave in a socially appropriate fashion.³¹⁷ Moreover, Weber understood economic and social institutional arrangements to be interdependent. Several of his early works, including *The Protestant Ethic and Spirit of Capitalism* (1905), *The Religion of China* (1915) and *The Religion of India* (1921), proposed that a person’s economic orientation was linked to

³¹³ (North 1977) in (Swedberg 1994: 257)

³¹⁴ (Winter 1986) in (North 1990)

³¹⁵ (Stigler 1957); (Knight 1964)

³¹⁶ (Sen 1970: 22)

³¹⁷ (Biggart 2002: 5)

his or her religion, with the latter text aiming to demonstrate that India's 'irrational' faiths—in particular the role of caste in Hinduism—were antithetical to capitalism and economic growth.³¹⁸ While these claims have since been largely refuted,³¹⁹ Weber's more general point that economic activity is socially influenced has continued to have traction. Polanyi (1944), concurring with Weber, argues that economic activity is just an institutional dimension of social relations.³²⁰ He notes that people from different social strata participate in different forms of economic exchange, and that actors engage in exchange not only for material gains but also to maintain their standing in society. Granovetter (1985) notes failings amongst both economists and sociologists in understanding how social relations shape economic behaviour. He criticised economists for presenting an undersocialised view that ignored the influence of society on individual agents, and sociologists for expounding an oversocialised view of exchange that left no scope for individuals to act aside from their socially proscribed roles. He concludes, in concurrence with Polanyi, that individuals are embedded in social relations, but that this embeddedness occurs in differentiated ways, depending on the specific social and historical context in which the exchange occurs.

2.4. Real Markets Theory

Economic sociologists and anthropologists³²¹ conceive real markets theory (RMT) as a theoretical rejoinder to NCE to explain how actual markets function. If NCE represents one ideal type of market in terms of theoretical abstraction, simplicity, and homogeneity, then RMT is the opposite ideal type in terms of empirical grittiness, complexity, and

³¹⁸ (Harriss-White 2003: 133-4); (Bendix 1977: 196); Moreover, as Harriss-White (2003) writes, Myrdal (1968) reversed Weber's thesis that Protestantism provides the social preconditions to capitalism, and tried to explain how Hinduism reproduced economic deprivation through exclusion and inequality. They argued that Hinduism's strict faith-based social divisions worked to constrain "free competition and economic mobility" (133-4).

³¹⁹ See, for instance, Gellner (1982), Green (1973) and Fischhoff (1991).

³²⁰ (Polanyi 1944)

³²¹ (Bharadwaj 1985); (Harriss 1990); (Mackintosh 1990); (Crow 2001); (Harriss-White 2003); (Etzioni 1965); (Granovetter 1985); (Parsons, Smelser 1956); (Polanyi 1944); (Swedberg 1987)

heterogeneity. As Crow (2001) writes, “[r]eal markets are not interesting in themselves but only to the extent that they deviate from the set of abstract markets in which demand and supply reach equilibrium.”³²² RMT acknowledges the diversity of markets and therefore, derives its explanatory power through in-depth analysis of social context. Context is seen as both a precondition to the market’s capacity to function,³²³ and its relative efficiency. Rather than conceptualising the market abstractly, RMT defines it as “one form of exchange embedded in a particular culture that shapes motivations for producing, exchanging, and consuming goods and services.”³²⁴ RMT advances one of the central sociological rejoinders to the NCE paradigm: that markets are not independent systems but rather are embedded in, or bounded by, a broader social and cultural context.³²⁵ According to this theory, real markets are configured by class, gender, religion, and other social structures; have different social consequences for different participants (e.g. sometimes structurally disadvantaging poor people); depend on the type of transaction, the good being exchanged, and the traders involved; function according to power dynamics; and are often influenced by communal (rather than individual) interests.³²⁶ For instance, RMT reveals that poor people are not a monolithic consumer group, but rather are immensely varied in their culture, tastes, lifestyles, genders, castes, and religions³²⁷—realities that NCE ignores and Prahalad’s BoP script scantily mentions.³²⁸ According to Mackintosh (1990), real markets “have widely varying institutions and economic contexts, they operate on limited information, they involve and help to create a variety of social classes, power relations, and complex patterns of

³²² (Crow 2001: 7)

³²³ (Etzioni: x in Cantor, Henry *et al.* 1992)

³²⁴ (Cantor, Henry *et al.* 1992: 4)

³²⁵ (Dicken 2003); (Stark 2011); (Etzioni 1992); (Granovetter 1985)

³²⁶ (Lie 1997: 342 in Crow 2001: 7); (Etzioni 1992); (Cantor, Henry *et al.* 1992)

³²⁷ (Crow 2001); (Harriss-White 2003)

³²⁸ (Prahalad 2004); (Brugmann, Prahalad 2007)

needs and responses.”³²⁹ These institutional structures frame and reinforce particular dynamics of exchange. For these reasons, economic sociologists examine the social relationships formed via the transaction process, rather than focusing on economic factors like profit and price.³³⁰ As Crow (2001) points out, “The idea that markets are one thing and that social relationships can be understood as commodities both depend upon the exclusion of social context, notably of class, gender, and ethnicity, and social practice.”³³¹

2.4.1 Real Markets in Rural India

As RMT offers a framework to unpack the cultural complexities of a particular marketplace, this section will begin to explore how the rural Indian exchange context—the setting for this case study—is structured by gender, religion, and caste.³³² The influence of these social structures presents a challenge to NCE’s assumptions of markets as: (1) freely accessible, (2) allocatively efficient, (3) free of transaction costs, and (4) abstract. First, market access, participation, and competition are mediated and regulated by non-market institutions.³³³ For instance, Dalits, also known as ‘untouchables’, are often forbidden from participate in the village marketplace.³³⁴ Second, social structures also prevent markets from being competitively, technically, and allocatively efficient. For instance, markets are fragmented by caste, which precludes capturing economies of scale. Moreover, the allocation of scarce resources is often biased against certain social groupings, rather than neutrally determined by supply and demand.³³⁵ Pellissery (2009) demonstrates how access to social protections programs in

³²⁹ (Mackintosh 1990: 47)

³³⁰ (Cantor, Henry *et al.* 1992)

³³¹ (Crow 2001: 218)

³³² An exposition of the role of religion within the process of rural Indian exchange will be explored in the subsequent ‘Villager Purchasing Logics’ chapter.

³³³ (Crow 2001: 218); (Etzioni: ix in Cantor, Henry *et al.* 1992)

³³⁴ (Joshi, Morgan *et al.* 2005: 15)

³³⁵ (Crow 2011)

rural India is mediated by the micro-politics of households and social groups. Third, transactions are costly particularly when exchange cuts across membership networks. For instance, as Harriss-White (2003) notes, exchange “between people of different religions ... may be significantly more exploitative and costly than those governing internal transactions.”³³⁶ Transaction costs decrease when exchange occurs between parties that share social affiliations due to lower identification costs, pre-existing reputations and trust, high information exchange, social monitoring, and sanctions. Hence, exchange is less costly in societies clustered by caste or religion. Fourth, market features like geography and structure influence society’s “divisions, identities, and directions,” making them more concrete than abstract. Specifically, they shape the distribution of wealth between parties to exchange.³³⁷ For instance, Crow (2001) explains that agrarian exchange in South Asia reinforces “accumulation by the rich and impoverishment of the poor.”³³⁸ Poor farmers sell their grains to rich traders right after harvest, when the prices are lowest, which rich traders then store and only sell when the price is higher. These class-mediated dynamics of exchange perpetuate and exacerbate the disparities between rich and poor people. Furthermore, space and time are important determinants of market dynamics. For example, as Crow’s research into agrarian exchanges in South Asia uncovers, there are regional disparities in their distribution of gains, and seasonal variations in their characteristics and participants.

While some economists³³⁹ and sociologists³⁴⁰ have argued that liberalization of the Indian economy over the last two decades has reduced the distortive influences of these social structures in which the economy has historically been embedded, Harriss-White (2003) notes that even during this period of economic growth, and the extension of capitalism

³³⁶ (Harriss-White 2003: 172)

³³⁷ (Crow 2001)

³³⁸ (Crow 2001)

³³⁹ (Panini 1996)

³⁴⁰ (Béteille 1997)

to rural villages, these structures have proven durable and even essential to the functioning of markets.³⁴¹ She writes that India's transition from business relations being regulated by "ascribed characteristics (family, caste, locality)" to "acquired characteristics (efficiency and reliability)" has been a protracted and uneven process, particularly in the informal and rural economy.³⁴² Instead of supplanting social structures, markets have depended on them to provide support where the State is deficient.³⁴³ As she explains, "Accumulation [of capital] is not only organised through labour, capital, and the State, but also through gender, religion and caste."³⁴⁴ Broadly speaking, these social institutions "keep accumulation highly localized, shape the way labour is controlled, limit competition, and perpetuate the toleration of vast negative environmental externalities."³⁴⁵ Moreover, capital accumulation is intensively skewed against women, a reality that Harriss-White calls "perhaps the greatest and most far-reaching irony in India's economic development."³⁴⁶

2.4.2 Gender

Gender relations in rural India, which are highly oppressive towards women, have been particularly impervious to market forces.³⁴⁷ According to Harriss-White (2003), in the context of an analysis of life chances, "[i]t is now not Indian kinship practices, so much as Indian capitalism mediated by ideology, that endangers women," and forces them to suffer increasingly severe life disadvantages.³⁴⁸ Poor, rural women face barriers to

³⁴¹ While the role of religion on the direct agent model will not be explored carefully in this chapter, Harriss-White (2003) noted that the markets continue to rely on religion to "supply the non-state, non-class institutions and functions needed by emerging capitalist markets, and as a result [religious institutions] have been strengthened [by market forces], not dissolved" (170).

³⁴² (Harriss-White 2003: 52)

³⁴³ (Harriss-White 2003)

³⁴⁴ (Harriss-White 2003: 240)

³⁴⁵ (Harriss-White 2003: 244)

³⁴⁶ (Harriss-White 2003: 131)

³⁴⁷ Harriss-White (2003) argues that among the social structures of accumulation, "[g]ender relations are the most resistant to change..." (245).

³⁴⁸ (Harriss-White 2003: 131)

participation in the labour market, including: domestic obligations,³⁴⁹ illiteracy,³⁵⁰ lack of social security to address vulnerabilities,³⁵¹ and cultural strictures, such as caste, religion, and class.³⁵² For instance, as Nagaraj (1999) explains, due to obligations of housework and childcare, rural women in India struggle to participate in opportunities outside the household, face obsolescence of their skills due to inconsistent use, and can only access petty domestic livelihood opportunities (e.g. stitching, chicken raising).³⁵³ Furthermore, as will be explored empirically within this dissertation, there are gender-based cultural barriers that “prevent women from going out of their homes for work or establishing themselves in business places.”³⁵⁴ Harriss-White and Gooptu (2001) note the regressive intersection between caste and gender as it relates to workplace participation, “[c]aste ideology also affects whether women work at all, what work they do, how far from home they may move.”³⁵⁵ Educated, relatively well-off women are even *less* able to participate in the marketplace; instead, they are “secluded—thereby wasting the economic potential of their education.”³⁵⁶ Those who can enter the market are “subjected to extremes of casualization, negligence, and harassment, and to unsafe and unsanitary working conditions, their wages often being reported by bosses as ‘pocket money’,”³⁵⁷ which “can hardly make any dent in poverty on a sustained basis.”³⁵⁸ Their work is sporadic, seasonal, and rife with intermittent “spells of enforced idleness.”³⁵⁹ Moreover, most rural female employment (86 percent) is in the informal sector of the workforce.³⁶⁰ These so-called

³⁴⁹ (Harriss-White, Gooptu 2001); (Gayathri 2001); (Guhan 2001); (Nagaraj 1999)

³⁵⁰ (Athreya 1999); (Harriss-White, Gooptu 2001)

³⁵¹ (Swaminathan 2000); (Gayathri 2001); (Guhan 2001)

³⁵² (Harriss-White, Gooptu 2001)

³⁵³ (Harriss-White 2003); (Nagaraj 1999); (Harriss-White, Gooptu 2001)

³⁵⁴ (Unni, Rani 1999).

³⁵⁵ (Harriss-White, Gooptu 2001: 99)

³⁵⁶ (Harriss-White, Gooptu 2001: 97)

³⁵⁷ (Harriss-White 2003: 35); See also Unni (2001)

³⁵⁸ (Nagaraj 1999: 97)

³⁵⁹ (Nagaraj 1999: 77)

³⁶⁰ (NSSO 2004-5)

employment ‘opportunities’ are characterised by immense vulnerability, infrequent wages, and non-existent social protections.³⁶¹

As Gayathri (2001) ponders, “From the perspective of women, is work a preferred or a forced choice?”³⁶² According to several Marxist scholars,³⁶³ women are forced into these highly vulnerable jobs out of familial necessity: “As a consequence of women’s greater responsibility for feeding the family, they feel compelled to take up all offers of wage work, no matter how low paid and humiliating, which increases their unfreedom, reduces their actual wages received, increases real male female wage differentials and increases hours worked per day.”³⁶⁴ Worse still, increases in female earnings have had little effect on intra-household gender dynamics.³⁶⁵ Even though women’s income is shared with the family at a higher level than men’s, female ‘breadwinners’ still exert little authority over domestic resources or division of home-based labour.³⁶⁶ Thus, while female employment is increasing, this so-called “feminization of the workforce,” which is largely both informal and forced, *“has been disempowering for women.”*³⁶⁷

2.4.3 Caste

While caste has been more malleable than gender to the rising influence of market exchange in rural India, it continues to constrain accumulation since exchange is still often structured through socially exclusive networks.³⁶⁸ Particularly within the informal economy, caste provides a basis of trust between parties to exchange and can be leveraged for economic objectives (e.g. product sales).³⁶⁹ While the significance of caste

³⁶¹ (Bremar 1996); (Harriss-White 2003)

³⁶² (Gayathri 2001: 319)

³⁶³ (Mies 1999); (Agarwal 1986); (Duvvury 1989)

³⁶⁴ (da Corta, Venkateshwarlu 1999: 108)

³⁶⁵ (Harriss-White, Gooptu 2001); (Ghosh 1999)

³⁶⁶ (da Corta, Venkateshwarlu 1999: 79); (Harriss-White, Gooptu 2001: 97-8); (Ghosh 1999)

³⁶⁷ (da Corta, Venkateshwarlu 1999: 114); italics in original.

³⁶⁸ (Harriss-White 2003: 245)

³⁶⁹ (Harriss-White 2003: 178)

has begun to wane in certain contexts (e.g. among urban professionals),³⁷⁰ it remains a durable social force that structures and mediates exchange in rural India.³⁷¹

One of the uses of caste is to delineate categories of ritual purity and pollution,³⁷² which map to institutionalised rules of social inclusion and exclusion.³⁷³ Douglas (1966) defines caste as “a symbolic system, based on the image of the body, whose primary concern is the ordering of a social hierarchy.”³⁷⁴ As she explained, with the body, the head is responsible for thought and prayer while “the most despised parts carry away waste matter.”³⁷⁵ As a symbolic system, the highest caste, the Brahmin, devotes itself to prayer, reflection, and meditation, and so is perceived to be the most pure, while the lowest castes tend to tasks like removing human waste and animal carcasses, cremating the deceased, washing clothes, and cutting hair and nails, and so are seen to be the most polluted. Since Dalits are allocated responsibility for these debased and unhygienic tasks from birth, the stigma of pollution is mutually reinforcing and unshakable.³⁷⁶

Caste plays a pernicious role in the context of cooking and eating, creating restrictions on inter-caste interaction that are relevant to the retailing and usage of cookstoves and fuel. Douglas explained that the “the cooking process...is susceptible to pollution...[as it involves] the combined efforts of several castes of varying degrees of purity: the blacksmith, the carpenter, the ropemaker, the peasant,” and the potter.³⁷⁷ However, if any aspect of this ecosystem is polluted—for instance, if either the fuel or stove is

³⁷⁰ (Mandelsohn 1993); (Jayaram 1996); (Basile, Harriss-White 2009); (Panini 1996)

³⁷¹ Notably, as Harriss-White (2003: 176) writes, “[c]aste still screens access to employment in the agrarian non-farm economy.”

³⁷² This is but one use of caste. Caste is a complex social structure with many purposes (e.g. an allocator of occupations; a driver of political mobilization; a prescriber of custom and ritual).

³⁷³ (Douglas 1966); (Dumont, 1980); While this section focuses on caste within Hinduism, caste also exists to a certain extent among other religious groups that live in rural India (e.g. Islam); (Harriss-White 2003: 144); (Sen 2004: 30).

³⁷⁴ (Douglas 1966: 124)

³⁷⁵ (Douglas 1966: 123)

³⁷⁶ (Joshi, Morgan *et al.* 2005) (Milner, 1994) (Dube, 1996)

³⁷⁷ (Douglas 1966: 127)

purchased from Dalits—the cooking process is deemed by higher castes as polluted and immoral.³⁷⁸ Moreover, as Douglas noted, “some objects stay impure and can be called conductors of impurity even after contact. Pollution lingers in cotton cloth, metal cooking vessels, cooked food.”³⁷⁹ For instance, Khare (1976) explains that a low-caste servant who washes the chulha and vessels is forbidden from entering the cooking area while food is being prepared, or s/he will pollute the cooking area.³⁸⁰ Even more odiously, Sen (2004) explains that “[i]n South India, a Brahmin could not eat food if even the shadow of a person from a scheduled caste (formerly called an untouchable) fell upon it. Even today, in rural regions of Bihar and Orissa, people from scheduled castes have been murdered because they drank water from a well reserved from upper castes.”³⁸¹ Moreover, caste dictates who people can eat with, can prepare food for, or accept food from. Sen (2004) adds, “These restrictions were parallel to those governing marriage: Just as people could not marry outside their caste, so too could they accept most foods only from members of their own or a higher caste.”³⁸² As such, people avoid eating with higher or lower caste groups because doing so would threaten their capacity to gain a higher caste rank—this is especially true for castes directly higher or lower than them.³⁸³

Caste-related stigmas remain palpable in rural Maharashtra, the site of this case study, even if they have somewhat faded over the past decade.³⁸⁴ According to Upmanyu Patil, CEO of SSP’s distribution channel, “The Marathwada region [SSP’s project area] is somewhat more progressive than other regions of India, and so [these especially

³⁷⁸ (Khare 1976)

³⁷⁹ (Douglas 1966: 34)

³⁸⁰ (Khare 1976)

³⁸¹ (Sen 2004: 30)

³⁸² (Sen 2004: 30).

³⁸³ (Joshi, Morgan *et al.* 2005: 15)

³⁸⁴ (Singh 2004)

regressive caste strictures are] less pronounced. But they are still quite significant.”³⁸⁵

Historically, Maharashtrian villages were segmented spatially by caste, with Dalits living in ghettos on one side of the village and higher caste people living on the other side.³⁸⁶

This low level of daily interaction between castes reinforced agents’ hesitation to sell to other castes. For instance, as Joshi *et al.* (2005) note, Dalits, “well aware of their polluting status, settled at a reasonable distance from other communities... This also reflects the age-old practice of segregation that is both formally and informally institutionalised.”³⁸⁷

Joshi *et al.* explain that Dalits usually lived in areas with poor access to roads, on previously vacant land, and sometimes even in housing that were previously cattle sheds. If the village had a river, Dalits lived downstream to avoid polluting the water for their higher caste ‘neighbours’.

Yet over the last decade, three factors have contributed to a reduction in castes’ significance within Maharashtra. First, as families have grown, and have required additional plots of land to build new homes, there has been some mixing between castes within villages.³⁸⁸ New plots are often only available in the less desirable low caste section of the village, and so young, higher caste families sometimes have no choice but to move there.³⁸⁹ Second, after recent earthquakes in the Marathwada region, the Government of Maharashtra’s resettlement program deliberately mixed villages by caste.³⁹⁰ Third, the Government of Maharashtra promoted a village education campaign to reduce the stigma attached to caste.³⁹¹ Where this mixing of communities occurs, neighbours increasingly form relations across castes. As Patil notes, “Higher caste customers will sometimes interact with, and even buy from, low caste people if they are neighbours and

³⁸⁵ Upmanyu Patil (4 March 2011)

³⁸⁶ This subject is richly explored by Singh (2004).

³⁸⁷ (Joshi, Morgan *et al.* 2005: 25)

³⁸⁸ Upmanyu Patil (4 March 2011). This forced and unforced mixture of Maharashtrian villages by caste is thickly described in Singh (2004).

³⁸⁹ Upmanyu Patil (4 March 2011)

³⁹⁰ Upmanyu Patil (4 March 2011)

³⁹¹ Upmanyu Patil (4 March 2011)

have good relations.”³⁹² Yet in his opinion,³⁹³ this localised diversity of caste is still more the exception rather than the rule.³⁹⁴ The influence of these social structures, including caste and gender, on the dynamics of cookstove exchange in rural Maharashtra, will be explored further in the empirical chapters.

3. Rationale for Selection of NIOT and RMT as Theoretical Frames

This review argues that NIOT and RMT are the most suitable theoretical lens through which to analyse the hybrid partnership, the village exchange setting, and the translation of logics between partners and the village exchange. Both theories are sociological critiques of conventional economist arguments.³⁹⁵ Both are sensitive to context, reject abstraction, and propose that exchange is embedded in social structures. In contrast to NCE, new institutionalism examines how the social embeddedness of organisations in specific contexts shapes their practices, and acknowledges the role of power and agency in structuring the translation and adoption of these practices.³⁹⁶ RMT, for its part, challenges NCE’s assumptions that markets are abstract exchange settings signalled solely by price. Instead, it unpacks the dynamics of exchange through a careful analysis of local social structures and practices.

NIOT and RMT conceptualise the market very similarly. As Hammack and Heydemann (2009), both neo-institutionalists, explain, “the notion of the ‘market’ is by no means simple or unitary: markets are always shaped by local laws, customs, regulations, and tax systems—and by inequities in enforcement mechanisms and inequalities in access to knowledge.”³⁹⁷ By connecting these two overlapping institutional frameworks, the

³⁹² Upmanyu Patil (4 March 2011)

³⁹³ Based on two decades of working in the villages, and five decades as a resident, of the Marathwada region.

³⁹⁴ Patil’s perspective is corroborated by Singh (2004)

³⁹⁵ (Lounsbury, Ventresca 2002)

³⁹⁶ (Geppert, Matten *et al.* 2006); (Morgan, Kristensen 2006)

³⁹⁷ (Hammack, Heydemann 2009: 4)

research can explore the projection and translation of logics across cultures and levels of analysis, illuminate the complexities of the micro-institutional environment in which this partnership operates, and understand the degree to which the partner organisations are socially embedded in the local operating environment. Linking these two theories also heeds Scott's (2001) caution: "to attend too rigidly to the distinction between levels of analysis is to ignore the ways in which social phenomena operate as nested, interdependent systems, one level affecting the others."³⁹⁸

4. Conclusion

New institutionalism argues that for organisations to garner legitimacy, they must align their practices and structures with the institutional expectations of the environment in which they are operating. By examining the social embeddedness of organisations and tensions of institutional pluralism, NIOT can shed light on how hybrid organisations and MNCs actually operate. These organisations embody, and must respond to, diverse and often conflicting logics.³⁹⁹ As this chapter explored, they work to resolve these institutional ambiguities through micro-political struggles, whereby internal actors leverage their institutional resources to influence organisational practices, and through a process of translation, in which logics are edited to be consistent within and across organisations. RMT complements new institutionalism by postulating that actual markets are embedded in distinctive sociocultural contexts. RMT generates insight into the institutional diversity and complexity of particular operating contexts through detailed

³⁹⁸ (Scott 2001: 126); Similarly, Czarniawska and Sevón (1996) refute the social sciences' stylized distinction between micro and macro worlds: "The two worlds coexist in a causal loop: macro-level actors establish the constraints for micro-actors, whereas micro-actors change the macro-scene only by their aggregate action" (7). Instead, they argue that lines between these worlds are blurred: "Micro-actors associate, creating networks. As the network's operation acquires a relative stability, the network begins to be perceived, or conceived of, as a macro-actor, by definition more powerful than any micro-actor" (7). While the theoretical framework proposed in this dissertation adopts the stylized view of the world that Czarniawska and Sevón reject, by linking these two theories, the research aims to acknowledge the fluidity and interplay between levels of analysis.

³⁹⁹ (Morgan, Kristensen 2006)

and granular analysis of actual exchange practices. These two theories will be explored further in the subsequent ‘Theoretical Framework’ chapter.

Chapter 3: Theoretical Framework

This chapter will develop a theoretical framework for application to an MNC-NGO BoP partnership. The framework will explore the translation of logics across organisational, market, and cultural contexts. It will present a four-actor model (MNC, NGO, agent, customer) to map out the relationship in logics between the main actors, the process of translation, and the enactment of markets at different levels in the BoP ecosystem. The model will examine three main transacting processes between the four actors: hybrid partnership, direct agent model, and consumer purchase. For each relationship, it will construct an evaluative framework, define the institutional concepts being examined, explain how the variables will be tested, and present the hypothesised consequences. The chapter will conclude by explaining how this framework is a contribution to institutional scholarship.

By applying the framework to the empirical case, and gathering and synthesising evidence around the translation process, this dissertation will explore the diverse logics that motivate exchange, unpack the layers of meaning that underpin each actor's logics, and chart the manner by which actors attempt to project, translate, and align their logics. The framework will be used to demonstrate how each actor's logics and perspectives are articulated and personified, and evaluate whether the partners have the bridging and translational skills required to develop shared logics of action. It will reveal the ways in which each actor categorises the world and constructs meaning. It will explore whether the actors share perception filters and normative expectations, and, in cases where subjective logics diverge, whether they are able to reach congruence in operations through socialization, cultural bridging, and communication.

There are four actors involved in this analysis. They include: 1) BP, the MNC that set up the cookstove program; 2) SSP, the rural Indian NGO with whom BP partnered; 3) village agents, whom BP and SSP appointed to retail cookstoves; and 4) the villagers, to whom the BP cookstove was marketed. Below, *Figure 3.1* presents a research map with three exchange relationships (hybrid partnership, direct agent model, and consumer purchase), which operate at two levels of analysis (meso and village).

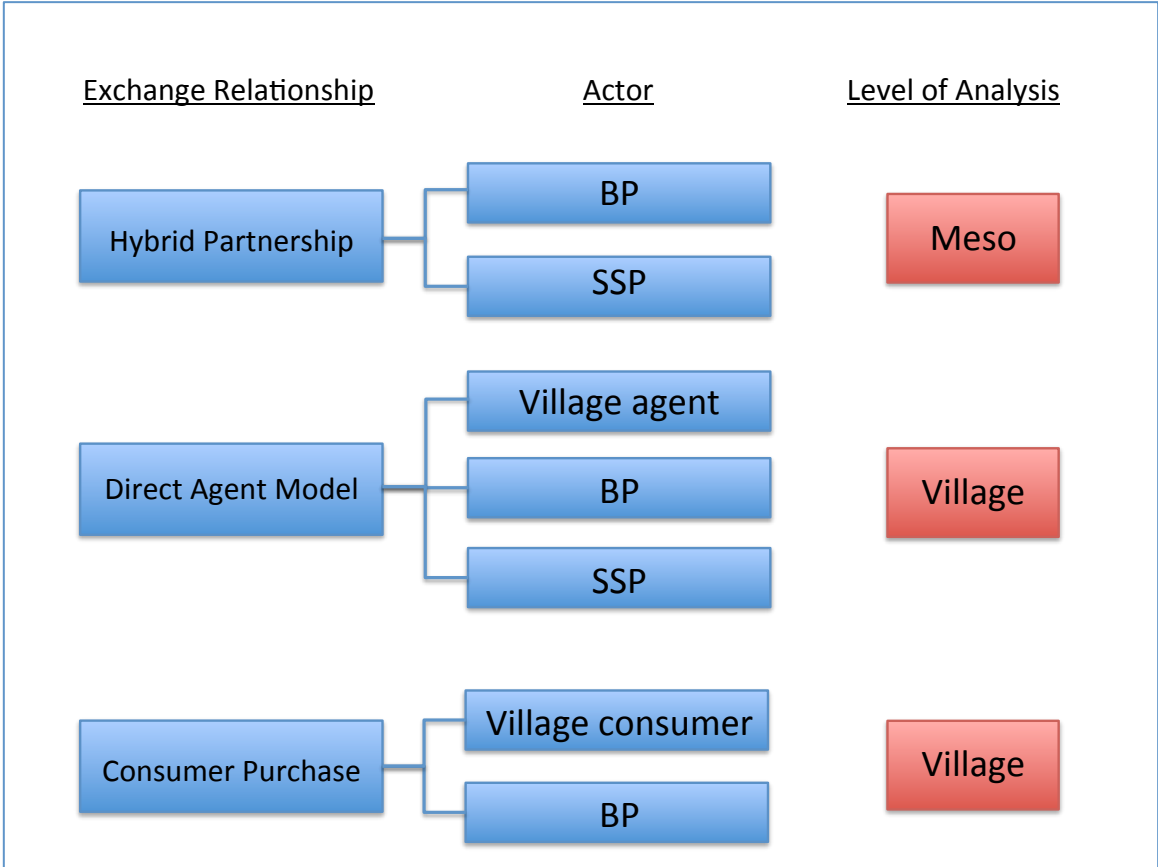


Figure 3.1: Four-Actor Model

The first exchange relationship explores the transacting process within the hybrid partnership, and employs new institutionalism to assess three dimensions of partnership (alignment of logics, power dynamics, and trust) (*Figure 3.2*). The partners are from different sectors, have no previous experience collaborating, and enter the partnership with different logics. As such, this section of the framework explores whether, through the formation of the partnership, the partners can develop shared logics of action. It also

examines whether, and in what ways, partnership leads to the transformation of each actor's organisational identity.⁴⁰⁰ Furthermore, this research phase explores how the alignment of logics, and the establishment of (non-)communicative partnership logics, informs inter-organisational trust. Additionally, it assesses how each actor's logics, combined with other institutional factors such as relative capabilities and resources, influence power dynamics between the organisations and the projection of the partnership's logic onto the village exchange setting.

The next two relationships, drawing on new institutionalism and real markets theory, explore the enactment of the partnership's sales model in the village exchange. They examine the MNC's attempt to translate its market-based logic into an unfamiliar operating setting, and the extent to which local stakeholders adopt or contest it. In the direct agent relationship, the research examines the rationales that motivate the organisational partners to implement this sales model against the rationales of women for serving as sales agents. It also explores whether the enactment of this model complements, or comes into tension with, the village exchange's social structures and associational networks. In the consumer relationship, the framework compares the logics that motivate villagers to adopt the Oorja cookstove against the MNC's perception of villager adopting logics. It hypothesises that consumers are motivated by a range of market and non-market rationalities, and explores whether the MNC is able to understand and interpret these cues from the local market.

1. Hybrid Partnership

At the meso-level, this thesis examines an increasingly prevalent form of inter-organisational collaboration: the hybrid corporate-NGO partnership. Broadly, a hybrid partnership is an entity comprised of actors from different sectors that have joined for a

⁴⁰⁰ (Sahlin-Andersson 1996: 71)

specified common purpose.⁴⁰¹ It is a tight form of collaboration that amalgamates multiple organisational logics, “use[s] resources and/or governance structures from more than one existing organization,”⁴⁰² and must cope with a diversity of environmental pressures.⁴⁰³ This section will develop a framework to evaluate whether the hybrid partnership possessed the preconditions for successful operations. It will also apply new institutionalism to tease out the myriad challenges of aligning hybrid forms and explore the attendant processes through which the partner’s identities and operating models are translated and transformed.

Perhaps the most common hybrid organisational form is the public-private partnership (PPP), a collaborative arrangement between the state and the private sector. This organisational structure has garnered both significant credit⁴⁰⁴ and criticism.⁴⁰⁵ However, this dissertation focuses on another cross-sectoral structure, the corporate-NGO hybrid, which aims to balance or “combine a social imperative with a commercial economic model.”⁴⁰⁶ As Nicholls (2008) notes, the rising prominence of the corporate-NGO hybrid marks a sea change that “really sets social entrepreneurship apart from earlier generations of social development.”⁴⁰⁷ This section will explore the challenges that corporations and NGOs may face as a result of their partnership.

Organisations may enjoy a range of strategic benefits from hybrid partnership, as outlined in this dissertation’s Introduction chapter. Despite these potential benefits,

⁴⁰¹ (Albert, Whetten 1985: 95)

⁴⁰² (Borys, Jemison 1989: 235); The term ‘hybrid’ can also refer to a single organisation that has mutated from its original purpose and now aims to achieve several (rival or aligned) objectives (Battilana, Dorado 2010).

⁴⁰³ (Mars, Lounsbury 2009); (London, Rondinelli *et al.* 2006); (Borys, Jemison 1989)

⁴⁰⁴ PPPs have been credited with: achieving efficiency in resource delivery; reducing public expenditure through private capital outlay and risk sharing; and fulfilling functions that the state is unwilling or unable to perform (Forrest 1991). PPPs are also favoured by multi-lateral agencies as an expedient strategy for public service enhancement in rapidly growing developing countries. See (DFID 1999) and (USAID 1997).

⁴⁰⁵ For instance, PPPs have been attacked for: co-opting public sector functions and so enabling the state to shirk its responsibility; leading to an inequitable distribution of wealth and public goods; and not serving the interests of the local communities to whom they’re meant to be accountable (Miraftab 2004).

⁴⁰⁶ (Nicholls 2008: xviii)

⁴⁰⁷ (Nicholls 2008: xviii)

hybrid partnerships also present specific collaborative challenges with regard to alignment of operational cultures, capabilities, and logics. These ventures need to synthesise multiple, often disparate logics to be sustainable.⁴⁰⁸ While Mars and Lounsbury (2009) observe that the “blending or coexistence of multiple competing and/or complementary logics has become *de rigueur*,”⁴⁰⁹ and Powell (1991) does not believe market and non-market logics are oppositional,⁴¹⁰ other scholars argue that market and social logics remain “in inherent opposition.”⁴¹¹ Borys and Jemison (1989) cogently present the intricate challenge of resolving conflicting partner logics:

[The] partners often have different goals, making the resolution of conflicting interests and the maintenance of harmony central to achieving the partners’ goals. This harmony and conflict resolution is difficult to achieve because partners often do not share a common environment or domain and, thus, lack a foundation for generating a set of common understandings about the purpose of the hybrid and the process by which that purpose can be achieved.⁴¹²

Particularly during its start-up phase, hybrid partnerships have been shown to be imbalanced and unstable.⁴¹³ As organisations initially attempt to combine multiple, disparate logics, they are especially likely to incur friction.⁴¹⁴ Hybrid partnerships face particularly acute “[c]ontracting problems raised by opportunism and information asymmetries.”⁴¹⁵ During this initial period, hybrid partnerships may increase organisational transaction costs, due to lack of shared domain knowledge, dissimilar operating norms, or low trust.⁴¹⁶ While the entity may ultimately function as a partnership, it may only advance the logic of the stronger actor, rather than a blended logic.⁴¹⁷ For these reasons, Borys and Jemison (1989) emphasise that “[h]ybrids have a special need

⁴⁰⁸ (Mars, Lounsbury 2009; (Battilana, Dorado 2010)

⁴⁰⁹ (Mars, Lounsbury 2009: 4)

⁴¹⁰ Powell (1991) is not evaluating hybrid partnership in specific.

⁴¹¹ (Mars, Lounsbury 2009: 8). See also Friedland and Alford (1991) and Washington and Ventresca (2004).

⁴¹² (Borys, Jemison 1989: 237)

⁴¹³ (Scott, Meyer 1991)

⁴¹⁴ (Scott, Meyer 1991; Selznick 1949)

⁴¹⁵ (Borys, Jemison 1989: 243)

⁴¹⁶ (Kay 2008); (London, Rondinelli *et al.* 2006)

⁴¹⁷ (Battilana, Dorado 2010)

for institutional leadership during formation; this leadership allows them to develop [or have imposed] common purpose and understanding (Selznick, 1957).”⁴¹⁸ Battilana and Dorado (2010) similarly conclude that hybrid organisations need to “develop a common organizational identity that strikes a balance between the combined logics” to avoid intra-organizational factions that perpetuate conflicting interests.⁴¹⁹

Organisational hybrids are a peculiar form as they are “simultaneously a single organizational arrangement and a product of sovereign organizations.”⁴²⁰ This “distinctive duality,” combined with the diversity of hybrid forms,⁴²¹ makes them a challenge to investigate.⁴²² As such, there has been little scholarship exploring how these organisations cope internally with this institutional pluralism.⁴²³ Research into hybrids is also difficult because it requires analysing multiple relationship dynamics, and because general organisational theories are too blunt to illuminate the nuances of specific hybrid forms.⁴²⁴ The literature on hybridity is also not clear whether, and under what conditions, this institutional alignment leads to mutually beneficial outcomes and aligned logics, irreconcilable tensions, or something in between.⁴²⁵ Furthermore, Battilana and Dorado (2010) note that the empirical research on hybridity and intra-organisational institutional conflict has mainly been conducted on mature organisations with more established institutional dynamics.

A central aim of this dissertation is to test whether the MNC and NGO partners can develop the requisite bridging and communication skills to form shared logics. If the logics cannot be blended, what is at stake are the organisations’ core identities: “It is a

⁴¹⁸ (Borys, Jemison 1989: 237)

⁴¹⁹ (Battilana, Dorado 2010: 1435)

⁴²⁰ (Borys, Jemison 1989: 235)

⁴²¹ E.g. PPPs, corporate-NGO partnership, public-NGO partnerships

⁴²² (Borys, Jemison 1989: 235)

⁴²³ (Kraatz, Block 2008)

⁴²⁴ (Borys, Jemison 1989)

⁴²⁵ (Borys, Jemison 1989)

struggle...over the very soul of the institution.”⁴²⁶ As such, hybridity poses a risk that the partnership “cannot decide what it wants to be or who it wants to serve.”⁴²⁷ Whetten (2006) later framed this concern in even more stark terms: organisational hybrids are “perpetually one major decision away from provoking a massive identity crisis—tantamount to civil war.”⁴²⁸

Corporatisation has become a common practice as NGOs are increasingly establishing business-like activities to achieve social impact.⁴²⁹ This strategic ‘decoupling’ of means and ends—balancing a business activity and a social mission—presents trade-offs and challenges.⁴³⁰ Dart (2004a) explains that NGOs launch business-like activities due to resource scarcity or because they believe doing so will more ‘effectively’ achieve their social mission. These activities are “designed to earn money,”⁴³¹ so that the NGO no longer needs to rely on donor capital. Moreover, such projects are subjected to competitive market forces, compelling the NGO to drive innovation and efficiency and control costs.⁴³² There are some domains, such as economic development, where the establishment of business activities may indeed further social objectives.⁴³³ Yet in other contexts, a shift in operating strategy may undermine the advancement of a social mission, since business activities are only consistent with a narrow subset of NGO social objectives.⁴³⁴ For instance, Foster and Bradach (2005) describe an NGO that wanted to create a safe, after-school environment for high school kids. When its operating costs were not covered by donor funds, the NGO decided to launch a student café to generate supplemental income. When the café started to lose money, the organisation opened up

⁴²⁶ (Albert, Whetten 1985: 272)

⁴²⁷ (Albert, Whetten 1985: 97)

⁴²⁸ (Whetten 2006: 227)

⁴²⁹ (Dart 2004a); (Kearns 2000); (Kanter 1999); (Emerson, Twersky 1996); (Foster, Bradach 2005)

⁴³⁰ (Dart 2004a)

⁴³¹ (Skloot 1987: 381) in (Dart 2004a: 293)

⁴³² (Dees, Elias 1998)

⁴³³ See Emerson and Twersky (1996) for an elaboration of this double bottom-line approach.

⁴³⁴ (Dart 2004a)

the café to adults, shifting its organisational focus away from its target—the high school kids. The NGO escalated its commercial commitment and allowed its activities and mission to drift, corporatising at the expense of its original beneficiaries.

Hybridity poses particularly acute risks of identity crisis for the NGO partner,⁴³⁵ as the adoption of a commercial model often leads to a transformation of the organisation's form.⁴³⁶ The NGO's organisational transformation often starts with a redefinition of key activities, after which its shift in identity is “conceived of as quite obvious or natural.”⁴³⁷ For instance, if through MNC partnership the NGO starts business-like activities and then believes it needs to become financially self-sufficient, it may seek to imitate, or become isomorphic with, its corporate partner.⁴³⁸ Forsell and Jansson (1996) term this transformative process ‘corporatization’: “when an organization which has generally been conceived of as a non-business organization is converted into a business organization.”⁴³⁹

This tension between the NGO's activities and objectives requires elaboration. By subjecting a social mission to the constraints of the marketplace, an NGO may be required to swap one social value—such as serving a community's most vulnerable population—for another—such as enhancing service quality for those with the ability to pay.⁴⁴⁰ Thus, in the course of becoming more business-like, the NGO may become more focused on delivering “higher volumes of more efficient, more measurably effective, more constrained/focused, less ambitious, and less interpersonal services.”⁴⁴¹ This concession, made in the interest of scale and revenue growth, may lead to a tightening or shifting in its constituency focus, and to no longer serving the hardest-to-reach or poorest clients. For instance, SKS, an Indian microfinance organisation, provides loans

⁴³⁵ (Forsell, Jansson 1996)

⁴³⁶ (Sahlin-Andersson 1996)

⁴³⁷ (Forsell, Jansson 1996: 113)

⁴³⁸ (Sahlin-Andersson 1996)

⁴³⁹ (Forsell, Jansson 1996: 93; 114)

⁴⁴⁰ (Dart 2004a)

⁴⁴¹ (Dart 2004a: 298)

to over 1.5 million active borrowers, yet is seen to have achieved its large scale in part because it is focused singularly on loan dispersal.⁴⁴² It does not offer personalised livelihood support or other crucial financial instruments (e.g. financial literacy programs, livelihood development schemes) that many borrowers require to use their loans effectively.⁴⁴³ Similarly, Grameen Bank, a Bangladeshi microfinance NGO, has shifted the customer focus of its Danone fortified yogurt partnership from rural villages to urban supermarkets, where the product is easy to distribute and margins are more attractive.⁴⁴⁴ In these instances, the organisations may have begun to prioritise market-based objectives like efficiency and scale⁴⁴⁵ over social values.⁴⁴⁶ Put simply, a shift to revenue-generating activities may lead to a concomitant drift in mission.⁴⁴⁷

An NGO, in a strictly legal sense, is defined by its limits—all residual proceeds must be reinvested in the entity and cannot be distributed to shareholders. Dart (2004a) adopts a more normatively forceful definition that argues an organisation can only be termed a non-profit⁴⁴⁸ if it is focused on achieving social objectives. Yet, as argued above, there is basis for challenging whether an NGO engaged in business-like activities can maintain its social mission: as Dart writes, this market-based transformation may itself “reframe...and reprioritize” the organisation’s specific values.⁴⁴⁹ This research question aims in part to test the implications on mission and values of a non-profit’s shift to business-like activities, and so will adopt the stripped-down legal definition of NGOs instead of accepting Dart’s definition on face value.

1.1. Evaluative Framework on Hybrid Partnership

⁴⁴² (Karamchandani, Kubzansky *et al.* 2009)

⁴⁴³ (Karamchandani, Kubzansky *et al.* 2009)

⁴⁴⁴ Author’s primary research (July – August 2009)

⁴⁴⁵ (Dart 2004a); (Oster 1995)

⁴⁴⁶ See Deephouse and Suchman (2008) for an exploration of the trade-off between these objectives (performance and values) in the context of organisational legitimacy

⁴⁴⁷ (Weisbrod 1998); (DiMaggio 1992)

⁴⁴⁸ He uses the term ‘non-profit’ instead of NGO.

⁴⁴⁹ (Dart 2004a: 305)

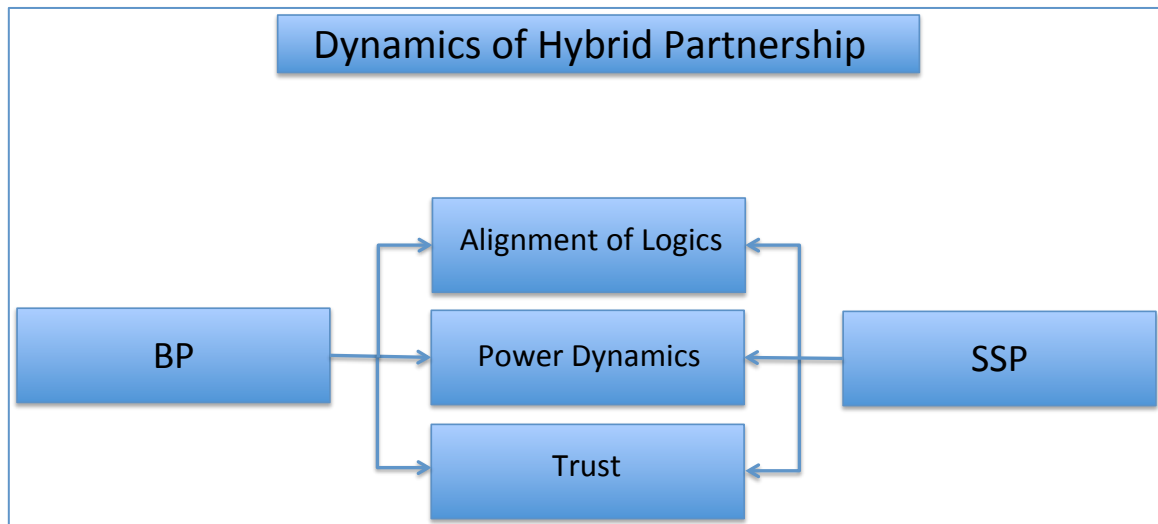


Figure 3.2: Hybrid Partnership Framework

The analysis will draw on new institutionalism to explore three key dimensions of MNC-NGO partnership: alignment of logic, power dynamics, and trust. While these dimensions are not collectively exhaustive, they represent a meaningful proxy to evaluate hybrid dynamics, and are each extensively explored within neo-institutional scholarship.

2.1.1 Institutional logics

A hybrid partnership joins the interests and practices of organisational actors from different societal sectors.⁴⁵⁰ Alford and Friedland (1985) developed the term *institutional logic* to explain the opposing ideologies and actions of actors that originate from different institutional orders of modern society.⁴⁵¹ They argue that each societal sector is predicated upon a distinct set of beliefs, interests, values, assumptions, principles, symbols, practices, languages, and identities that collectively constitute an institutional logic.⁴⁵² Friedland and Alford (1991) conceive of society as an “inter-institutional system” of sectors (e.g. capitalist markets, democracy, religion, the nuclear family) that each

⁴⁵⁰ (Mars, Lounsbury 2009); (London Rondinelli *et al.* 2006); (Borys, Jemison 1989); The term ‘societal sector’ was developed by Scott and Meyer (1991).

⁴⁵¹ (Alford, Friedland 1985)

⁴⁵² (Friedland, Alford 1991); (Thornton, Ocasio 2008)

operate according to a different logic.⁴⁵³ These logics are “symbolically grounded, organizationally structured, politically defended and technically and materially constrained, and hence have specific historical limits.”⁴⁵⁴ For example, the central logic of democracy is civic participation, while the logic of capitalism is accumulation and commodification.⁴⁵⁵

Friedland and Alford (1991) note that while institutional struggles over oppositional logics, including those between market and non-market logics, are “the bases of the most important political conflicts in our society,” they are also key drivers of social change.⁴⁵⁶ For example, Thornton and Ocasio (1999) describe the evolution within the higher education publishing industry from an editorial logic to a market logic, a shift that reconfigured organisational hierarchies and the determinants of executive power.⁴⁵⁷ In this case, the contestation of logics led to the emergence of new practices.

While Friedland and Alford’s conception of an institutional logic is useful to explain the interests and identity of organisations from different sectors, the term has its limits. It is too monolithic with respect to sector and too atomistic with regard to composition. For one, it could be argued that Friedman and Alford’s term operates at too high a level of abstraction to be empirically useful. An institutional logic is predicated on the notion that “[e]ach of the most important institutional orders of contemporary Western society has a central logic—a set of material practices and symbolic constructions.”⁴⁵⁸ However, institutional orders are sometimes underpinned by contested logics. For instance, as this chapter will subsequently discuss, the market is not only governed by an economic logic, but is also “directly shaped by culture and social structure, including networks of social

⁴⁵³ (Friedland, Alford 1991)

⁴⁵⁴ (Friedland, Alford 1991: 248-9)

⁴⁵⁵ (Friedland, Alford 1991)

⁴⁵⁶ (Friedland, Alford 1991: 255)

⁴⁵⁷ (Thornton, Ocasio 1999)

⁴⁵⁸ (Friedland, Alford 1991: 248)

relationships as well as structures of power, status, and domination (Granovetter, 1985).”⁴⁵⁹ Put differently, organisational fields can be influenced or governed by the logics of multiple sectors,⁴⁶⁰ which may exert contradictory pressures on organisations.⁴⁶¹ Additionally, as an umbrella ‘catch-all’ concept that encompasses everything from interests to practices to identities, the term glosses over nuances and contractions within institutions, organisations, and fields. For example, Delmistri (2009) draws on Marx to note the tensions within the institutional logic of capitalist markets between symbolic constructions of equality and freedom and material practices of inequality and unfreedom.⁴⁶²

By comparison, Hammack and Heydemann’s (2009) definition of institutional logics is as follows: “organizational arrangements for putting ideas into action and for sustaining patterns of social relationships.”⁴⁶³ This definition views an institutional logic as a link between an organisation’s structure and agency, which both enables and constrains the manner by which an organisation advances its interests.⁴⁶⁴ An organisation’s logic is located in, and may be conditioned by, a particular institutional and socio-cultural context, and “provide[s] meaning to [the actor’s] social reality.”⁴⁶⁵ However, this logic may not translate properly to other contexts. For instance, an American MNC may conceptualise sustainability as continued profit growth, while a Burmese NGO may view sustainability as freedom from State repression.⁴⁶⁶ Yet operating in Burma may also compel the American MNC to rethink its material practices. In this manner, the

⁴⁵⁹ (Thornton, Ocasio 2008: 105)

⁴⁶⁰ (Marquis, Lounsbury 2007)

⁴⁶¹ (Oliver 1991)

⁴⁶² (Delmistri 2009)

⁴⁶³ (Hammack, Heydemann 2009: 7)

⁴⁶⁴ (Thornton, Ocasio 2008)

⁴⁶⁵ (Thornton, Ocasio 1999: 804)

⁴⁶⁶ (Aksartova 2009); Accordingly, one job of the researcher is to unpack these competing concepts and analyse them in a manner appropriate for their particular institutional context.

projection of logics abroad can both constrain and create new institutional structures and actions.

For these reasons, this dissertation adopts Hammack and Heydemann's definition and usage of institutional logics. Specifically, the analysis will unpack four composite features of each organisation's logic: 1) interests and objectives; 2) historical and material practices; 3) values and beliefs; and 4) identity. It will aim to reveal the ways in which each actor constructs meaning and interprets its environment, and identify the attributes and sense-making tools that inform its respective logics.

The research will define and compare the logics of the MNC and NGO across each phase of partnership (from pre-partnership to divestment). It will explore each actor's initial logic for entering the partnership, and then, by taking more recent data snapshots, track the extent to which these logics have evolved, coalesced, or separated during partnership. The research will also explore the micro-political process through which the partners project and translate logics within the exchange process. If logics between the partners are oppositional, the research will explore the consequences of this tension.

2.1.2. Power Dynamics

This dissertation follows Lawrence (2008) and defines power as “the extent to which [an actor or institution] can affect the behaviors, beliefs and opportunities of individuals, groups, organizations and societies.”⁴⁶⁷ This framework argues that power should be explicitly incorporated into the hybrid institutional analysis as it meaningfully affects the motivations for, and the dynamics and outcomes of, partnership. Clegg *et al.* (2006)

⁴⁶⁷ (Lawrence 2008: 170)

maintain that “power is the most central concept in the analysis of organization(s),” and suggest that all social institutions may be interpenetrated by power.⁴⁶⁸

In the 1960s and 1970s, power was a carefully examined variable in organisational studies, both within resource dependency and network theory. Resource dependency theorists considered power to be an important variable because the actor with power had the capacity to control essential or scarce resources.⁴⁶⁹ Network theorists were interested in power because they felt it was driven by the centrality of an organisation within a network.⁴⁷⁰ However, in early new institutionalism, the examination of power fell out of favour among researchers. Powell and DiMaggio (1991) noted, “power and interests have been slighted topics in institutional analysis.”⁴⁷¹ Mizruchi and Fein (1999) surmised that neo-institutionalists were focused on “cognitive decision-making processes at the expense of inter-organizational power and coercion.”⁴⁷² There was also less interest in studying the way large firms exert influence on the material, social, and cultural contexts in which they operate.⁴⁷³ Yet more recently, institutionalist literature⁴⁷⁴ has begun to address this oversight by exploring the implications of asymmetric power between and within organisations,⁴⁷⁵ the role of power as a connecting force between organisational collaboration and organisational fields,⁴⁷⁶ the relationship between power and institutional logics,⁴⁷⁷ and the capacity of institutional entrepreneurs to reshape institutions by mobilising power and other resources.⁴⁷⁸

⁴⁶⁸ (Clegg, Courpasson *et al.* 2006: 1)

⁴⁶⁹ (Pfeffer, Salancik 1978), (Pfeffer 1981)

⁴⁷⁰ (Galaskiewicz 1979); (Mizruchi, Galaskiewicz 1993); (Wasserman, Galaskiewicz 1994)

⁴⁷¹ Powell, DiMaggio 1991: 30)

⁴⁷² (Mizruchi, Fein 1999: 677)

⁴⁷³ (Perrow 1996); (Hirsch, Lounsbury 1997); (Lawrence 2008)

⁴⁷⁴ (Hardy, Clegg 1996); (Clegg, Courpasson *et al.* 2006); (Clegg, Haugaard 2009); (Lawrence 2008)

⁴⁷⁵ (Hardy, Phillips *et al.* 2003)

⁴⁷⁶ (Phillips, Lawrence 2000)

⁴⁷⁷ (Lounsbury, Ventresca 2003)

⁴⁷⁸ (Lawrence 2008); For more on this dynamic, see the below section on institutional entrepreneurship.

Phillips *et al.* (2000) note that literature on partnerships has generally assumed that organisations balance power and collaborate on their own accord. They, as well as other scholars, have disputed this assumption.⁴⁷⁹ In light of scholarly disagreement, this dissertation will evaluate the dynamics of power between the partners, rather than assuming it is balanced. If power is balanced, “collaboration will likely involve greater levels of negotiation, compromise, pooling of resources and shared participation (Hardy and Phillips, 1998).”⁴⁸⁰ By contrast, if power is imbalanced, the more powerful party may structure the organisational form and terms of collaboration in accordance with its logic.⁴⁸¹ As Selznick (1949) writes, the stronger actor may, “as a means of averting threats to its stability or existence,” dominate or co-opt the weaker, weakening the influence of the latter’s institutional logic.⁴⁸² This asymmetric balance of power may have consequences for the weaker actor’s capacity to meet its independent objectives as well as those of its stakeholders. In some instances, the more powerful actor may have only collaborated to co-opt the weaker actor and so further its interests and influence.⁴⁸³

This review will build upon Hardy *et al.* (1998) and Phillips *et al.* (2000) and argue that four types of power are relevant to partnership: capabilities, resources, formal authority, and discursive legitimacy. First, power dynamics are affected by each actor’s relative capabilities, which are the assets each organisation can leverage as bargaining power or contribute to the partnership. Second, the partner that controls essential or unique resources (e.g. capital, technology) has more power over the terms of collaboration. Third, the organisation with greater formal authority possesses the agency to make vital partnership decisions. Fourth, the actor with the legitimacy to speak on behalf of a

⁴⁷⁹ (Gray, Hay 1986); (Pfeffer, Salancik 1978); (Hardy, Phillips *et al.* 2003)

⁴⁸⁰ (Phillips, Lawrence 2000: 33)

⁴⁸¹ (Hardy, Phillips *et al.* 2003); (Gray, Hay 1986)

⁴⁸² (Selznick 1949: 13)

⁴⁸³ (Hardy, Phillips *et al.* 2003)

particular issue being negotiated (e.g. poverty, technology) has greater power.⁴⁸⁴ This thesis also follows Clegg *et al.* (2006) and views power as a relational institution exercised through actor interactions. Accordingly, it must be measured not as an abstract commodity, but in its relative context.

There is a bi-directional relationship between power dynamics and institutional logics. As mentioned, a partner's imposition of a categorization or logic is a form of power. Power influences institutional agency, or the efforts of actors "to create, transform, maintain and disrupt institutions."⁴⁸⁵ Power is also generated, at least in part, through institutional logics, which structure each organisation's interests and practices and thus create the relationships through which power is amassed or dissolved.⁴⁸⁶

This research will evaluate power dynamics between the partners on the basis of each actor's relative capabilities, resources, formal authority, and discursive legitimacy. If power were balanced, it would influence the alignment of logics, the tenor of, and distributed gains from, negotiations, the sharing of resources, and the formation of trust. If power dynamics are deemed to be asymmetric, the research will examine the consequences of this asymmetry. For instance, it will explore whether the more powerful partner leverages this imbalance to negotiate asymmetric contractual terms, external risk onto the weaker partner, and demand proprietary information from the weaker party without being commensurately transparent. In so doing, the insights drawn from this research may contribute to future theorising about hybrid power dynamics within new institutional theory.

2.1.3. Trust

⁴⁸⁴ (Parker 1992)

⁴⁸⁵ (Lawrence 2008: 192)

⁴⁸⁶ (Lounsbury, Ventresca 2003); (Thornton, Ocasio 1999)

Alongside aligned institutional logics and balanced power dynamics, trust is a crucial antecedent to a functioning partnership.⁴⁸⁷ This framework will adopt broadly accepted definition of trust, originally put forth by Rousseau *et al.* (1998): “a psychological state comprising the intention to accept vulnerability based on positive expectations of the intentions or behavior of another.”⁴⁸⁸ It will describe several forms and dynamics of trust, and then present a typology that will be employed to evaluate partnership trust.

Trust and performance have been demonstrated to be mutually reinforcing: a strong history of partner performance enhances trust,⁴⁸⁹ while trust enhances partnership performance by reducing transaction costs.⁴⁹⁰ However, the extent to which these variables are co-dependent depends on the nature of trust as well as the socio-cultural and institutional context in which the trust occurs. Trust, in an organisational setting, has various forms (e.g. contractual, competence, and goodwill), motivations (e.g. calculative and non-calculative) and evolutionary processes (e.g. positive feedback loop, prior relations). Sako (1992) differentiates between three types of trust: ‘contractual trust’, the expectation that the other party will adhere to formal agreements; ‘competence trust’, the sense that the partner has the ability to carry out its promises; and ‘goodwill trust’, the expectation that the other party will act in good faith and for mutual benefit.⁴⁹¹ Darley (2004) hypothesises that actors form trust on the basis of one of two impulses. When trust is calculative, an actor exhibits trust only if it is in his or her rational self-interest by determining the probability that the other party will be trustworthy.⁴⁹² When trust is non-calculative, it is based on personal relations developed through prior interactions or

⁴⁸⁷ (Powell 1996) (Smitka 1991)

⁴⁸⁸ (Rousseau, Sitkin *et al.* 1998: 395)

⁴⁸⁹ (Möllering 2002); (Child, Möllering 2003); (Sako 1992) (Sako 2006)

⁴⁹⁰ (Powell 1996); (Smitka 1991)

⁴⁹¹ (Sako 1992)

⁴⁹² See also (Hardin 2002)

kinship. Zand (1972) demonstrates that trust and distrust are self-reinforcing, as they develop progressively via a feedback loop. Kramer (1996) similarly notes that partner trust “thickens or thins as a function of the cumulative history of interaction between interdependent parties.”⁴⁹³

Trust is also highly contingent on the socio-cultural context in which the relationship or exchange is embedded.⁴⁹⁴ Trust has been empirically demonstrated to be higher when the partners share social, cultural, and economic domains.⁴⁹⁵ It is significantly influenced by each actor’s capacity to develop an understanding of its partner’s institutional rules, logics of action, and cultural norms (which Ostrom and Walker (2005) call the “knowledge of the ‘other’”).⁴⁹⁶ Furthermore, inter-organisational trust is reliant upon and mediated by the institutional framework in which the partnership is embedded.⁴⁹⁷

Moreover, like power, trust cannot be abstracted; it can only be understood in its specific relational context.⁴⁹⁸ Trust is bolstered when the relationship is supported by relevant and effective legal and normative institutions.⁴⁹⁹ In other words, signing an enforceable contract is not necessarily a sign of distrust, but may be a way to enhance or reinforce trust. Likewise, ‘contextual confidence’ in institutions is important; societies where corruption is endemic, or legal rulings are arbitrary, for instance, have lower levels of trust.⁵⁰⁰

Hardy *et al.* (1998) propose three components of trust: (1) predictability, (2) goodwill, and (3) reciprocal communication. Each of these is necessary but not sufficient for a trusting

⁴⁹³ Kramer (1996: 218)

⁴⁹⁴ (Hardin 2002); (Bachman 2001); (Child, Möllering 2003)

⁴⁹⁵ (Zak, Knack 1998); (Ostrom, Walker 2005); (Ostrom, Walker 2005)

⁴⁹⁶ (Ostrom, Walker 2005: 16)

⁴⁹⁷ (Bachman 2001)

⁴⁹⁸ (Harriss-White 2003: 212)

⁴⁹⁹ (Bachman 2001; (Lane, Bachman 1996); (Zucker 1986); (Zak, Knack 1998)

⁵⁰⁰ (Child, Möllering 2003)

relationship. They also relate closely to the other two dimensions of partnership: power dynamics and institutional logics.

At least as far back as Adam Smith, scholars have recognized that predictability and trust are essential “for the operation of socially optimal markets.”⁵⁰¹ Predictability is defined as the likelihood with which an actor can evaluate whether another will behave in a certain manner.⁵⁰² Trust is seen to enhance both parties’ expectations with regard to the other’s behaviour; each party must be confident that the other will not exploit its weaknesses.⁵⁰³ However, if there are asymmetric power dynamics, ‘predictability’ may obfuscate trust and power, since the more powerful actor could constrain the weaker party’s behaviour and force it to behave predictably.⁵⁰⁴ As Lane and Bachman (1996) write: “This approach to trust often ignores the fact that power is, in fact, a functional equivalent of trust, serving also to ensure predictability in coordination.” As such, power can create coordination between parties, without fostering trust.⁵⁰⁵ In this instance, trust is ‘spurious’: the actors cooperate, behaving predictably and non-opportunistically with the “façade of trust,” but the outcomes are one-sided, whereby the more powerful party captures all the benefits.⁵⁰⁶

The second prerequisite to trust is goodwill, or the “mutual expectation of reciprocity.”⁵⁰⁷ Zucker (1986) notes that establishing such goodwill between partners requires “common values that can be translated into common goals.”⁵⁰⁸ The likelihood of establishing goodwill is stronger when the parties adhere to similar logics or are embedded in similar institutional structures. For instance, Sako (2006) finds that trust is stronger between two

⁵⁰¹ (Cantor, Henry *et al.* 1992: 155)

⁵⁰² (Zucker 1986)

⁵⁰³ (Gulati 1995)

⁵⁰⁴ (Bachman 2001)

⁵⁰⁵ (Granovetter 1985: 502)

⁵⁰⁶ (Hardy, Phillips *et al.* 1998)

⁵⁰⁷ (Hardy, Phillips *et al.* 1998)

⁵⁰⁸ (Hardy, Phillips *et al.* 1998)

Japanese, for-profit companies than between organisations across country boundaries or sectors. By contrast, in partnerships between disparate actors—who may come from different sectors, originate from different cultures or countries, observe different values, represent different interests, or advance different objectives—the likelihood of forming goodwill is lower. Similarly, when partners have non-aligned institutional logics, trust may not be established automatically,⁵⁰⁹ and there are higher risks of opportunism or clashes.⁵¹⁰ In these instances, it is not clear how goodwill will be signalled by one party or internalised as sincere by the other.

For predictability and goodwill to foster trust, Hardy *et al.* (1998) argue that the partners need to adhere to a third precondition, reciprocal conversation, or “what Habermas (1984) calls a ‘communicative ethic’.”⁵¹¹ The actors must engage in dialogue with all the stakeholders, including the weakest. In these conversations the perspectives of all stakeholders must be heard, the partners must be fully transparent and candid, and the powerful actor must carefully listen and be receptive to the needs and concerns of the weaker parties to build a foundation for mutual trust. These discussions should be focused not on zero-sum, potentially antagonistic negotiations or bargaining, but rather on joint decision-making and problem solving. The aim of these discussions is for the partners to develop shared meanings, understand each other’s values and objectives, and create the conditions for predictable, well-intentioned behaviour. As Ostrom and Walker (2003: 33) explain, communication enhances mutual trust because it “allows the exchange of promises...affects expectations of the others’ behavior...reinforces prior

⁵⁰⁹ (Child, Möllering 2003)

⁵¹⁰ (Child, Möllering 2003)

⁵¹¹ (Hardy, Phillips *et al.* 1998)

normative values, and...facilitates development of a group identity (Orbell, van de Kragt, and Dawes 1988; Davis and Holt 1993; Ostrom and Walker 1997).”⁵¹²

In this dissertation, inter-organisational trust will be evaluated using Hardy *et al.*'s (1998) tripartite model: predictability, goodwill, and reciprocal communication. The research will gather additional context into the nature and extent of trust by unpacking the relationship in partner logics and the institutional context in which the partnership operates, both of which have been shown to influence the formation of trust. Trust will be deemed sincere if the partners jointly problem solve and cooperate on key decisions, develop shared meanings and logics of action, and expect reciprocity. Moreover, if one of the actors is seen to be more powerful, this party must demonstrate a willingness to sacrifice potential gains to serve the interests of the partnership or the weaker actor. Trust will be deemed low if partners make decisions unilaterally, try to exploit each other, cannot predict each other's behaviour, continue to adhere to different values or goals, ignore each other's perspective, act in a guarded or opaque manner, or are non-communicative. Trust will also be low if actors are inherently suspicious of their partners' intentions, or do not presume mutual reciprocity. Trust will be deemed spurious if the more powerful party creates the perception of trust but continues to unilaterally exercise its logic of action to exclusively serve its own interests. The analysis will focus in particular on the initial contracting process, which deserves special attention because it should have been especially deliberative, and should have required the partners to begin to bridge their differences in domains, values, and interests to start to form trust. Following Zand (1972) and Kramer's (1996) methodologies, trust will be reevaluated as the partnership evolves, through a review of partnership decision-making. These later snapshots will assess the extent to which trust 'thickened or thinned' through repeat

⁵¹² (Ostrom, Walker 2005)

interactions, and whether these subsequent interactions were genuinely mutual, consultative, and built on goodwill.

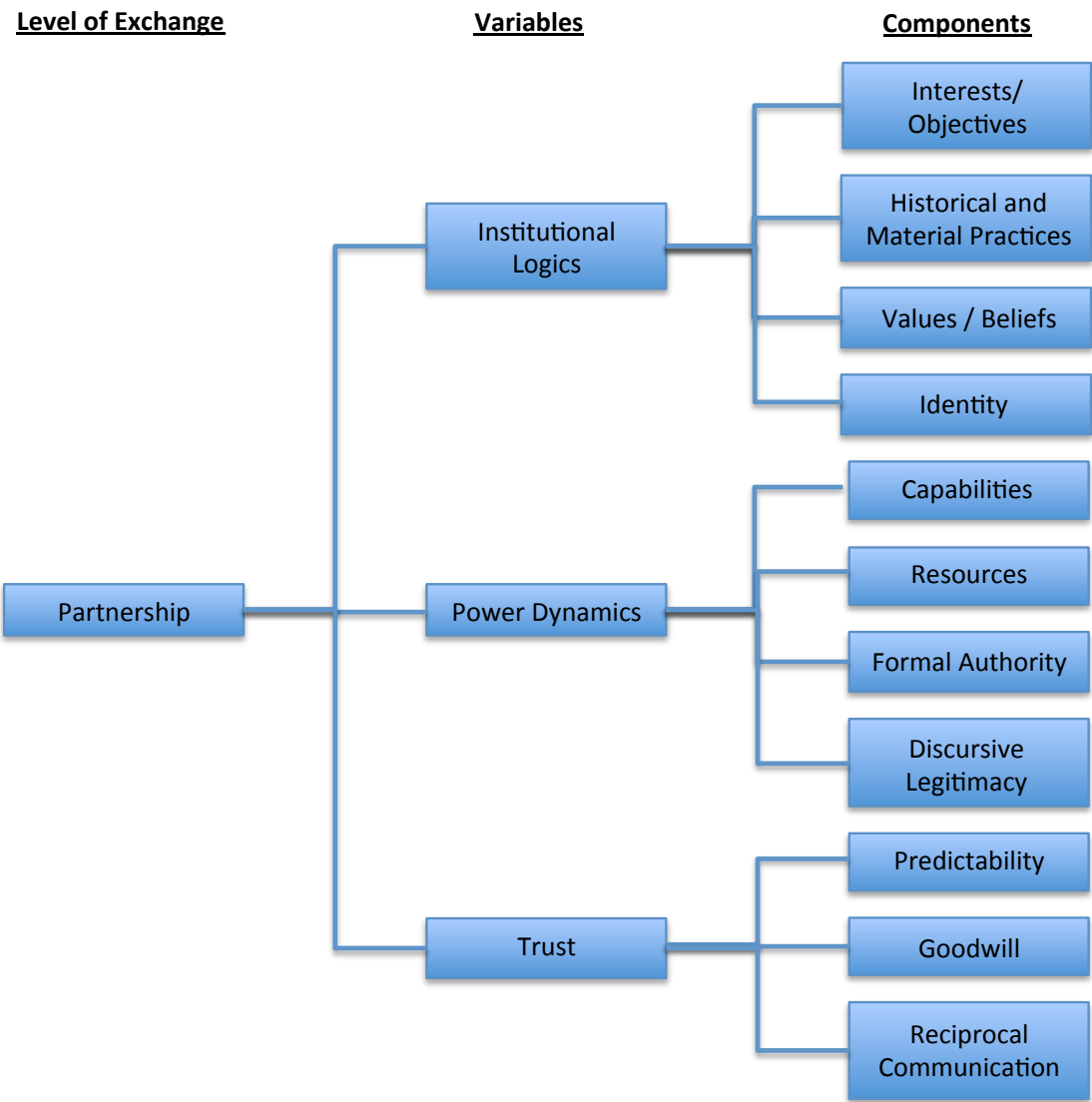


Figure 3.3: Detailed Hybrid Partnership Framework

The above diagram (*Figure 3.3*) presents the entire partnership framework, which will be applied in the empirical analysis to evaluate the preconditions to, and dynamics of, hybrid partnership across each stage of collaboration.

3. Village Exchange Setting

This phase of the theoretical framework explores each actor's logics of action at the village level, with the aim of evaluating the exchange relationship between the partner organisations and the village-level stakeholders. The framework will explore two stages of exchange. The first stage unpacks the logics that motivate each actor in the ecosystem to adopt the direct agent model as a sales and marketing channel. The second stage investigates prospective customers' logics for adopting the Oorja cookstove against the MNC's perception of these logics. The research examines whether the partners, in particular the foreign MNC, project a logic that is aligned with, or responsive to, the logics of locally embedded stakeholders and institutions.⁵¹³ The research also evaluates the ways in which agent and customer logics are reformulated through their engagement with the partnership. The findings from this research will help to illuminate the dimensions and complexity of the village exchange setting, and by extension, the relationship between India's emerging market forces and its locally embedded social structures. Before introducing the two stages of exchange, the chapter will first discuss several complexities and consequences of an MNC projecting its logic into a rural Indian market setting.

3.1. MNC Projection of Logic Abroad

According to the institutionalist argument advanced in the Literature Review, an MNC must comply with the institutional expectations of its operating setting (in this case, rural India) to garner local legitimacy and acceptance. It must either enact an operating model that is isomorphic with (i.e. whose structures and practices are aligned with) the local institutional structures⁵¹⁴ or project a logic (and set of symbols and myths) that local stakeholders adopt in an edited form. As Hammack and Heydemann note (2009), logics are “carriers of political, social, cultural, and economic power,” and “are subject to

⁵¹³ (Meyer, Rowan 1977); (Nohria, Ghoshal 1997); (Dorrenbacher, Geppert 2006)

⁵¹⁴ (Meyer, Rowan 1977); (Nohria, Ghoshal 1997); (Dorrenbacher, Geppert 2006)

incomplete adoption between the local and the imported, and to the tensions and adaptations that such accommodations produce.”⁵¹⁵ When a logic is translated to a local setting, it is “edited and imported,”⁵¹⁶ “interpreted and reformulated during the process of adoption.”⁵¹⁷

The MNC’s projection of its logic abroad may have adverse moral, practical, and social consequences, particularly when the intended recipients are poor people in the developing world. In this dissertation’s case study, the MNC appointed rural women as agents and targeted poor villagers as customers. At the agent level, as Dicken (2003) cautions, “The effect of the employment of women is often to transform, not always favourably, family structures and practices.”⁵¹⁸ For instance, it is possible that the MNC’s goal of emancipating women through workplace participation may create tensions within the household. At the customer level, the MNC “introduce[s] onto [rural poor people] patterns of consumption that reflect the preferences of industrialised country consumers...They are not simply trying to sell specific products in the Third World, but are engineering social, political, and cultural change in order to ensure a level of consumption that is ‘the material basis for the promotion of a standardised global culture’ (Sklair 1995: 167).”⁵¹⁹ By extension, the introduction of a technology (in this case, a ‘smokeless’ stove) in a developing country is fraught with challenges and uncertainties. As Czarniawska and Joerges (1996) explain, in the development context, a technology arrives to a developing country and “lands heavily on the ground, showing its nasty side, requiring still new investments and additional commitments. At worst, a new technology can break down a whole social system, as Trist and Barnford’s famous study of coal

⁵¹⁵ (Hammack, Heydemann 2009: 3)

⁵¹⁶ (Sahlin-Andersson 1996:71)

⁵¹⁷ (Greenwood, Oliver *et al.* 2008: 17)

⁵¹⁸ (Dicken 2003: 279)

⁵¹⁹ (Dicken 2003: 279)

mining documented (Trist and Bamford, 1951).”⁵²⁰ As the technology is disseminated, “what usually happens is that the materialization of a technical idea starts a chain reaction of consequences which are not only unplanned, but sometimes undesirable as well...”⁵²¹ The village-level chapters will evaluate the merits and relevance of each of these critiques within this actually-operating case study.

In an operating context like rural India, the MNC’s translation of its logic is fraught with challenges. As Sen (1996) writes, the expansion of formal markets in rural India directly confronts “intransigent social structures and rigid hierarchies...based on gender, race or caste.”⁵²² The implications of this confrontation may be the “altering and reshaping” of these social hierarchies, but in latent and ambiguous ways.⁵²³ Alternatively, the social structures may resist any imposition, and become only more entrenched and resilient. For instance, Ferguson (1994) describes how the projection of a powerful foreign organisation’s logic onto rural Lesotho transformed the organisation’s logic more than that of the local operating setting. The village-level empirical chapters will describe the institutional setting in which this multi-level, cross-cultural interchange unfolds.

3.2. Direct Agent Model

In the direct agent model, the MNC leverages an indigenous, organically grown social network as a marketing and distribution channel.⁵²⁴ In this exchange medium, which Cantor *et al.* (1992) term an ‘associational exchange’, the appointed sales agents are rural women who are members of the partner NGO’s self-help group (SHG) network. This section will first describe the institutional features of the associational exchange. Then, it will explore potential consequences of projecting an MNC’s logic onto this exchange

⁵²⁰ (Czarniawska, Joerges 1996: 19)

⁵²¹ (Czarniawska, Joerges 1996: 19)

⁵²² (Sen 1996: 821)

⁵²³ (Sen 1996: 821)

⁵²⁴ (Lalwani, Kubzansky 2009); (Chu, Segre 2010); (Dolan, Scott 2009a); (Prahalad 2004)

structure. Finally, it will present the direct agent stage of the theoretical framework, which will explore each actor's motivations for participating in this sales model.

Associational exchange is a market-based structure in which village agents, who are often women, sell goods or services through familial, social, geographically proximate, or professional networks (e.g. SHGs).⁵²⁵ These sales agents enter this exchange setting because of unemployment or underemployment in the formal market economy; their income from this work is often supplemental rather than primary. In this exchange context, buyers and sellers are under no social obligation to obtain or sell the good to one another. Sellers expect immediate material (typically monetary) payment for their goods, which may be purchased for a variety of reasons, including status, or because the goods are not available through formal markets. The rights of buyer and seller are loosely enforced through non-contractual means, such as the threat of removal from the network, retribution, or lost opportunities for repeat exchange.

Buyers and sellers in an associational exchange typically establish “temporary intimacy.”⁵²⁶ Yet to the extent that agents retail through their close networks, the trust embodied therein may “reduce the risks and costs of transactions. These *personalized* relationships make impracticable the assessment of individual transactions outside the context of the whole web of obligations, rights and dependencies.”⁵²⁷ According to Granovetter (1985), transactions occur within the associational exchange setting because the parties are “embedded in a close-knit community,” where they are able to intimately observe each other's behaviour and identify unethical aberrations.⁵²⁸ Instead of laws or the presumption of ‘generalized morality’, this model emphasises “the role of concrete personal relations and structures (or ‘networks’) of such relations in generating trust and

⁵²⁵ (Cantor, Henry *et al.* 1992)

⁵²⁶ (Cantor, Henry *et al.* 1992: 61)

⁵²⁷ (Crow 2001: 57)

⁵²⁸ (Granovetter 1985: 492)

discouraging malfeasance.”⁵²⁹ For these reasons, associational exchange is largely bound by network and geography. Similarly, an alignment in the identity of buyer and seller—in terms of caste, religion, or gender—may be an enabler of exchange.⁵³⁰ Moreover, whether trust between the buyer and seller is a precondition to associational exchange depends upon information symmetry: it is not required if the parties are familiar with one another as well with the good being exchanged. As mentioned, trust typically exists when exchange is conducted through social networks, as parties rely on their reputations as an “implicit [form of] collateral.”⁵³¹ However, trust must be established for exchanges outside of close networks and for goods of “irregular origin, nondivisible, or obtained through greater distance.”⁵³² Since the sales model explored in this dissertation relies on an associational network whose customer base extends beyond intimate social groupings, some prospective customers may need to develop trust with the sales agent.

In the direct agent model, the MNC leverages social networks (e.g. SHGs and other village social networks) as a market-based retail channel. There are potential advantages and disadvantages to the alignment of social and market institutional structures. Social networks can reduce transaction costs of exchange between parties, since shared membership in caste or religious groups creates common economic spaces and social enforcement mechanisms presaged on trust, reciprocity, and good-faith.⁵³³ Social institutions, such as family and religion, also play a crucial role in socialising, and providing psychological security for, individuals who operate in a market economy.⁵³⁴ In rural India, market actors have relied on social structures like caste, religion, and gender to safeguard rents and reputations, allocate capital and employment opportunities

⁵²⁹ (Granovetter 1985: 490)

⁵³⁰ (Harriss-White 2003); (Crow 2001)

⁵³¹ Harriss-White (2003: 171); She also explains that reputation is an information signal within market exchange, “as basic...as information about prices, supply and demand” (Harriss-White 2003: 169).

⁵³² (Crow 2001: 61)

⁵³³ (Harriss-White 2003)

⁵³⁴ (Lasch 1977); Even in advanced market economies, participants still rely upon these non-market structures for security and affiliation.

(particularly in the non-farm rural economy), share information efficiently, resolve disputes, define and enforce contracts, establish asset inheritance rules, control new market entry, exclude competition, determine prices and rates of return, and provide a safety net to those in need.⁵³⁵ There may also be social benefits to participating as sales agents, particularly for women who have been marginalised by their communities. Cantor *et al.* (1992), paraphrasing Weber, explain how these women can engage in the marketplace as buyers or sellers of goods, and so be emancipated beyond limited, socially ascribed roles.⁵³⁶ Therefore, incentives to serve as an agent may extend beyond compensation. Retailing a product on behalf of a big company could enhance the status or prestige of a woman in her village, and enable her to forge relationships and social bonds with others.

Yet the negative implications of social structures on exchange and accumulation may be severe. These structures can be heavily oppressive to economic and social life, particularly to women, minority faiths, and backwards castes.⁵³⁷ Moreover, they can be a drain on market efficiency, binding communities to exchange only amongst themselves, and thus reducing opportunities for economies of scale.⁵³⁸ In these ways, networks and social structures can be obstacles to exchange. Furthermore, the projection of these market-based institutions may make exchange more anonymous, and lead to a decline in trust, social networks, and social sanctions, and an increase in information asymmetry between buyer and seller.

3.2.1. Evaluative Framework on Direct Agent Model

Having introduced the associational exchange and described several potential benefits and disadvantages of local social structures and networks on agent sales, this section will

⁵³⁵ (Harriss-White 2003: 168, 176, 186, 243-4)

⁵³⁶ (Cantor, Henry *et al.* 1992: 5)

⁵³⁷ (Harriss-White 2003)

⁵³⁸ (Harriss-White 2003)

now present the direct agent stage of the theoretical framework. This phase will explore the interplay between the partner organisations' logics for enacting this sales model and the village agents' logics for adopting it. It will unpack, along four dimensions (economic, gender, network effect, sales techniques), each actor's rationale for adopting the direct agent sales model.⁵³⁹ It will assess whether the actors develop shared rationales, and will hypothesise that the venture may be enacted dysfunctionally if the actors misinterpret, or fail to bridge differences between, each others' logics.

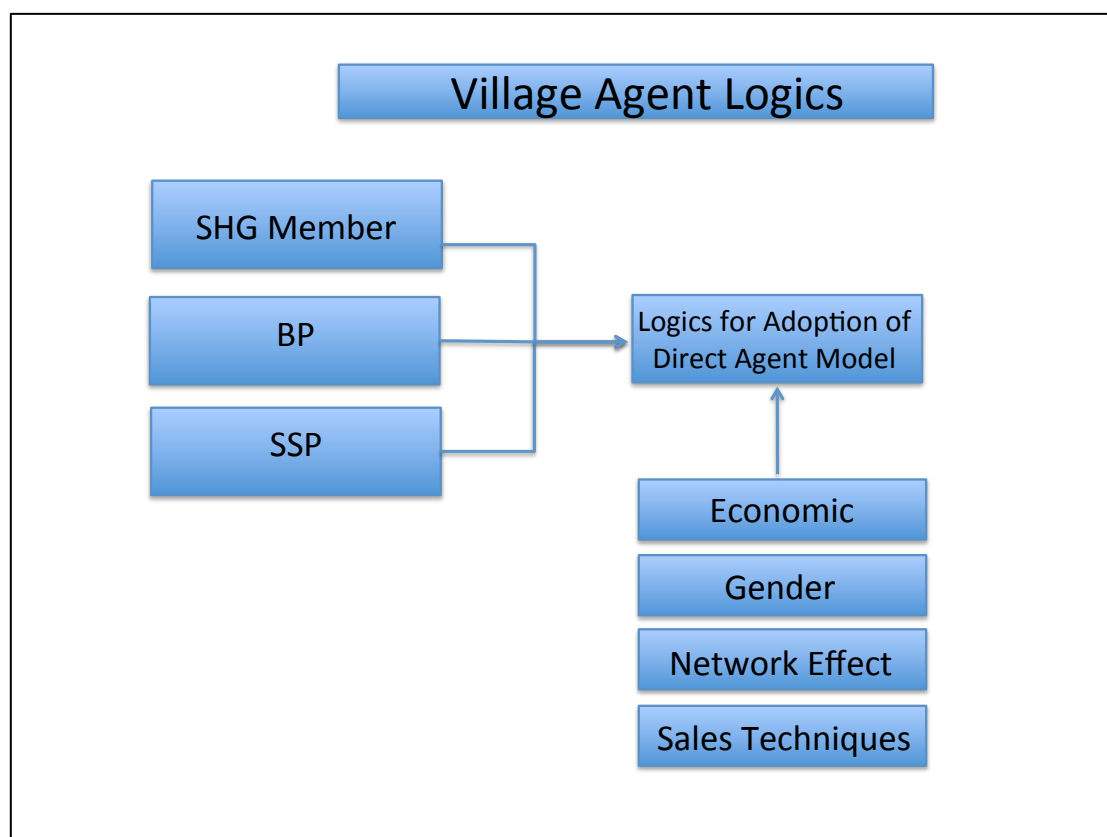


Figure 3.4: Direct Agent Framework

This phase will explore whether the MNC's policies were locally embedded and sensitive to, or aligned with, the logics of their local agents. For instance, it will assess whether the main sales technique envisioned by the partners—the door-to-door sales model—is a

⁵³⁹ It will also present the BoP script's rationale for prescribing the direct agent model as a strategy for corporations to access BoP markets—which directly influenced BP's adoption of this model.

locally appropriate concept that actually came to fruition in many cases (i.e. whether the village entrepreneurs travel to make sales or wait for consumers to come to their houses to make purchases). Similarly, it will examine whether the agents effectively leverage their social networks as sales and promotion channels. The phase will also investigate whether the enactment of the direct agent model is consistent with each actor's logics for adopting it. It will compare the model's actual impact on village saleswomen with the partners' *ex ante* projections and *ex post* perceptions of agent impact. For instance, is the agent's realised income consistent with her economic rationale for becoming an agent, or the partners' rationale for promoting a women-led model? As the related empirical chapter will explain, the partners induced agent participation in part through promised (i.e. projected) impact, and—once the model was operational—justified the model's success based on perceived (but not measured) impact.

Moreover, this phase will examine the role of local social structures and networks as enablers of, or obstacles to, the enactment of the model. In rural India, caste and religious ideology regulate female labour force participation and mobility, “affect[ing] whether women work at all, what work they can do, and how far from home they may move.”⁵⁴⁰ This phase explores the influence of social and material constraints on agents and customers. For instance, rural Muslim women in South Asia are precluded from engaging in trade due to the Islamic principle of *purdah*.⁵⁴¹ As Crow (2001) writes, “[t]he exclusion of women from public spaces has the effect of denying their access to markets. There are virtually no women traders... In a society where market forms of exchange are growing, this exclusion reinforces a growing marginalization of women in economic activity.”⁵⁴² Similarly, in their article on institutional voids in rural Bangladesh, Mair *et al.* (2012) quote a Muslim self-help group member, who wondered incredulously, “How can

⁵⁴⁰ (Harriss-White 2003: 31)

⁵⁴¹ The seclusion of women in Islam through dress and physical boundaries.

⁵⁴² (Crow 2001: 13)

I go to the market? I am a woman!”⁵⁴³ The role of religion within the exchange process will be further unpacked in the consumer stage of the framework.

3.3. Consumer Logics

This stage of the theoretical framework will draw on NCE and RMT to highlight economic and non-economic logics that may inform villager exchange decisions. The framework developed herein will be used to test whether the purchase of cookstoves and pellets is motivated solely by economic logics, as NCE postulates, or also by non-market logics, including sociocultural factors, as RMT proposes. The stage will also explore whether the MNC aligns its operations with, or even understands, these logics. While this theoretical framework will highlight several non-economic rationalities that may be at work in the marketplace, the dissertation will focus in depth on the consumer’s religious logic. Much of the theoretical material presented in this section is also relevant to the aforementioned direct agent stage of the framework.

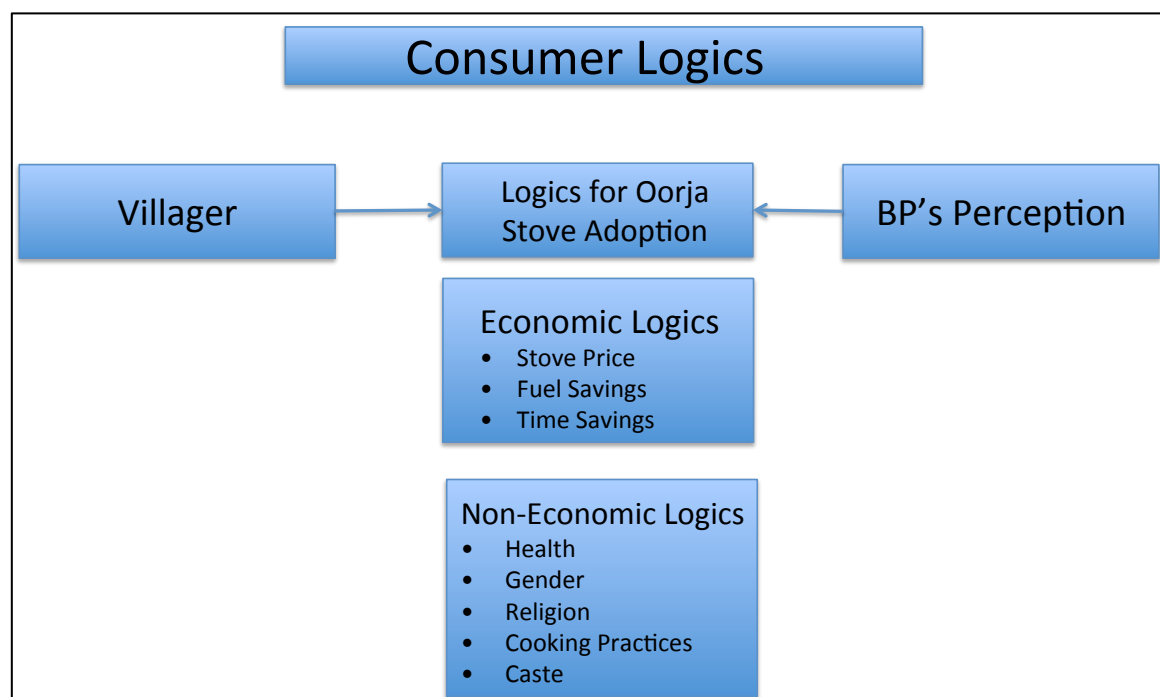


Figure 3.5: Consumer Framework

⁵⁴³ (Mair, Marti *et al.* 2012)

3.3.1. Economic Logics

As described in the Literature Review, NCE views the ‘market’ as an abstract entity consisting of “voluntary repeated participation by decentralized decision makers, a price system, large numbers of anonymous traders, self-interested motivations, low transaction costs, and private property rights.”⁵⁴⁴ NCE assumes that parties to exchange are economically rational; that is, that they behave according to a self-interested, internally consistent, utility-maximising logic.⁵⁴⁵ As Etzioni (1988) writes, NCE “sees individuals as seeking to maximize *their* utility, rationally choosing the best means to serve their goals...The notion of a community, to the extent that it is included in this paradigm, is often seen as the result of the aggregation of individual rational decisions.”⁵⁴⁶ NCE also argues that price signals are the singular piece of information required for optimising exchange.⁵⁴⁷ This assumption dates back to Classical Economics, as Smith argued that buyers and sellers make exchange decisions on the basis of price.⁵⁴⁸ Similarly, Hayek (1945) wrote, “We must look at the price system as such a mechanism for communicating information if we are to understand its real function.”⁵⁴⁹ These views largely ignore other rationalities that may be at work in the market.⁵⁵⁰ As such, part of this research examines the economic logics that motivate consumer adoption of a ‘smokeless’ cookstove. These include the price of the stove and savings in fuel expenditure and time. Time saving is treated as an economic logic, as the opportunity cost of collecting firewood and cooking is time that could be spent on income-generating opportunities.

3.3.2. Non-Economic Logics

⁵⁴⁴ (Cantor, Henry *et al.* 1992: 22)

⁵⁴⁵ (Williamson 1975); (Winter 1986) in (North 1990)

⁵⁴⁶ (Etzioni 1988: 1)

⁵⁴⁷ (Cantor, Henry *et al.* 1992: 8 - 9)

⁵⁴⁸ (Cassidy 2009)

⁵⁴⁹ (Hayek 1945: 86)

⁵⁵⁰ (Stark *Forthcoming*)

The research also explores whether, and in what manner, non-economic logics (e.g. religious, social, and cultural beliefs and practices) mediate, regulate, or facilitate exchange. It hypothesises, in accordance with RMT, that exchange is also signalled by factors other than price—or, in other words, that non-economic logics, personal relationships, and social structures also govern the transacting process.⁵⁵¹ These non-economic factors are critical information signals, as they may determine the appropriateness, and influences the terms, of the transacting process.⁵⁵² In the context of rural India, Harriss-White (2003) writes that exchange relations are influenced not only by price, but also by non-economic logics: “[e]conomic rationality is only one of several social rationalities at work in the economy. Accumulation is...organized also through gender, religion, and caste.”⁵⁵³ This holistic view argues the exchange of goods is made according to “factors that form society and personality as well as neoclassical factors that form markets and rational decision-making.”⁵⁵⁴ Therefore, according to this view, defining markets “simply as price making mechanisms (as is often done in economic theory)...is...not very helpful...since this tells us little about the basic interaction involved.”⁵⁵⁵

Some anthropologists and sociologists also reject the notion of the rational, self-interested, utility-maximising actor. Cantor *et al.* (1992) argued the presumption of “individual reward maximization as the universal motivation for exchange” is “ethnocentric.”⁵⁵⁶ Geertz (1974) provides an elaborated position:

The Western conception of the person as a bounded, unique, more or less integrated motivational and cognitive universe; a dynamic center of awareness, emotion, judgment, and action organized into a distinctive whole and set

⁵⁵¹ (Stark *Forthcoming*); (Fligstein, Dauter 2007); (Etzioni 1988), (Cantor, Henry *et al.* 1992: 3), (Harriss-White 1995)

⁵⁵² (Cantor, Henry *et al.* 1992: 56)

⁵⁵³ (Harriss-White 2003: 240)

⁵⁵⁴ (Etzioni 1988: 3-4)

⁵⁵⁵ (Swedberg 1994: 255)

⁵⁵⁶ (Cantor, Henry *et al.* 1992: 2)

contrastively both against other such wholes and against a social and natural background is, however incorrigible it seems to us, a rather peculiar idea within the context of the world's cultures. Rather than attempt to place the experience of others within the framework of such a conception, which is what the extolled 'empathy' in fact usually comes down to, we must, if we are to achieve understanding, set that conception aside and view their experiences within the framework of their own idea of what selfhood is.⁵⁵⁷

Instead, many sociologists argue that rationality is socially constructed—linked to one's identity, circumstances, and relations.⁵⁵⁸ According to this perspective, one's purchase decisions may be governed by "social factors such as class, gender, culture, their relations with others, and the historical relations in which they live."⁵⁵⁹ In the view of Weber, "[u]nderstanding how a real economy works requires that one understand the actual motivations of the exchangers and the nature of the relations between them."⁵⁶⁰ By extension, how we make decisions is culturally determined and distinctive: "what is logical to a member of one culture is not to a member of another."⁵⁶¹ Accordingly, consumer segments are motivated by a variety of purchasing logics: "Different cultures value different goods and services and regulate different kinds of relationships among those who produce, exchange, and consume."⁵⁶² Etzioni (1988) adds, "to recognize that people[s] preferences are in part social shaped is...to acknowledge the need to deal in one's theory with significant historical, cultural, and societal forces."⁵⁶³ Therefore, we must understand purchase decisions from the distinct perspective of the purchaser, and the circumstances that inform their logic of action: "What looks to the analyst like nonrational behavior may be quite sensible when situational constraints, especially those of embeddedness, are fully appreciated."⁵⁶⁴ For instance, if a pious woman prioritises

⁵⁵⁷ (Geertz 1974: 31)

⁵⁵⁸ (Weber 1978); (Biggart 2002); (Etzioni 1988)

⁵⁵⁹ (Biggart 2002: xiv)

⁵⁶⁰ (Biggart 2002: 4-5)

⁵⁶¹ (Etzioni 1988: 10)

⁵⁶² (Cantor, Henry *et al.* 1992: 4)

⁵⁶³ (Etzioni 1988)

⁵⁶⁴ (Granovetter 1985: 506)

religion over health, and rejects cooking on a 'smokeless' cookstove on the basis that it lacks the sanctity of the firewood chulha, her behaviour may be rational.

4. Theoretical Contribution

This framework is a novel contribution to institutional theory, because unlike traditional institutionalist thinking, which tends to operate at one level (e.g. inter-organisational), this framework applies institutional theory across different levels of analysis. By conjoining neo-institutionalism and real markets theory, the research extends the application of institutional theory to a complex, heterogeneous, rural developing country exchange setting. It uses gritty ethnographic data to explore larger neo-institutional issues, such as the projection and translation of logics across borders, cultures, transaction settings, and levels of exchange. As such, the framework works to illuminate not only the dynamics of partnership, and the dynamics of markets, but also the relationship between the two institutional forms.

At the meso-level, the research contributes to an under-researched area of institutional scholarship by exploring the challenges and consequences of institutional pluralism on a hybrid partnership. It meaningfully illuminates the dynamics of partnership between two unfamiliar partners operating in an uncertain and institutionally complex market setting. It makes a related contribution by examining the micro-political conflicts, power dynamics, and alignment of logics between actors from different sectors, borders, and cultures.⁵⁶⁵ As Geppert *et al.* (2006) explain:

New institutionalists, who often focus on micro-institutions (see for an overview Scott 2001), tend to emphasize the global diffusion of practices and the adoption of these by organizations, but pay little attention to how such practices are interpreted, 'edited' (Sahlin-Andersson, 1996), 'translated' (Czarniaswska &

⁵⁶⁵ (Geppert, Matten *et al.* 2006); (Morgan, Kristensen (2006)

Joerges, 1996) or ‘transposed’ (Boxenbaum & Battilana, 2005) as they ‘travel around the world’.⁵⁶⁶

Furthermore, even though new institutional theory seems to offer much promise for studying the micro-politics of MNCs and MNC-environmental relations, little institutional scholarship has been conducted on the MNC as an organisational form.⁵⁶⁷ This research makes such a contribution, by examining whether, and to what extent, the MNC is socially embedded in, or isomorphic with, the local exchange setting in which it is operating.

At the village-level, the framework makes a contribution to the long-standing debate about the nature of markets. It tests the explanatory power of economic sociology and cultural anthropology to explain the logics that motivate village agents and customers, illuminate whether, and in what ways, these logics are embedded within complex social structures and associational networks, and, more broadly, unpack how the exchange setting in rural Maharashtra actually functions.

This framework is also a contribution to the BoP debate, as it can also be used to test the BoP’s prescriptions on the ground. Conveyed within the BoP prescriptive script is the need to translate the MNC’s commercial logic to the micro-level. The framework presents a multi-level analysis of the translation process of a given set of approaches of the MNC to a BoP market. The primary object of analysis is not the BoP script itself, but rather the process of translating logics, meanings, and models across multiple actors, sectors, and cultures.

⁵⁶⁶ (Geppert, Matten *et al.* 2006: 1452)

⁵⁶⁷ (Geppert, Matten *et al.* 2006)

Chapter 4: Methodology

The dissertation conducts a qualitative, within-case analysis of a single, deliberately selected case study at two levels of analysis: organisational and village exchange. To unpack the dynamics of hybrid partnership, the research draws on manager interviews, document review, and process tracing. The author conducts, records, transcribes, and analyses interviews with the partners and their consultants and reviews project documents, including partnership contracts, e-mails, and operational and strategic files. At the village level, the study uses mixed methods, including a stakeholder questionnaire, participant observation,⁵⁶⁸ secondary ethnographic data, and an agent sales audit to explore the diverse logics of action (e.g. complex social relations, deeply held religious beliefs, economic incentives, and symbolic meanings) held by local stakeholders. A list of empirical data collected is provided in *Appendix 4.1*.

This chapter will describe the data collection methods used to examine the empirical case study and explains their rationale for selection. First, the chapter will introduce the overall research process: for instance, the focus on a qualitative case study and the triangulation of mixed methods. Second, it will present, defend the choice of, and provide background on, the selected case study. Third, it will provide an explanation for using each method at each level of analysis. It will describe how the methodology flows from the key institutional concepts being studied. Fourth, it will explore and justify the approach to each phase of data collection. It will introduce the data sets, explain how they are constructed, and how they are applied in the analysis of this thesis. Fifth, it will present a crosscutting introduction to the field research methods used to illuminate the logics of agents and customers. This section will include an overview of the survey

⁵⁶⁸ (DeWalt, DeWalt 2002); (Spradley 1980)

process, participant observation, and agent income analysis—and the data collection challenges and limitations of these methods.

1. Rationale for Selection of Research Methods

1.1. Defence of a Qualitative, Case-Based Methodology

This dissertation will conduct an in-depth, case-based examination of the evolution and micro-foundations of a hybrid partnership and its operating context. The use of a case-based methodology is itself a contribution to the study of cross-sectoral partnership.

Even though the case method is widely used in organisational studies,⁵⁶⁹ there is a paucity of fine-grained, qualitative, case-based evaluations of partnership.⁵⁷⁰ Additionally, while hybrid partnerships have been extensively studied within organisational studies, most have been examined through large-n statistical analyses, where the findings are more parsimonious, elegant, and generally applicable.⁵⁷¹ Yet as Hardy *et al.* (2003) note: “While such quantitative studies have proved invaluable in furthering our understanding of precise, specific, individual effects of collaboration...they have not helped us develop a more comprehensive understanding of what is involved in collaboration.”⁵⁷²

Even though the case method has played a peripheral role in cross-sectoral scholarship, it has been defended by organisational scholars⁵⁷³ and operationalised in partnership research.⁵⁷⁴ It is advantageous for “examining more localized dynamics that can be dealt with in a more intensive fashion.”⁵⁷⁵ Through thick description and intensive analysis, it can shed light on nuances and complexities of collaboration that cannot be derived from

⁵⁶⁹ (Yin 1994)

⁵⁷⁰ (Hardy, Phillips *et al.* 2003: 322)

⁵⁷¹ (Hardy, Phillips *et al.* 2003); (George, Bennett 2004)

⁵⁷² (Hardy, Phillips *et al.* 2003: 322)

⁵⁷³ (Flyvbjerg 2011); (Yin 2008); (Eisenhardt, Graebner 2007); (Pettigrew 1990)

⁵⁷⁴ (Graebner, Eisenhardt 2004); (Pettigrew 1990)

⁵⁷⁵ (Hardy, Phillips *et al.* 2003: 343)

a quantitative analysis.⁵⁷⁶ Also, by drawing on field-level ethnographic data, this case method can explore neo-institutional issues that operate across levels of analysis, such as the translation of logics across borders, and cultures. Moreover, unlike statistical studies, the case method can explain qualitatively complex phenomena and their contexts with a “high degree of explanatory richness,”⁵⁷⁷ does not need to be linked to particular data sets, and can examine a wide range of variables without limits imposed by degrees of freedom.

1.2. Method Triangulation

This dissertation uses mixed methods, including elite interviews,⁵⁷⁸ survey data,⁵⁷⁹ process tracing,⁵⁸⁰ participant observation,⁵⁸¹ discourse analysis,⁵⁸² and a financial audit. The triangulation of results from these qualitative and quantitative methods ensures a comprehensive evaluation of BoP partnership effectiveness and evolution, and that the perspectives of each key stakeholder group within the ecosystem are taken into account. Triangulation is particularly critical for a ‘within-case’ analysis. As Yin (2008) explains, “The case study inquiry copes with the technically distinctive situation in which there will be many more variables of interest than data points, and ... relies on multiple sources of evidence, with data needing to converge in a triangulating fashion.”⁵⁸³ By triangulating elite interview responses with villager surveys and participant observation, the dissertation can evaluate the relationship between the partners’ rhetoric or interpretation of events and the operational realities on the ground. Villager surveys, partnership document review, and the agent income analysis can help to confirm the validity of the

⁵⁷⁶ (George, Bennett 2004); (Bates 1998); (Hardy, Phillips *et al.* 2003)

⁵⁷⁷ (George, Bennett 2004: 31)

⁵⁷⁸ (Aberbach, Rockman 2002); (Goldstein 2002); (Dexter 1970); (Hammer, Wildavsky 1989)

⁵⁷⁹ (Brannen 1988)

⁵⁸⁰ (George, Bennett 2004); (Bates 1998)

⁵⁸¹ (DeWalt, DeWalt 2002); (Spradley, Baker 1980)

⁵⁸² (Phillips, Hardy 2002)

⁵⁸³ (Yin 2008: 18)

partners' expressed viewpoints. Moreover, triangulation of elite interviews with villager surveys can help ensure the findings are representative of the views of consumers and agents. There is also normative justification for incorporating the perspective of local stakeholders. As Hart (2007) writes, "Rather than engaging only known or powerful stakeholders of existing businesses, we need to systematically identify, explore, and integrate the views of those on the periphery or at the 'fringe'—the poor, the weak, the isolated, the disinterested."⁵⁸⁴

At the village-level, there are also good reasons to triangulate survey data with participant observation. Several scholars note that surveys of poor people in developing countries present latent data validity risks.⁵⁸⁵ As Chambers (1983) explains, "For many reasons, fear, prudence, ignorance, exhaustion, hostility, hope of benefit—poor people give information which is slanted or false."⁵⁸⁶ Moreover, there are sometimes mismatches between declared preferences (how people say they behave) and revealed preferences (how they actually behave). For example, according to a study conducted by Shell Foundation, 83 percent of respondents (n=1200) said they would purchase a 'smokeless' cookstove but only 2 percent actually bought one.⁵⁸⁷ Through participant observation, this author was able to unearth new insights not discovered during interviews, verify survey respondent answers by observing revealed preferences, and address the risk that respondents may conceal or be unaware of their preferences, or just tell the surveyor 'what s/he wants to hear'.⁵⁸⁸ Moreover, while myriad village-level phenomena may be relevant to the core success or failure of the venture, the nuances of these local dynamics may be missed by an exclusively interview-based methodology. As Chambers notes, "penetration [of questionnaires] is usually shallow, concentrating on what is measurable,

⁵⁸⁴ (Hart 2007: 176)

⁵⁸⁵ (Chambers (1983); (Cantor *et al.* 1992); (DeWalt, DeWalt 2002)

⁵⁸⁶ (Chambers (1983: 51)

⁵⁸⁷ (Bishop, Blum *et al.* 2010)

⁵⁸⁸ (DeWalt, DeWalt 2002); (Cantor, Henry *et al.* 1992)

answerable, and acceptable as a question, rather than probing less tangible and more qualitative aspects of society.”⁵⁸⁹ Therefore, by using participant observation to explore local cooking practices and other drivers of product adoption, this research can more intensively illuminate the economic, social, and cultural institutions that interpenetrate the village exchange setting. There is further justification for using these methods to understand the consumers’ purchasing logics: “Participant observation and situationally appropriate depth interviews permit less restricted access to the consumers moral economy.”⁵⁹⁰

The data collection process is ongoing and iterative, which enables constant comparison and triangulation.⁵⁹¹ In this manner, the key lessons from one round of data collection inform or challenge the previous rounds findings, and are incorporated into and improve the instruments used in the next round of data collection. As a result of this investigative method, the various stakeholders were able to respond to each other, which held the parties to account, helped to reconcile multiple perspectives, and uncovered new layers of meaning.

In this way, the author compared how different parties perceived the same events, and obtain their responses to what the other stakeholders had thought. However, the author was extremely careful not to reveal expressions of personal enmity communicated by one stakeholder about another. As Woliver (2002) warns, “You must leave [the subjects] in the same position in which you found them. You must do no harm to them.”⁵⁹²

Particularly because this was an active, ongoing partnership, the author was careful not to provoke animosity or tension between the partners. The author heeded Woliver’s

⁵⁸⁹ (Chambers 1983: 51)

⁵⁹⁰ (Belk, Wallendorf *et al.* 1989: 32)

⁵⁹¹ (Glaser, Strauss 1967); (Strauss, Corbin 1990)

⁵⁹² (Woliver 2002)

cautionary words even when this occasionally prevented establishing the reality behind contested rhetoric.

2. Data Sets and Access

To secure the support of BP and SSP, and access to SSP's field sites and beneficiaries, a detailed fieldwork proposal was submitted to BP-India's CEO as well as SSP's director. In the document, the author explained the nature of the proposed study, its objectives, outputs, resources required, research methodologies and tools, and a timeline. After a subsequent meeting, both partners agreed to collaborate. As BP and SSP were eager to better understand the partnership's effectiveness and codify lessons learned, they approved access to field sites and beneficiaries, partnership documentation and data, and staff for interviews. BP's successor, FirstEnergy, and SSP's distribution channel—known as Adharam through 2008 and Sakhi Retail Private Limited (SRPL) since 2009—also approved continued access.

3. Hybrid Partnership

The chapter will now explain the selection of methods at the partnership level. As indicated, the empirical chapter on hybrid partnership will conduct a within-case analysis that thickly describes the evolution of the partnership and thoroughly investigates the micro-foundations of its various phases (e.g. contracting). The chapter will use descriptive methods, namely process tracing, interviews, and discourse analysis. The empirical evidence is triangulated from archival documentation, interview data, and secondary texts, collected over multiple rounds between 2007 and 2011. *Appendix 4.2* presents a research timeline.

3.1. Rationale for selection of these methods to evaluate each variable

The dynamics of hybrid partnership are investigated using three institutional variables as proxies—institutional logics, power, and trust. This section will explain the selection of methods used to measure each variable. *Appendix 4.3* outlines the relationship between the methods, variables, and data sets.

Institutional Logics: The research aims to unpack each partner organisations' logic of action and assess whether, and to what degree, the partners' logics are blended or oppositional. More recent data snapshots track whether these logics have evolved, coalesced, or separated during partnership. To explain each actor's institutional logic, the study reviews interview transcripts, archival data, and published articles. This approach is similar to Thornton and Ocasio (1999) and Thornton (2004), who use interviews and archival data to define the institutional logics of organisations. The dissertation then interprets the collected data through discourse analysis, an approach consistent with Haveman and Rao (1997) and Suddaby and Greenwood (2005). For instance, examining the struggle over a new organisational form, the multidisciplinary partnership, Suddaby and Greenwood (2005) analyse texts to reveal tensions in institutional logics rooted in distinct conceptions of professionalism. As Thornton and Ocasio (2008) argue, applying discourse analysis to interview transcripts "strengthens the capacity to interpret meanings," and so helps to further reveal an organisation's logic.⁵⁹³ Following Dart (2004a), the analysis is "not intended to produce objectified meanings" of each actor's logics; instead, "more subjective and enacted meanings emerg[e] though in-depth examination of the data based on grounded themes."⁵⁹⁴ Discourse analysis also adds a critical perspective because it is "subversive...[it] challenges taken-for-granted understandings and undermines the tendency to reify and solidify knowledge."⁵⁹⁵

⁵⁹³ (Thornton, Ocasio 2008: 110)

⁵⁹⁴ (Dart 2004a: 296-7)

⁵⁹⁵ Phillips and Hardy (2002) also note that discourse analysis is both a methodology and a method. As a methodology, it is an epistemological perspective that views "social phenomena as constructed through

Loveridge (2006) explains the purpose of this method triangulation in the context of exploring an MNC's logic of action:

Quite apart from providing a degree of face validity for observational and interview data it seemed important to trace the micro-origins of cognitive models used by informants through the generative or reflexive mechanisms present in the wider context. The discourse used by informants had, then, to be set against other potential narrative or explanatory 'logics of action' within the events and situations being described (Karpik, 1972).⁵⁹⁶

Power: To evaluate power dynamics, the dissertation investigates the manner by which key partnership decisions are made, assesses each partner's relative capabilities and control of resources, and explores whether the partners are transparent and share critical information. It also scrutinises each partner's negotiating and legal skills, and formal authority over key issues. Moreover, it reviews the contractually negotiated terms to assess whether risks and projected gains between the partners are balanced appropriately. The dissertation reviews archival documents and interview transcripts via discourse analysis and process tracing. Other researchers have adopted similar interpretative methods to illuminate the dynamics of power within and between organisations.⁵⁹⁷

Trust: Trust is evaluated through interviews and a review of key partnership decisions. This analysis primarily draws on the tripartite conditions of Hardy *et al.* (1998)—goodwill, predictability, and communications—to explore whether the partners have developed a trusting relationship. The analysis focuses particularly on the initial contracting process, which deserves special attention because it was particularly deliberative, and required the partners to begin to bridge differences in domains, values, and interests. The evaluation of trust also examines subsequent, major partnership decisions, to assess the extent to which these deliberations were genuinely mutual, consultative, and built on goodwill.

structured sets of texts" (59-60). As a research method, it offers a range of qualitative techniques for data collection and analysis.

⁵⁹⁶ (Loveridge 2006: 195)

⁵⁹⁷ (Vaara, Tienari 2008); (Hardy, Phillips 1998); (Hardy, Palmer *et al.* 2000); (Mumby 2004); (van Dijk 1998); (Fairclough 1989)

As Ostrom and Walker (2003) explain, “Trust appears to be a complex concept strongly affected by context. General survey responses may not be a valid measure of the level of trusting behavior found in particular situations.”⁵⁹⁸ For this reason, trust was measured by asking the actors to share their perception of a particular partner under particular circumstances. This approach to measuring inter-organisational trust has precedent in organisational studies.⁵⁹⁹ Following Ostrom and Walker (2003), the author also examined proxies for trust such as transparency, openness to communication, and historical stereotypes across sectors. For instance, drawing on Cummings and Bromiley’s organisational trust rubric, the partners were asked questions such as: ‘Do you feel the CEO of the MNC was candid and transparent during contract negotiations?’ and ‘Do you think the NGO staff are reliable?’ By posing a question about a particular individual and event, perceptions of trust move from abstract to concrete. To mitigate the risk that these perceptions of trust were only snapshots at a particular juncture in time, the author collected longitudinal data by asking managers about trust at different periods in the research, and also asked them to recall their perspective of the other partner at different stages of the partnership. Most importantly, the author did not disclose answers to the other party, to ensure they did not harm the partnership in any manner. Encouragingly, as will be elaborated in the empirical chapter, the actors *largely* corroborated each other’s views on levels of trust at different stages of the partnership. However, they did express some differences: for example, the MNC viewed itself as transparent, while the NGO articulated its frustration with the MNC’s secrecy and opaqueness.

There remained, however, a risk that the actors were not honest in their assessments (i.e. saying they trusted their partner when they were actually suspicious). Indeed, this author’s expectation was that the actors would have a tendency to overstate their level of

⁵⁹⁸ (Ostrom, Walker 2005: 12)

⁵⁹⁹ (Atkinson 2004); (Sako 1992)

trust; in other words, that they would deny rather than exaggerate animosity (whether latent, subconscious, or explicit). Thus, to get a more accurate bearing on trust, the author triangulated partner responses with the judgment of the third-party consultants, who were privy to the relations between the parties. Of course, even this degree of insight is subjective: the third-party consultants have their own biases, make judgments about trust based on their *own* perception of partner relations, and cannot look any deeper inside the minds of the partners than this researcher. Therefore, these testimonies were also corroborated through process tracing and archival review of partner actions (e.g. e-mails that substantiated one partner's uneasiness about the negotiated contract).

3.2. Methods Employed in Hybrid Partnership Chapter

The previous section defended the use of particular methods to measure each key partnership variable. This section will explain in greater detail the collection and analysis of partnership-level data. It will highlight the three main methods: process tracing, elite interviews, and discourse analysis.

3.2.1. Process Tracing

The dissertation uses process tracing to sequentially piece together the key events, relationships, and decisions within the case study.⁶⁰⁰ This analysis “attempts to trace the links between possible causes and observed outcomes”⁶⁰¹ and tease out unintended consequences. Process tracing draws on archival data from partnership inception to present, and on interviews transcripts (as detailed in the next section). From this data, the author produced a chronological account of the partnership, which explains how it was conceived and evolved over time, and charts its significant events, actions, and outcomes. The outcome of this research stage is a qualitative, context-specific, in-depth,

⁶⁰⁰ (George, Bennett 2004: 13)

⁶⁰¹ (George, Bennett 2004: 6)

longitudinal case study.⁶⁰² Once this case narrative was constructed, it was carefully reviewed for accuracy with the SRPL's CEO and BP-India's COO.

3.2.2. Elite Interviews

In September and October 2007, the author conducted semi-structured, open-ended interviews (n = 22) with every member of the BP-India management team, the directors of each NGO and senior members of their field teams, and the team of consultants (The Next Practice) who were responsible for structuring the initiative. These interviews were conducted in SSP's office in Mumbai, Adharam's office in Osmanabad, BP's office in Bangalore, and a conference centre in Bangalore. Between November 2009 and August 2011, follow-up interviews (n = 5) were carried out with the most senior members of each organisation and their consultant (*Appendix 4.4*). All of the elite interviews were conducted in English, and lasted between 45 minutes and 2.5 hours. The majority of the interviews were tape-recorded⁶⁰³ (with the permission of the interviewee)⁶⁰⁴ and then transcribed verbatim. Elite interviews were useful not only to verify or clarify evidence contained in other data sources, but also to provide subtext, context, and depth not available through other sources. For instance, uniquely through elite interviews, the author gathered subjective perspectives on the power dynamics and alignment of logics between the partner organisations. Moreover, through the interviews, the author developed a strong rapport with key partnership actors, which helped to access additional archival files (e.g. legal contracts) and maintain access to field sites and beneficiaries.⁶⁰⁵

⁶⁰² (Gerring 2004)

⁶⁰³ The author did not perceive interviewees to be mindful of, or distracted by, the presence of a recording device.

⁶⁰⁴ S. Deepashree, BP's social impact advisor, asked that her answers not be recorded.

⁶⁰⁵ (Woliver 2002)

The interviews followed the strategy prescribed by Spradley (1979), Strauss & Corbin (1998), and Schwartzman (1993) to capture the informant's voice and identify key themes. The interview questions were open-ended "to give the informant an opportunity to answer in ways and with content that is important to him or her—not to the researcher."⁶⁰⁶ By asking open-ended questions, the author could prod initial responses further (through follow-up questions) and elicit responses that were not anticipated. This approach was corroborated by Aberbach and Rockman (2002), who advised: "If one needs to probe for information and to give respondents maximum flexibility in structuring their responses, then open-ended questions are the way to go."⁶⁰⁷

In this first round of interviews, questions were exploratory and wide-ranging but focused primarily on key organisational issues, such as the evolution in each partners' logics of action, identity, and capabilities; dynamics, benefits, challenges, and risks of hybrid partnership; perceived trust; tensions between social and business objectives; and the structure of the operational model. The questions also examined the perceived value of leveraging an SHG network as a sales channel, the benefits of appointing women as sales agents, and the biomass fuel sourcing and manufacturing strategy. Follow-up interview questions were also open-ended, but were more targeted, in that they probed specific events, activities, relationships, and decision-making rationales, and asked the interviewees to react or respond to statements made by other stakeholders or insights collected from document review and field research. Moreover, they focused on issues and findings that had emerged since 2007 through village survey findings, partnership document review, and interviews with other key stakeholders.

3.2.3. Discourse Analysis

⁶⁰⁶ (Schwartzman 1993: 58)

⁶⁰⁷ (Aberbach, Rockman 2002: 673)

Discourse analysis has been demonstrated to be a useful methodological tool within organisational studies.⁶⁰⁸ In particular, institutional scholars have employed it to illuminate several areas of relevance to this dissertation: inter-organisational collaboration,⁶⁰⁹ identity and trust,⁶¹⁰ the creation of institutional fields by institutional entrepreneurs,⁶¹¹ and discourse as a strategic asset.⁶¹² In this dissertation, interview transcripts were examined through discourse analysis, in order to identify key institutional themes and patterns within the texts. This approach was inductive rather than deductive, as it started not with hypotheses, but with data collection and textual review.

Coding helped to organise, structure, comprehend, and interpret the texts.⁶¹³ The coding process had three stages. In the first stage, the author read the interview transcripts and identified provisional categories that seemed to fit the data.⁶¹⁴ This was an iterative process of coding actor perspectives and ideas, re-reading transcripts to see which categories were significant across responses, and reviewing these emergent categories against institutional theory.⁶¹⁵ The author continued to review and modify these categories through further analysis of, and reflection on, interviews and archival documentation, and the incorporation of new data. Additional categories and patterns were identified by drawing on institutional theory. This stage was concluded once the author was confident that the analytic categories effectively captured the most salient dimensions of the hybrid partnership.⁶¹⁶ In the second stage, the author traced

⁶⁰⁸ (Phillips, Hardy 2002); (Alvesson, Kärreman 2000); (Chia 2000)

⁶⁰⁹ (Lawrence, Phillips *et al.* 1999); (Hardy, Lawrence *et al.* 1998)

⁶¹⁰ (Maguire, Phillips *et al.* 2001)

⁶¹¹ (Lawrence, Phillips 2004); (Maguire, Hardy *et al.* (2004)

⁶¹² (Hardy, Palmer *et al.* 2000)

⁶¹³ (Glaser, Strauss 1967)

⁶¹⁴ (Van Maanen 1998)

⁶¹⁵ (McCracken 1998)

⁶¹⁶ (Eisenhardt 1989)

connections between and within the analytic categories.⁶¹⁷ For instance, the author gleaned from the analysis of transcripts that asymmetric power dynamics both caused the stronger partner's logic to be advanced over the weaker partner's, and reduced the weaker partner's perception of the stronger partner's trustworthiness. In the final stage of coding, the author structured the emergent categories, grouped sub-categories under each main category (*Figure 4.1, below*).⁶¹⁸ Then, textual passages were matched to the appropriate analytic categories, sub-categories, and phases of partnership.

<u>Main Analytic</u>	
<u>Categories/Variables</u>	<u>Relevant Discursive Sub-Categories/Indictors</u>
Institutional Logic	Identity; Values/Beliefs; Resources; Historical and Material Practices; Interests; Objectives
Mutual Trust	Reciprocal Communication; Knowledge Sharing; Predictability; Goodwill
Power dynamics	Capabilities; Formal Authority; Discursive Legitimacy

Figure 4.1: Analytic Categories/Variables

3.2.4. Defence of not using qualitative data analysis software

The author carefully considered whether to use computer-assisted qualitative data analysis software (CAQDAS) to analyse transcripts and related texts. In making this decision, the author examined the rich debate about the merits of using software (e.g. nVivo, NUD*IST) to analyse qualitative data.⁶¹⁹ While recognising and appreciating that CAQDAS has advantages (e.g. expediency in tagging, searching and retrieving data, and completing more detailed comparisons of the texts), the author did not consider the tool essential. As Phillips and Hardy (2002) maintain, “in the case of discourse analysis, the

⁶¹⁷ (Mintzberg 1979)

⁶¹⁸ (Dey 1993)

⁶¹⁹ (Dohan, Sanchez-Jankowski 1998); (Basit 2003); (Weitzman 2000); (Bringer, Johnston *et al.* 2006); (Kelle, Prein *et al.* 1995)

software is simply a way of automating and managing the subjective process of manual coding.”⁶²⁰

Ultimately, the authors decided against using CAQDAS for several reasons. First, manual analysis enabled allowed for the development of a more thorough contextual understanding of the categories and themes that arose from the data analysis. A central rationale for conducting qualitative research is to develop a rich, detailed understanding of the empirical evidence. Consequently, the author’s primary interest was in examining relationships, interpreting discourse, and conceptualising key themes, each of which could be better achieved without software. It was potentially concerning that by using computer software, the analytical approach could become too mechanical or rigid, and insufficiently sensitive to interpretation. Moreover, there was little value, for instance, in developing numerical analyses of the discourse (e.g. frequency of certain word usage). In short, the analysis could be completed at least as effectively without computer software tools. Second, the size of the data set was conducive to completing the analysis manually. The use of a software package can expedite the time-consuming process of data coding. However, this must be balanced against the time investment of learning to use the software effectively. 30 transcripts from the first phase of 22 elite interviews had been recorded. While this was a significant amount of material, and may have been more laborious to code manually, it was not an unwieldy quantity. Moreover, the coding process employed was rather simple, as it aimed to identify broad rather than fine-grained categories. Third, no methodological rigor or experimental validity was lost by coding manually. As Phillips and Hardy (2002) note, computer software does not “‘improve’ the analysis in terms of the way in which the researcher explores multiple

⁶²⁰ (Phillips, Hardy 2002: 78)

meanings and traces their implications—an inherently subjective process—and it certainly does not make the analysis any more ‘rigorous’ or ‘valid.’”⁶²¹

3.3. Limitations of Case Study Method

While the qualitative, case study method employed herein yielded a rich empirical analysis, it might be criticised for the following reasons. The findings may not:

- (1) *Be generally applicable.*⁶²² As Lipjhart (1971) notes, “a single case can constitute neither the basis for a valid generalisation nor the ground for disproving an established generalisation.” Since this thesis is only studying one empirical case in one sector in one country, it cautions against generalizing the conclusions expressed herein to other hybrid partnerships or exchange settings.⁶²³ This research codifies a set of insights from an intentionally selected empirical partnership—one that is illustrative of the organisational form advanced by the BoP prescriptive script.⁶²⁴ It does not seek to develop broad, generalized conclusions from a large sample of partnerships.⁶²⁵ As Dart (2004a), who also conducted an in-depth, qualitative, single case study, notes, “Although there is no reason to suspect the [empirical case is] anomalous or exceptional, the findings presented remain primarily illustrative and evocative rather than representative.”⁶²⁶ However, future scholars may be able to draw on the findings of this detailed investigation and test whether they are generalizable to other partnerships.⁶²⁷ As Dart (2004a) explains, “[c]ase study research is generally

⁶²¹ (Phillips, Hardy 2002: 78)

⁶²² (George, Bennett 2004)

⁶²³ (Collier, Mahoney 1996)

⁶²⁴ (Brugmann, Prahalad 2007)

⁶²⁵ (Lijphart 1971)

⁶²⁶ (Dart 2004a: 307)

⁶²⁷ (George, Bennett 2004)

understood as valuable for grounded concept development that can set the stage for further cross-sectional analytical studies.”⁶²⁸

- (2) *Be useful for theory testing.* Campbell and Stanley argue that single case studies “have such an absence of control as to be of almost no scientific value.”⁶²⁹ However, the extent to which this case study can generate meaningful findings depends on the strength of the test and the generalizability of the case study.⁶³⁰ The case was selected in part because it is the archetype that the BoP prescriptive script used to conceive the MNC-NGO partnership framework.⁶³¹ Thus, the strength of the case is more certain: this case study is a crucial case and poses a ‘most likely’ test.⁶³² Moreover, as Eckstein contends, “a single crucial case may certainly score a clean knockout over a theory.”⁶³³ Accordingly, the BoP prescriptive script may be weakened if this thesis concludes the BP-SSP partnership falls short of expectation.
- (3) *Be easy to replicate.* While replication of this case study would require developing deep, contextual knowledge about the exchange setting in rural India and reviewing extensive partnership and village-level documentation, the raw data contained within will be made available (upon request) for other authors to analyse.

4. Agents and Customers

The village-level analysis drew on mixed methods, including structured field surveys, participant observation of cooking practices, manager interviews, archival records, and secondary literature. This research aimed to identify each actors’ diverse logics of action:

⁶²⁸ (Dart 2004a: 294)

⁶²⁹ (Campbell, Stanley 1963)

⁶³⁰ (King, Keohane *et al.* 1994)

⁶³¹ (Brugmann, Prahalad 2007)

⁶³² (Eckstein 1975)

⁶³³ (Eckstein 1975: 127)

the partner organisations' logics for appointing SHG women as agents and retailing a stove in rural India; SHG women's logics for serving as agents; and villagers' logics for purchasing a 'smokeless' stove. To unpack the partners' logics, the author conducted elite interviews and reviewed internal project documentation, the same mixed method approach Ferguson (1994) used to deconstruct the logics of multi-lateral and local agencies implementing rural development schemes. To illuminate agent and customer logics, villager interviews were combined with participant observation, a strategy adopted by Mair *et al.* (2012), Crow (2001), and Harriss-White (2003) to uncover villager logics and exchange rules in South Asia. At the agent level, the author examined through interviews the ways in which stove agents' participation and success is mediated, regulated, and facilitated by local social structures, and explored the ways in which these institutions structure, formalise, and either stabilise or destabilise village agent profit-making.⁶³⁴ Open-ended survey questions were used to interrogate women's rationales for becoming agents, and gain insight into the micro-level constraints posed by dominant or perverse social rules that govern exchange. At the consumer level, the author assessed various stove adoption logics (e.g. health, religion, culinary) by drawing on survey findings, participant observation, and secondary ethnographic literature. Since religious rituals and cooking practices were observable, participant observation was used to better understand the sacredness of the firewood stove and the extent to which symbolism and spirituality mediated product acceptance.⁶³⁵ The following sections discuss the particular methodologies used to conduct village-level analyses.

4.1. Questionnaires

⁶³⁴ (Pellissery 2009)

⁶³⁵ (Geertz 1973; 1983)

In August – September 2007, the author led an SSP team to complete three small-N studies across 30 villages.⁶³⁶ Using structured questionnaires with both closed- and open-ended questions, the author worked with eight SSP Business Development Service (BDS) field staff, none of whom were operationally involved in the Adharam initiative, to interview (a) 100 jyotis; (b) 100 Oorja customers; and (c) 100 villagers who have elected not to purchase the Oorja stove.⁶³⁷ The villages were selected randomly⁶³⁸ and customer and non-BP customer respondents were matched according to monthly household income level and religion.⁶³⁹ The study controlled for income level, because it was seen by the partners to be a key proxy for a customer's propensity and capacity to purchase a stove. It also controlled for religion, which emerged in the pre-pilot as a salient factor that mediated stove adoption. It did not control for caste, which was too logistically difficult to control (e.g. due to the difficulty of ascertaining caste identity without raising it directly, sensitivity of asking caste-related questions, and challenge of controlling for caste alongside two other variables, given the small sample sizes).⁶⁴⁰ Non-BP customers served as both a control group as well as to provide a rationale for non-purchase. Since women were the focus of BP's marketing campaign and the jyoti's face-to-face sales efforts, all interviewees were women.⁶⁴¹

In April 2010, in collaboration with three BDS staff, the author took an updated snapshot of jyoti social indicators and experiences as sales agents, to measure changes over time. The survey was split into two constituencies: those who remained active jyotis

⁶³⁶ Agent, customer, and non-customer questionnaires are available for examination upon request.

⁶³⁷ Customers and non-customers were village women who may or may not have been members of SSP's self-help groups.

⁶³⁸ Using a numbered village list provided by Adharam and random number generation software (www.random.org).

⁶³⁹ Sample average household incomes: BP customers - Rs. 3,000; Non-BP customers - Rs. 3,200. Sample religions: BP customers – Hindus 74; Muslims 20; Non-BP customers: Hindu 78; Muslims 18.

⁶⁴⁰ Caste data was collected for the population of jyotis, as elaborated later in this chapter. Also, due to the sample size, the data did not control for other potential reasons for non-purchase, such as wife's influence over household purchasing decisions, whether agent and customer are of the same caste, firewood collection versus purchase, education level, and age.

⁶⁴¹ The drawbacks of only interviewing women will be elaborated later in this chapter.

(n=47) and those who stopped retailing stoves and pellets (n=52).⁶⁴² In the 2007 study, jyotis were asked to self-report personal changes in key social attributes (e.g. self confidence, communication skills, time management skills) compared to before they became jyotis. In the follow-up survey, respondents were asked to assess changes in key social dimensions between 2010 and the first survey in 2007 and either provide an up-to-date perspective on their experience as sales agents or their rationale for becoming inactive.

4.1.1. Basic Objectives of Surveys

Broadly, the agent surveys had three main objectives:

- (1) *To measure the social impact of becoming and remaining a jyoti through a 'before-after' recall study.* For instance, agents were asked to indicate changes since becoming jyotis (or in the 2010 survey, since 2007) in dimensions of social development such as social status and communication skills. These findings complemented the Agent Income analysis, which measured economic impact.
- (2) *To ascertain agents' perspectives on BP's policies and programs.* Agents were asked to provide commentary (through both open-ended and structured responses) on key operational activities, such as the jyoti training program, product supply and delivery, and after-sales service and maintenance.
- (3) *To develop a fine-grained understanding of the agent's sales experience (e.g. sales strategy, personal challenges).* Agents were asked to explain their rationale for becoming jyotis, their cookstove sales and marketing strategies, whether they faced sociocultural obstacles to sales, whether they perceived sales and marketing benefits from their SHG membership and their source of inventory investment capital (e.g. family, bank loan).

⁶⁴² Two inactive jyotis could not be located; hence only 50 inactive agents were surveyed.

The purpose of the customer and non-customer surveys was to reveal the various logics that villagers applied in determining whether to purchase an Oorja stove. The respondents were asked to explain:

- (1) *Their current cooking and fuel collecting practices, including stove and fuel type and usage patterns.* For instance, villagers were asked to report which fuel source (e.g. firewood, kerosene) they used for each of their cooking and heating needs (e.g. cooking main dishes, roti, and rice; heating and boiling water; making chai).
- (2) *Their main rationales for adopting, or not adopting, an Oorja stove.* This included an interrogation of economic as well as non-economic logics (e.g. gender, culinary, religion, caste, health, and environmental). For instance, villagers were asked whether they perceived the firewood chulha and the BP Oorja stove as religiously significant objects, or whether religious considerations influenced their purchasing decision. They were also asked whether they recognised the health consequences of cooking on an open fire or viewed the BP stove as a solution to these health problems.

4.1.2. Questionnaire Development

Initial survey questions were developed with critical input and feedback from SSP's director, SRPL's CEO, FE's CEO, staff, and the author's supervisor, Professor Barbara Harriss-White. However, Chambers (1983) explains the necessity of using participatory methods to properly develop and test village-level questionnaires:

Unless careful appraisal precedes drawing up a questionnaire, the survey will embody the concepts and categories of outsiders rather than those of rural people, and thus impose meanings on the social reality. The misfit between concepts of urban professionals and those of rural people is likely to be substantial, and the questions asked may construct artificial chunks of 'knowledge' which distort or mutilate the reality which poor people experience.⁶⁴³

⁶⁴³ (Chambers 1983: 51)

Heeding this advice, the author conducted a pre-questionnaire pilot with an SSP staff member to test and redevelop the survey questions. The pilot took place in six villages over four days, and consisted of individual surveys and focus groups. The author tested the current version of the questionnaire on eight customers, eight non-customers, and six jyotis. Questions were then reformulated based on new issues raised in the focus groups (e.g. the salience of religious belief and ritual within the cooking process) and reworded based on interviewee comprehension and feedback.

4.1.3. Language

All interviews were conducted in Marathi, the language of the State of Maharashtra. An SSP staff member translated the questionnaires from English to Marathi. To ensure that meaning was not lost, another SSP staff member retranslated the questionnaires back to English. Interviewers had the option of recording respondent answers in Marathi or English. Before leaving each village, the authors carefully reviewed Marathi questionnaires with the interviewer and translator to ensure the answers were valid.

4.1.4. Type of Questions and Answers

As mentioned, villager surveys included both closed- and open-ended questions. Closed-ended questions were used to collect data on respondent's demographics (e.g. monthly income, religion, family size, number of children), cooking practices (e.g. preferred cooking fuels, fuel collection habits, time spent cooking), and perceived health risks of cooking on an open fire versus Oorja. Closed-ended questions utilised a variety of answer types, including three column, single-selection, multiple-choice questions (enabling the respondent to choose as many responses as they wished). These survey findings are presented as simple, descriptive statistics. Since few of the questions were attitudinal, the author decided against using a Likert scale. Moreover, the Likert scale has

been demonstrated to present response difficulties for some cultural groups (i.e. who struggle to choose among the range of options), especially those with low levels of literacy.⁶⁴⁴ The scaling has also been shown to be a less reliable measurement tool in certain cultures.⁶⁴⁵

Open-ended questions provided further descriptive and explanatory insight into agents' sales practices and challenges and customers' rationales for purchase. For instance, these questions gave agents the opportunity to comment at length on the obstacles to selling stoves outside the home because of religion, social norms, and domestic obligations. Some also illuminated, without prompting, the problematic role of caste identity in mediating village-level sales. Furthermore, agents used these questions as a platform to express frustrations about BP's training and after-sales service programs. At the customer level, open-ended questions helped shed light on the logics that motivated purchase or non-purchase.

4.1.5. Representativeness of Villages

Villages were selected randomly from the five districts in rural Maharashtra⁶⁴⁶ in which Adharam was operating. In the view of Adharam's CEO, the selected villages were fairly representative of Adharam's sales area in terms of cooking and cuisine practices, fuel subsidies, and income levels. The villages were varied in terms of size (from approximately 100 to 1,000 households), degree of geographic remoteness (from approximately 10 to 50 kilometres from the nearby city), access to firewood, and demographic diversity in terms of religion and caste.

However, these villages could only be considered exemplars of these particular districts as much as any one village—or one agent or customer for that matter—could be an

⁶⁴⁴ (Flaskerud 1998); (Bernal, Wooley *et al.* 1997), (Lee, Jones *et al.* 2002)

⁶⁴⁵ (Iwata, Saito *et al.* 1994)

⁶⁴⁶ Osmanabad, Solapur, Latur, Nanded, and Beed.

exemplar for others. Ultimately, any attempt to generalise insight from a localised field study to a broader region oversimplifies, and is insensitive to, the uniqueness of individuals and the complexity of their culture.⁶⁴⁷ Moreover, these villages would not necessarily be representative of villages in other parts of India—nor would the findings of this field investigation. As Geertz (1973) writes:

The Jonesville-is-America writ small (or America-is-Jonesville writ large) fallacy is so obviously one that the only thing that needs explanation is how people have managed to believe it and expected others to believe it. The notion that one can find the essence of national societies, civilizations, great religions, or whatever summed up and simplified in so-called “typical” small towns and villages is palpable nonsense. What one finds in small towns and villages is (alas) small-town or village life. If localized microscopic studies were really dependent for their greater relevance upon such a premise—that they captured the great world in the little—they wouldn’t have any relevance. But, of course, they are not.⁶⁴⁸

As the dissertation later explores, it is also worth noting the futility of a company determining what village people want as a cooking solution across India—or in other parts of the world—on the basis of a focus group or pilot in one or several villages.

4.2. Survey Team

4.2.1. Rationale for Using SSP Staff

In each phase of field research, the author relied on SSP staff to coordinate logistics, facilitate village entry, and gain informed consent. SSP’s director, Mrs. Prema Gopalan, viewed this study as an organisational priority, as she was keen to better understand the virtues and flaws of the venture from the perspective of agents and customers.

Accordingly, she supplied eight unaffiliated staff members as resources. While each of the staff had experience working in the villages in which Adharam operated, none were affiliated with the cookstove program. Under the supervision and training of the author, these staff conducted the agent and customer surveys. During participant observation,

⁶⁴⁷ (Geertz 1973)

⁶⁴⁸ (Geertz 1973: 22)

they helped interpret local religious rituals and other cultural practices. While this data collection strategy had its risks (as explored later in this chapter), it was underpinned by a clear-cut logic. First, SSP staff could facilitate village entry on behalf of the author, since SSP is well known locally, having worked for at least a decade in each of the villages surveyed, and has relationships with local community members. SSP staff made introductions between villagers and the author, explained the nature and purpose of the research project, clarified any concerns, and gained oral consent.⁶⁴⁹ Second, SSP staff had privileged access to the jyotis whom they appointed and the women's self-help groups that they formed; these local agents and their networks were central to the empirical analysis. Third, using local staff was a practical necessity because they served as a Marathi language translator and could easily locate the selected household. Fourth, the staff had extensive knowledge of rural Indian culture and social practices (and often adhere to similar practices within their own homes), and could explain the rituals that the author observed.⁶⁵⁰ Last, and not least, due to D. Phil. budgetary constraints, SSP's contribution of staff was central to the completion of the research.⁶⁵¹

4.2.2. Selection of Surveyors

Staff were selected according to the following criteria:

- (1) No affiliation to the BP-Adharam stove program (*compulsory*)
- (2) Significant availability over the four-week intensive data collection period
(*compulsory*)
- (3) Ability to write legibly (*compulsory*)

⁶⁴⁹ Van Willigen and DeWalt (1985) note: "Full disclosure of research purposes is an important ethical principle as well as a key to *entrée* and *rapprochement* [by the local community]. By having a socially recognized purpose, the researcher assumes a less ambiguous role within the group studied" (20).

⁶⁵⁰ The author was familiarized with these practices in advance, but staff added context and confirmed prior understandings.

⁶⁵¹ While field visits were funded (Fulbright-Nehru Grant), only \$1,000 in additional funding was for data collection, which covered a fraction of the study's \$3,500 overall costs. The author covered the difference out-of-pocket and through SSP's in-kind staff contribution.

- (4) English language proficiency
- (5) Experience conducting beneficiary surveys
- (6) Eagerness to work on this project
- (7) Familiarity with the specific villages we planned to visit
- (8) Female gender

4.2.3. Training of Surveyors

Prior to commencing the study, the author conducted a two-day training workshop with the entire survey team. Each member was trained in basic survey techniques, and the author discussed the objectives of the survey, ensured that each member fully comprehended each question, established with the team a standardised method in which to fill out the questionnaire, discussed logistics and reviewed interviewing guidelines. Once this content was communicated and questions were addressed, the author facilitated a role-play session, which gave the interviewers an opportunity to practice the interviewing techniques, familiarise themselves with the questionnaire, and raise other areas of concern.

4.2.4. Questionnaire Implementation

Interviews were conducted by groups of two surveyors, to ensure data accuracy and take as little of the interviewee's time as possible. Each of the questionnaires was designed and field-tested to take a maximum of one hour of the respondent's time.⁶⁵² One surveyor read each question from a blank questionnaire and then a second surveyor recorded the interviewee's answers on a separate questionnaire. For open-ended questions, the surveyor was told to write down the interviewee's every word. Each team had at least one English speaker, to enable the author to communicate feedback. At the

⁶⁵² Respondents were not compensated for their time but were given at the completion of the survey a small gift bag for their children, which included toothpaste, soap, shampoo, and a ball.

end of each day, the team met to address interviewing problems and obstacles, complete Marathi-English translation on open-ended questions, and review each completed survey.

Interviews were conducted either in the respondent's home or the NGO's designated village meeting place, based on the preference of the respondent. Most respondents preferred for interviews to take place in their homes. At the beginning of each survey, the interviewers explained to the respondents that they were not directly affiliated with Adharam. They also promised that responses would either be kept confidential or made anonymous if they were shared with the partners.

4.2.5. Selection of Respondents

While the thirty villages were selected using random sampling, customer and non-customer respondents within the villages were selected using a clustered sampling method. While simple random sampling or stratified sampling would have resulted in higher precision, the selection of a clustered method was a practical one. The research team did not have the resources to conduct a pre-trial census of each village's population (required for stratified sampling), and it proved unwieldy to access population records from the local village councils (required for simple random sampling). Through the cluster sampling method, a small, manageable area of the village was identified at random. The research team then went around this sampling area and asked households to specify: (1) whether they were Oorja customers; (2) household income; (3) religion. The sample was selected once three or four respondents for each category (customers and non-customers) had been identified and the research team was able to match the respondents across categories in terms of average income level (within +/- Rs. 500) and religion.

Among the 100 jyotis interviewed, 30 were from the randomly selected villages. The remaining 70 jyotis were randomly selected using a numbered list.

4.2.6. Survey Data Analysis and Reporting

After the completion of the surveys, the author managed the data entry process, data analysis, and preparation of a report for the partner organisations. The author worked with an SSP accountant to compile all the data and enter it into a Microsoft Excel database. For closed-ended answers, percentage of respondents who selected each option was calculated. Open-ended answers were not analysed quantitatively. Instead, they were used to provide context for the closed-ended questions and key quotes were incorporated directly into the dissertation's text.

The findings of the study were compiled into a presentation that was delivered to SSP and Adharam staff and shared with BP. SSP has since incorporated some of the findings into grant applications. The raw Excel data was made available available to SSP for further analysis or tracking of changes over time.

4.2.7. Limitations of Questionnaires

This section raises several risks of bias in data collection that could undermine the validity and reliability of the survey findings.

Using SSP staff to conduct stakeholder questionnaires could have skewed the survey results: There were risks of survey bias by either the SSP staff, who may have wanted to demonstrate the success of Adharam, or the customers, who may have decided to tell the staff 'what s/he wants to hear'.⁶⁵³ However, these risks were mitigated by several factors. First, as mentioned, SSP's BDS team does not have a vested interest in the success of Adharam, which is a spun-off, private company. Second, the survey findings, which are highly critical of the partnership, are unlikely to have resulted from surveyor or customer bias. Third, customer and non-customer surveys *primarily* aimed to gauge cooking behaviour

⁶⁵³ (DeWalt, DeWalt 2002)

and adoption logics, rather than assess the impact of the stove venture on users' lives. Therefore, given the nature of the questions, there would be less reason for staff or customers to exaggerate or lie. Fourth, survey findings were triangulated against, and largely corroborated by, participant observation and elite interview data. Moreover, these risks must be balanced against the confounding risks of alternative surveyor strategies. For example, had outsiders been appointed to handle survey collection (e.g. MBA students at Mumbai's SP Jain Institute of Management, which the author was affiliated with), or if the author had personally conducted each of the surveys with a translator, respondents may have viewed the surveyors' intentions with scepticism. Either of these approaches would have created cultural distance between the outside interviewer and the interviewee, which may have led the interviewees to answer the questions less candidly. Furthermore, if the interviews had been conducted through a translator, respondents may have been more likely to be confused by or misunderstand the questions, and some of the detail and nuance in interviewees' responses may have been lost in translation.

Questionnaires also had at least two potential data validity problems: *responses may be inadvertently or deliberately inaccurate*. First, respondents were asked before/after questions that required them to recall pre-Adharam lifestyle patterns (e.g. monthly fuel expenditure, time spent collecting firewood). Interviewees may not accurately remember these indicators. This study partially mitigates this recall problem by triangulating customer answers with a matched non-customer group. Additionally, many before/after questions only ascertained directional (rather than magnitude) changes (e.g. more or less free time). Second, interviewees may have provided positive responses to please the partner organisations or hide personal embarrassment. In accordance with this latter risk, barely any respondents indicated that their children were responsible for firewood collection.

This localised conclusion runs contrary to global trends.⁶⁵⁴ It is possible that respondents deliberately misinformed the survey team because they were ashamed to admit that their children served as firewood collectors.

Non-Representative Sample: The survey findings were primarily descriptive and were not intended to represent the overall population of customers and non-customers. None of the samples were sufficiently large to estimate the target population (with 95 percent confidence and a +/-5 percent margin of error).⁶⁵⁵

Non-response bias: Among the 200 selected customer and non-customer respondents, two customers and four non-customers declined to participate, citing either work/family obligations or disinterest. These six individuals were replaced with other households who matched the same control criteria. In the 2010 agent follow-up questionnaire, two of the inactive agents could not be located and were not replaced.

Clustering Sample Method: The clustered sampling method for customers and non-customers allowed the author to match respondents according to key demographic data without conducting a resource intensive pre-trial census. However, it may have resulted in a non-representative sample by systematically underrepresenting particular segments of the population through the choice of sampling areas within each village.

Basic Data Collection Challenges: Despite completing role-play exercises and practice surveys, some of the interviewers struggled initially with basic data collection. There were challenges ensuring that: (1) interviewers asked the question in the proper manner; (2) interviewees fully understood the question before responding; and (3) interviewees' answers were properly recorded or coded. Errors declined substantially as surveyors

⁶⁵⁴ (IAE 2006)

⁶⁵⁵ Based on a power analysis, a sample of n=218 jyotis and n=379 customers would be required to appropriately reflect the jyoti population of 500 and a customer population of 25,000 with 95 percent confidence (www.raosoft.com/samplesize.html).

gained more practice and through careful monitoring and on-the-job training. However, a small number of completed questionnaires had to be discarded due to data integrity issues (e.g. interviewer error or incompleteness). In the 2007 study, among the 100 surveys conducted per group, 99 jyoti, 94 BP customer, and 96 non-BP customer questionnaires were validated.

Gender of Interviewer: When selecting interviewers, the author was mindful of the significance of gender dynamics on the quality of the survey data. Accordingly, the author aspired to exclusively appoint women as interviewers. However, due to SSP staff limitations, three of the eight interviewers were men. The author attempted to best mitigate any gender bias by ensuring that: (1) each survey team had at least one woman, and (2) respondents were given the opportunity to speak only in the presence of women if they preferred. Moreover, since the men were members of the SSP team, and had interacted in the past with the respondents, they may have been viewed with less scepticism.

Men not interviewed: The lack of interviewee gender diversity is a shortcoming of the survey. It emerged from interviews that some husbands co-opted their wives' businesses and sold stoves to other men, while one of the most common reasons for not purchasing an Oorja stove was 'husband not interested'. The author realised only while analysing the 2007 questionnaire results that husbands were a core customer segment and sometimes took over for their wives as stove retailers.

Seasonality of Interviews: The seasonality of data collection could have influenced respondents' answers. As Chambers (1983) noted, "[s]urveys also tend to be carried out in the dry seasons, and quite rarely during the bad times of the rains before harvest; and

annual averages of incomes or calorie intake mask seasonal deprivation.”⁶⁵⁶ Indeed, cooking, fuel collection, and consumption practices vary across seasons because of the monsoon (which presents difficulties in collecting dry wood) and the harvest (which results in an income spike). The first survey was conducted between August and September of 2007, which spans both the monsoon—when fuel wood is wet—and a harvest season for Maharashtra—when customers have more disposable income. Therefore, the survey may have exaggerated pellet sales, as customers would have been more inclined to purchase pellets during this time. The follow-up survey was conducted in April 2010, which was a dry season and not a harvest period, during which customers may have been less inclined to purchase pellets.

Because the author had previously conducted impact studies in these project areas, two critical data hazards could be anticipated and preemptively mitigated.⁶⁵⁷ First, many women preferred to be interviewed while sitting with their friends or husband. As a result, interlopers would interject answers on the interviewee’s behalf or bias the interviewee’s responses. Such influences would discredit the data. Thus, all interviews were conducted without adult⁶⁵⁸ outsiders present. Second, some interviewees were hard to locate because they spent their days in the fields. Where possible, surveyor field visits were timed to coincide with weekly SHG meetings, during which most respondents were available. Further, each jyoti was contacted in advance to confirm a mutually agreed-to interview time. If the jyoti was not available, the team had to return to the village on another day.

4.3. Jyoti Income Analysis

⁶⁵⁶ (Chambers 1983: 49)

⁶⁵⁷ (King, Keohane *et al.* 1994)

⁶⁵⁸ Interviewees often needed to watch their children while being interviewed.

As a complement to the questionnaire, which evaluated jyoti social impact, the author completed an agent income analysis to evaluate the venture's economic impact on jyotis. While jyotis were asked in surveys to self-report income and sales figures, most did not keep accurate accounts.⁶⁵⁹ Therefore, to measure each agent's income and sales performance, the author relied on sales data provided by SRPL. In addition to calculating per agent sales performance, the author worked with the SRPL team to determine the relationship between sales performance and agent demographic criteria (e.g. caste, religion, geography). STATA was used to measure if the differences in sales across these demographic categories were statistically significant.

Extraordinarily, neither SRPL nor BP-FirstEnergy has ever calculated earnings per agent, despite reciting guesses with regularity,⁶⁶⁰ and recognising that the venture's impact could not adequately be assessed without these figures.⁶⁶¹ Accordingly, between April 2010 and September 2011, the author completed the first agent sales analysis in collaboration with SRPL's accountant and CEO.⁶⁶² Since BP-FirstEnergy did not track agent income, the author relied on SRPL's bookkeeping systems, which collected annualised data on per agent sales from partnership inception to present. Next, all of the data, which had been contained in four different formats (handwritten, Tally, Access, and Excel), was compiled into a single database, a laborious and meticulous process that took several weeks. Then, the records were carefully vetted to identify inconsistencies or gaps in data, or methodological problems with completing this sales analysis. For instance, sales figures for the same agent were repeated on separate line items, names of agents and villages

⁶⁵⁹ BP did not require agents to keep track of this data, and the partners did not properly teach basic bookkeeping techniques.

⁶⁶⁰ Upmanyu Patil (3 October 2007; 30 November 2009); Mukund Deonkagar (1 September 2011)

⁶⁶¹ Mukund Deonkagar (1 October 2007)

⁶⁶² This comprehensive agent sales database is available for examination upon request.

were misspelled, and first or last names of many agents were omitted. These discrepancies were reviewed with, and then corrected by, SRPL's accountant.

There were other data validity challenges. SRPL did not track jyoti resignation dates or *monthly* per agent sales data. Also, some jyotis were still officially considered 'active', since they had placed some stove or pellet orders during the year, but had not been engaged in the business on a daily basis. For jyotis who had reduced or terminated their involvement early in a calendar year, the sales analysis may have understated their monthly sales earnings. On the other hand, the analysis may have overstated sales performance for other jyotis, since the dataset specifies the year during which jyotis *ordered* stoves and pellets from SRPL, rather than when they *sold* the stoves or pellets to customers. Since jyotis often held inventory for months, this analysis would have credited them prematurely for sales.

4.4. Caste of Agents

While caste is officially invisible,⁶⁶³ it continues to play a meaningful role in structuring society and exchange in rural India. However, since caste identity is a sensitive topic, broaching it directly risks both creating personal discomfort and legitimating and reinforcing such institutionalised discrimination. SSP's director, Prema Gopalan, asked that the author not collect data on caste directly. Therefore, jyotis and customers were not asked in questionnaires or interviews to reveal their caste or discuss its significance. Accordingly, the empirical evidence presented in this dissertation is limited to statements about caste made by villagers without prompting, as well as insight from managers and consultants who were directly involved in implementing the direct agent model at the village level.

⁶⁶³ Controversially, the Government of India conducted a caste census in 2011, the first such national survey since 1931, to verify the populations of various castes for the purpose of adjusting policies of positive discrimination.

However, since caste identity was hypothesised to influence agent sales, the author used an indirect method for establishing caste identity within the agent income analysis. Since caste is largely revealed through a person's last name, this data could be collected without asking respondents directly. Accordingly, two SRPL staff members, both from rural Maharashtra, were appointed to independently determine the caste of each agent. Where the two staff differed in their judgment, two source texts, Singh and Banu (2004) and Enthoven (1990), as well as SRPL's CEO, were consulted to help resolve the discrepancies.⁶⁶⁴ On the basis of this data, the author was able to determine whether a statistically significant difference existed in agent economic performance on the basis of caste.

4.5. Participant Observation

At the customer level, the author also used participant observation to provide rich, structured descriptions of local cooking practices and related rituals and symbols, and triangulate against survey results. The research followed Geertz's dictum: "Seek complexity and order it."⁶⁶⁵ As DeWalt and DeWalt (2002) explain, participant observation is "a method in which a researcher takes part in the daily activities, rituals, interactions, and events of a group of people as one of the means of learning the explicit and tacit aspects of their life routines and their culture."⁶⁶⁶ Participant observation has myriad benefits as a research tool: it "enhances the quality of data obtained during fieldwork..., enhances the quality of the interpretation of data, whether those data are collected through participant observation or by other methods. Participant observation is thus both a data collection and an analytic tool."⁶⁶⁷ In particular, the findings from this

⁶⁶⁴ (Singh, Bhanu 2004); (Enthoven 1990)

⁶⁶⁵ (Geertz 1973: 34)

⁶⁶⁶ (DeWalt, DeWalt 2002: 1)

⁶⁶⁷ (DeWalt, DeWalt 2002: 9)

research were useful to corroborate or contextualise claims made by survey respondents and unearth insights regarding the cookstove that were not revealed in survey answers.

In this research, the primary purpose of participant observation was to explore cooking and ritualistic practices related to the stove. This research was structured and focused rather than open-ended, as targeted insight into these practices was collected, rather than a more general observation of village life. The author hoped to uncover the various implications of this ‘modern’ cooking appliance within a rural household, including the extent to which symbolism, spiritual beliefs, and social structures had mediated product acceptance, usage and impact.

4.5.1. Implementation of Participant Observation Study

In March 2010, over a three-week period, the author observed domestic cooking practices of 18 households in 6 villages⁶⁶⁸ in rural Maharashtra.⁶⁶⁹ Households were selected in the following manner: first, 6 villages were randomly selected from the list of 30 villages visited in the 2007 small-N questionnaire study. Then, households were chosen randomly from the list of customers and non-BP customers previously interviewed (nine from each respondent category). Of the 18 households, 14 were Hindu, while 4 were Muslim.⁶⁷⁰ One of the 18 households (a Hindu non-BP customer) could not be located, and so was replaced with another Hindu non-BP customer household from the same village.

After identifying these households, the author approached the family with an SSP staff member and asked whether they would allow the research team to observe their cooking

⁶⁶⁸ Walki, Walsang, Apsinga, Pangri, Bamaniwadi, and Barshi

⁶⁶⁹ Osmanabad and Solapur districts

⁶⁷⁰ This happened to approximate the small-N study sample’s religious ratio.

practices.⁶⁷¹ The author then made a subsequent unannounced visit with an SSP staff member during the household's cooking hours (morning, noon or early evening—typically just after dusk). If the family offered, the author ate with them.⁶⁷² Each visit lasted approximately two hours.

4.5.2. Limitations of Participant Observation

This consumer-focused study aimed to learn the extent to which non-economic logics are at work in the exchange process, and the importance of religion and spirituality in the cooking process. It did not intend to comprehensively explain the complex and nuanced role of religion (or caste for that matter) within the cooking process, or the sales model. Even Geertz (1973), whose ethnographic research was far more in-depth, noted:

Nor have I ever gotten anywhere near to the bottom of anything I have ever written about...Cultural analysis is intrinsically incomplete. And, worse than that, the more deeply it goes the less complete it is. It is a strange science whose most telling assertions are its most tremulously based, in which to get somewhere with the matter at hand is to intensify the suspicion, both your own and that of others, that you are not quite getting it right.”⁶⁷³

The role of the author was what King *et al.* (1994) call an ‘interpretivist’: a researcher who is culturally immersed, has rich subject knowledge, and aims to thickly describe—but not explain—village-level behaviour. Heeding Geertz’s caution, the author tried to not misinterpret symbols and practices through a naïve reliance on personal preconceptions and assumptions (i.e. confusing winks with eyelid contractions). The author developed a rich sense of local symbols and practices through a reflexive and iterative learning process of guess and check, by asking lots of questions (and often the same question several different ways), and getting assistance in identifying and translating signs and construing meaning from the local SSP staff who were part of the research team. These

⁶⁷¹ The author asked them what time they typically prepared their meals. Several thought it strange that the author was interested in watching them cook and eat but all were welcoming nonetheless.

⁶⁷² As DeWalt and DeWalt (2002) explain, “Eating all that is presented is probably a cardinal rule of anthropological fieldwork” (53).

⁶⁷³ (Geertz 1973: 29)

steps helped the author to better grasp “what people are up to...[for they familiarized me] with the imaginative universe within which their acts are signs.”⁶⁷⁴

However, the depth of insight that could be obtained was restricted by peripheral membership⁶⁷⁵ and moderate degree of participation.⁶⁷⁶ The author’s membership was peripheral for several reasons. First, the author was an outsider—a curious foreigner who asked questions about daily cooking activities, and related symbols and rituals. Second, the author did not live in the villages, which would have led to greater understanding, but rather ‘commuted’ during cooking hours to observe practices.⁶⁷⁷ Third, following Loveridge (2006), “I was also aware of the injunctions of ethnomethodologists such as Geertz (1973) on the importance of attempting to penetrate the ‘native perspective’—without always being in possession of the ‘native language’ or ‘situated vocabularies’.”⁶⁷⁸ Not a native speaker of Marathi, the local language, the author required a translator, which invariably upset the naturalness of interactions with the local families, and at times made it difficult to probe further into respondent answers. While the author had a basic proficiency in Hindi, which villagers generally understood, a limited vocabulary precluded “using everyday conversation as an interviewing technique.”⁶⁷⁹ Clearly recognised by the subjects as a researcher, the author’s moderate degree of participation and involvement also presented constraints. Moreover, the author watched the activities under investigation (e.g. cooking) but did not participate directly in them (except enjoying the prepared meal). This was not for lack of effort. In one of the first household visits, the author asked to help cook. At first the woman of the house just laughed. When pressed, she obliged. However, the author realised very quickly the imposition both interrupted

⁶⁷⁴ (Geertz 1973: 13)

⁶⁷⁵ (Adler, Adler 1987)

⁶⁷⁶ (Spradley, Baker 1980)

⁶⁷⁷ (DeWalt, DeWalt 2002)

⁶⁷⁸ (Loveridge 2006: 195)

⁶⁷⁹ (DeWalt, DeWalt 2002: 4)

the cooking process and made the experience contrived. After this experience, the author's role very intentionally remained more observation than participation.⁶⁸⁰

5. Conclusion

This chapter presented an overview and defence of the research methods utilised within this dissertation. The first half of the chapter explained the use of method triangulation substantiate findings. It described how the data collection logic supports the research objectives at each level of analysis. The second half of the chapter provided a description and chronology of each stage of data collection and an exposition of the advantages and limitations of each method.

⁶⁸⁰ DeWalt and DeWalt (2002) note that these processes are “in some sense contradictory. Pure observation seeks to remove the researcher from the scene of actions and behaviors, while pure participation immerses the researcher in the scene of actions and behaviors” (33).

Chapter 5: Dynamics of Hybrid Partnership

This chapter will explore whether a hybrid partnership—in which actors come from heterodox institutional contexts, must manage a multiplicity of distinct environmental pressures, have no prior relationships or experience collaborating, and adhere initially to different logics of action—can develop the bridging and translational skills to reach a degree of congruence effective to both parties and to joint operation.⁶⁸¹ It will evaluate whether the partners establish mutual trust and balanced power dynamics. It will investigate whether the partners maintain their organisational identity, or whether, and in what ways, their identities are transformed through the partnership process.⁶⁸²

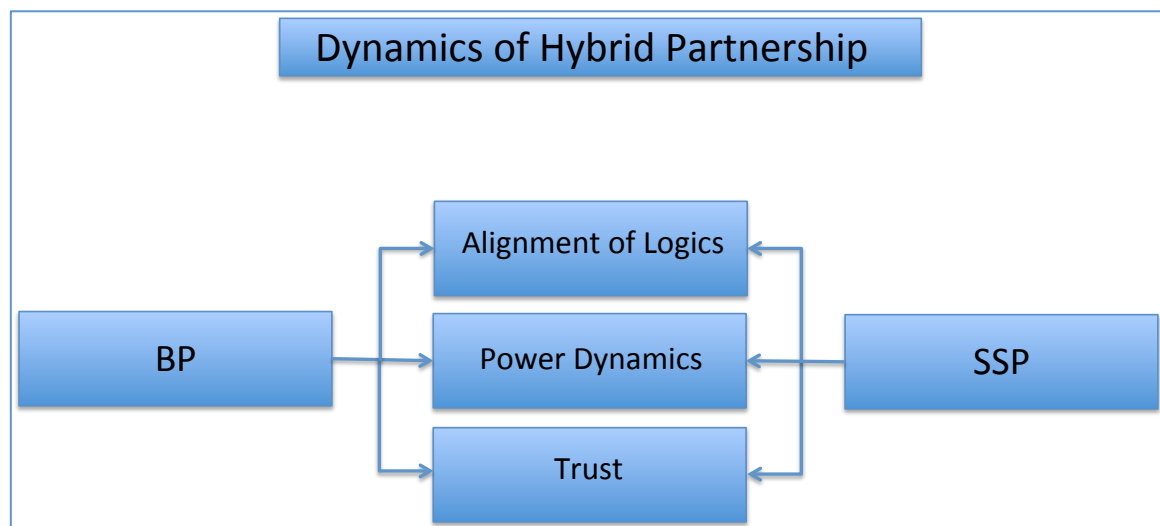


Figure 5.1: Hybrid Partnership Framework

The chapter will begin by presenting an abridged case narrative from the partnership's inception to the present. Then, it will apply the theoretical framework (*Figure 5.1, above*) to evaluate the preconditions to successful operations at each stage of hybrid partnership: pre-partnership (2005); contracting (2005-6); BP partnership (2006-8); divestment to FirstEnergy (2009-present). Finally, using the same framework and the

⁶⁸¹ (Albert, Whetten 1985); (Borys, Jemison 1989); (Mars, Lounsbury 2009)

⁶⁸² (Albert, Whetten 1985)

empirical findings of the previous sections the chapter will briefly evaluate the BoP script's rationale for prescribing NGO partnership as a strategy for MNCs to retail goods in BoP markets.

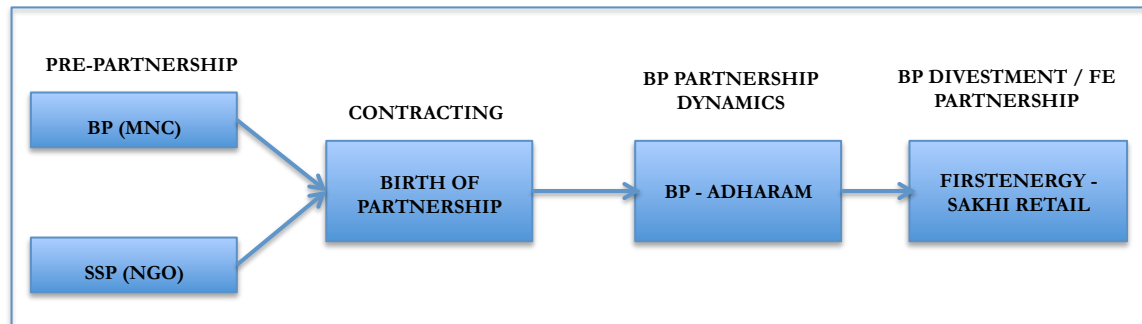


Figure 5.2: Stages of Partnership

The above chronology of the BP-SSP partnership details the stages of collaboration and organisational participants. In the pre-partnership stage, BP and SSP were independent organisations without prior relations. During the contracting phase, which lasted from March 2005 until March 2006, BP negotiated and signed a contract with Adharam, SSP's newly created, for-profit subsidiary, which legally launched their distribution partnership. From March 2006 until December 2008, BP and Adharam retailed cookstoves and pellets in rural Maharashtra. In January 2009, BP-Global announced plans to divest its India cookstove business, which was purchased in July 2009 by FirstEnergy Private Limited (FE). In January 2009, Adharam changed its name to Sakhi Retail Private Limited (SRPL), to reflect its shift to retailing a broader portfolio of products.

1 Case Study

1.1 Partners

BP, a UK-headquartered MNC, is the world's third largest energy company.⁶⁸³ Its core business is the exploration, production, refinement, trading, and distribution of oil and gasoline.

Swayam Shikshan Prayog, which translates in Hindi as 'self-education for empowerment', was established in 1989 as a non-profit society to promote learning and development among poor rural women. SSP is headquartered in Mumbai, India and its primary areas of operations are five districts in Maharashtra: Osmanabad, Solapur, Latur, Nanded, and Beed. Over time, SSP evolved to become an NGO that addressed issues such as disaster relief, rural community development, and women's empowerment. In 1998, SSP launched a microfinance practice, which organised its female beneficiaries into self-help groups (SHGs)⁶⁸⁴ and provided access to credit.⁶⁸⁵ By 2005, SSP had built a network of over 3,000 SHGs across 1,000 villages in Maharashtra with a potential reach of approximately 250,000 households.⁶⁸⁶

1.2 Origins of the Partnership

⁶⁸³ BP is a completely distinct entity from Bharat Petroleum Corporation Limited (BPCL), the Indian national oil company.

⁶⁸⁴ A self-help group is a savings and loan club that doles loans to its members, typically low-income women, either out of the accrued savings or through a bank linkage.

⁶⁸⁵ "Summary of SSP Activities by Khemka Foundation Award Committee" (2008)

⁶⁸⁶ (Bhatia, Fumis *et al.* 2009)

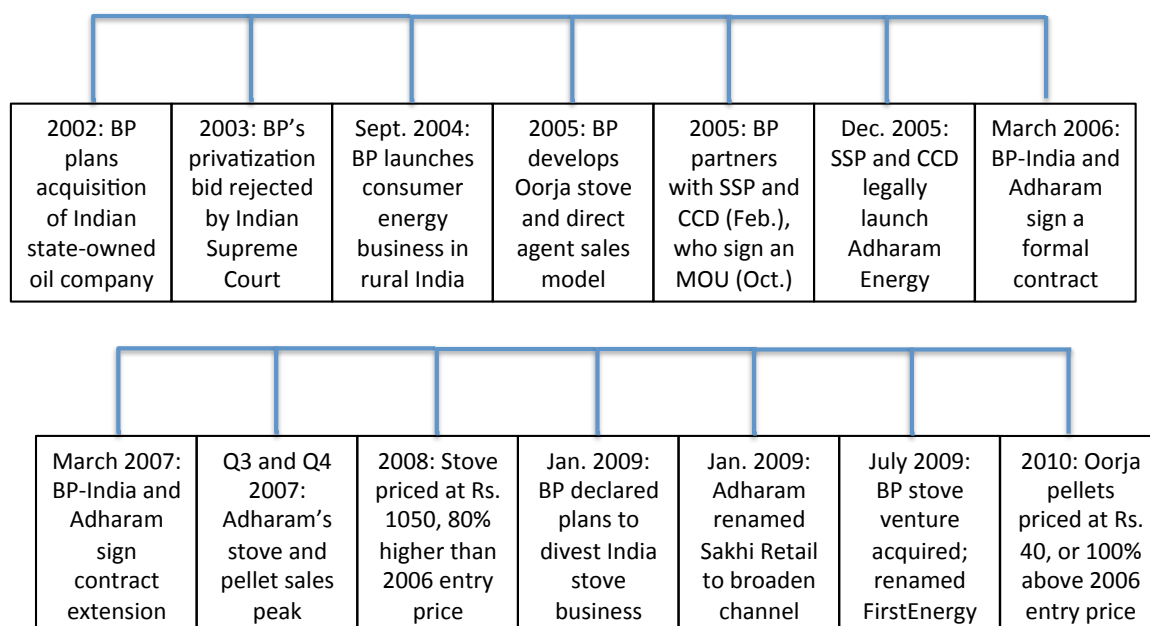


Figure 5.3: Timeline of Partnership's Key Milestones

In 2002, BP planned to enter the Indian energy market by purchasing a majority stake in Hindustan Petroleum Corporation Limited (HPCL), one of the state-owned National Oil Companies (NOCs).⁶⁸⁷ However, the privatization bid failed due to domestic Indian political pressure.⁶⁸⁸ BP was still eager to establish operations in India, so John Manzoni, BP's Director of Downstream Operations, met with Professor CK Prahalad and Craig Cohon, a former executive at Coca-Cola, in early 2004. Prahalad and Cohon—partners of The Next Practice (TNP),⁶⁸⁹ a BoP consultancy—convinced Manzoni that BP could instead enter the consumer energy market by focusing on low-income, rural households. Manzoni secured internal support from other senior managers, including CEO Lord John Browne, for the planned rural BoP market entry. BP then recruited internally a

⁶⁸⁷ (CEE 2003)

⁶⁸⁸ Under the market-oriented Bharatiya Janata Party (BJP) government, privatization conditions were favourable. Yet in 2003, the Indian Supreme Court abruptly halted the privatization process until the Central Government received prior approval from the Legislature. Unfortunately for BP, the Supreme Court's judgement was promptly followed by national elections. The incoming Congress Party-led United Progressive Alliance was sceptical of foreign ownership in the energy sector and so refused to push the planned privatization through Parliament (Barua 2004).

⁶⁸⁹ TNP's other two partners were Jeb Brugmann, an urban policy expert, and Yann Risz, an ex-McKinsey consultant. Avik Roy was TNP's lead day-to-day implementation consultant.

global team to start the new business, assisted by TNP. In September 2004, BP launched this new venture, code-named 'Project Peacock'.⁶⁹⁰

BP's core downstream consumer business is gas stations,⁶⁹¹ a model poorly suited to rural India. In a market where bullock carts outnumber cars, and motorbike fuel is heavily subsidised for BoP households, BP reasoned it would not make sense to focus on vehicle fuel. Moreover, gas stations have high fixed infrastructural costs, which would not be recouped by retailing fuel to a diffuse consumer base with low individual purchasing power. Thus, the product offering and business model would have to be re-thought and re-engineered. BP instead decided to compete in the cooking fuel business.⁶⁹² Prahalad proposed that BP adopt the 'Tupperware-Avon woman' door-to-door sales model that Hindustan Lever⁶⁹³ rolled out for 'Project Shakti', its rural Indian business.⁶⁹⁴ This model involves appointing female agents from an NGO's SHGs to serve as village product distributors. Prahalad explained that BP could leverage NGOs' village-level microfinance network as a channel for its stoves and pellets.

For this market, BP developed a 'smokeless' cookstove, branded 'Oorja', and biomass fuel pellets,⁶⁹⁵ made from agrowaste, a clean and sustainable energy source.⁶⁹⁶ An independent research institute concluded that the Oorja stove emitted 71 percent less

⁶⁹⁰ Jeb Brugmann (3 October 2007)

⁶⁹¹ BP operates nearly 22,000 gas stations/retail outlets ("BP at a glance" www.bp.com).

⁶⁹² Reasons included: Liquefied Petroleum Gas (LPG) penetration in rural areas was low due to logistics and high price; firewood was expensive to purchase or time-intensive to gather.

⁶⁹³ The Indian subsidiary of Unilever.

⁶⁹⁴ Jeb Brugmann (3 October 2007); See also (Prahalad 2004) and (Rangan, Rajan 2005).

⁶⁹⁵ These pellets emit 15 ppm of carbon monoxide compared to 3 ppm for LPG and 55 ppm for firewood (Ravikumar Dhulipala 1 October 2007).

⁶⁹⁶ The pellets are made from 85 percent peanut shell or sugar cane stalk residue, 12 percent de-oiled rice meal waste, and 3 percent molasses (Ravikumar Dhulipala 1 October 2007).

carbon monoxide, 34 percent less suspended particulate matter, and was nearly four times more fuel-efficient than a traditional firewood stove.⁶⁹⁷

1.3 Pre-Partnership/Initial Contracting:

In February 2005, BP launched its NGO channel relationship strategy with Maharashtra-based SSP and Tamil Nadu-based Covenant Centre for Development (CCD).⁶⁹⁸ In October 2005, BP signed a ‘Memorandum of Understanding’ (MOU) with SSP and CCD.⁶⁹⁹ In December 2005, SSP and CCD formed Adharam Energy Private Limited (‘Adharam’),⁷⁰⁰ a for-profit energy distribution company run by their NGO staff. To retain their non-profit status, the NGOs spun-off this venture as a separate entity. While BP-Global and the NGOs retained operational, financial, and strategic influence over the partnership, and while the subsidiaries continued to leverage their parent organisations’ resources and capabilities (e.g. SSP’s SHG network, BP’s financial capital), the parent organisations were not formal parties to the hybrid partnership.⁷⁰¹ In March 2006, after 12 months of negotiations, BP-India and Adharam signed the ‘Stoves and Pellets Distributorship Agreement.’ Despite the contractual amalgamation between SSP and CCD, Adharam operated *de facto* as two entirely autonomous companies⁷⁰² (and is therefore effectively two different case studies). This thesis focuses exclusively on BP’s partnership with SSP in Maharashtra.

⁶⁹⁷ (Cohen 2008); Thermal efficiency is measured as the amount of heat input compared to heat output. BP’s current biomass stove model has 47 percent - 48 percent efficiency while LPG has 54 percent efficiency (Ravikumar Dhulipala 1 October 2007).

⁶⁹⁸ Prema Gopalan (22 September 2007)

⁶⁹⁹ MOU signed 15 October 2005.

⁷⁰⁰ ‘Memorandum of Association of Adharam Energy Private Limited’ (Signed 30 December 2005); The Memorandum three objectives: “[1] To procure, sell, distribute and deal in energy products and energy related appliance goods and services...[2] to provide training for the use of such products, storage and establish support services to individual entrepreneurs or groups of individuals in managing the distribution process...and [3] to promote consumer education and awareness about the use of energy products.”

⁷⁰¹ Borys and Jemison (1989) note the importance of delineating “which part(s) of each partner will belong to the hybrid” (236).

⁷⁰² Adharam is run in Maharashtra by SSP and in Tamil Nadu by CCD. Aside from this section, which aggregates SSP and CCD’s sales, this thesis will use the term ‘Adharam’ to refer to SSP’s Maharashtra-based enterprise, unless otherwise noted.

1.4 Operational BP Partnership

The BP-Adharam partnership lasted from March 2006 to December 2008, until BP divested the business. During this period, Adharam sold approximately 60,000 Oorja stoves and 500,000 five-kilogram bags of pellets.⁷⁰³ In March 2007, BP and Adharam signed a ‘Menu of Services’ contract, which extended the ‘Stoves and Pellets Distributorship Agreement’ through December 2007 but added as an addendum the following commitments: BP would cover Adharam’s 2006 and 2007 losses and pay SSP Rs. 10,000 (\$220) for every new agent recruited and trained through December 2007.⁷⁰⁴ During this period, stoves and pellet sales peaked (see *Figures 5.3 and 5.4*, below).

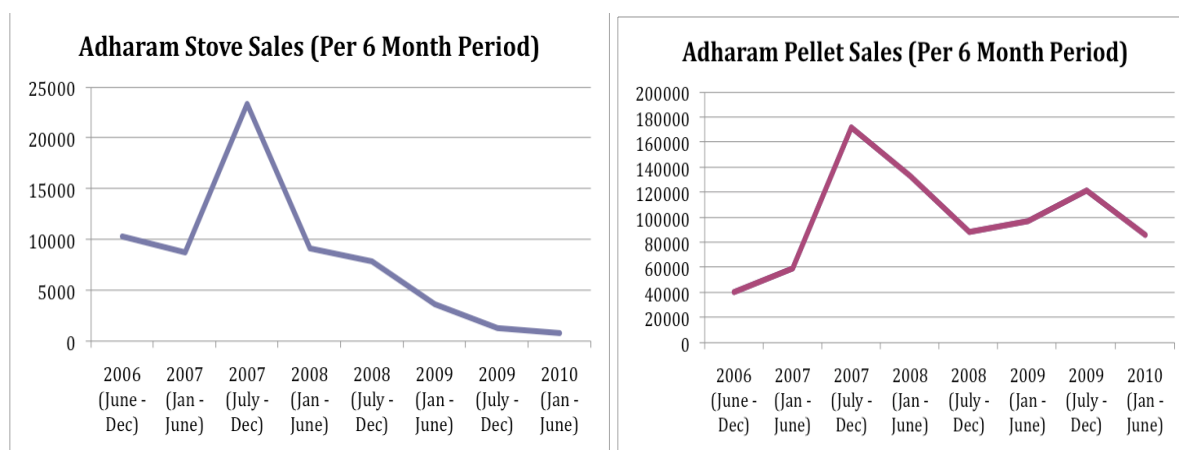


Figure 5.4: Adharam Stove Sales⁷⁰⁵

Figure 5.5: Adharam Pellet Sales (kgs)⁷⁰⁶

BP and Adharam had very different expansion capabilities. SSP’s SHG network was geographically constrained to five districts in Maharashtra and could not grow rapidly. Therefore, once BP learned how to build a rural distribution channel independently, it hired village agents directly.⁷⁰⁷ While it retained its Adharam partnership, BP sold an

⁷⁰³ Author’s audit and analysis of Adharam’s internal sales records (2011). These figures include CCD’s sales of ~17,000 stoves and ~220,000 pellets.

⁷⁰⁴ ‘Menu of Services’ agreement between BP and SSP (March 2007)

⁷⁰⁵ Author’s audit (2011)

⁷⁰⁶ Author’s audit (2011)

⁷⁰⁷ An evaluation of BP’s independent distribution strategy is beyond the exploratory scope of this dissertation

additional ~450,000 cookstoves through this self-operated channel across Maharashtra, Karnataka, Tamil Nadu, and Madhya Pradesh.⁷⁰⁸

1.5 Divestment to FirstEnergy

In January 2009, BP-Global announced plans to sell its India cookstove business.⁷⁰⁹ BP shut its operations and told Adharam to temporarily stop selling stoves.⁷¹⁰ BP divested the business in the face of strong performance expectations.⁷¹¹ BP was under tremendous pressure to match rival Exxon-Mobil's profitability,⁷¹² and this business was losing millions of dollars each year.⁷¹³ While several outside investors (e.g. Acumen Fund) conducted due diligence on the venture, none decided to acquire the business. Ultimately, the ex-BP-India management team purchased the company in July 2009 for one rupee (\$0.02),⁷¹⁴ and now run the venture as a start-up called 'FirstEnergy' (FE). Over the 18-month period ending June 2010, the Adharam channel sold only 5,000 additional stoves.⁷¹⁵

Adharam remained a partner of the newly established entity. However, it began to retail other household goods (including Hindustan Lever's Pureit water filtration device, Godrej's ChotuKool refrigerator, D. Light's solar lantern, and Honeywell's solar water heater) and changed its name to Sakhi Retail Private Limited.⁷¹⁶ As of June 2010, Adharam accounted for 65,000⁷¹⁷ (or 12 percent) of BP/FirstEnergy's 550,000 aggregate

⁷⁰⁸ Mahesh Yagnaraman (24 December 2010)

⁷⁰⁹ Prema Gopalan (3 December 2010)

⁷¹⁰ Upmanyu Patil (13 April 2010)

⁷¹¹ Mahesh Yagnaraman (24 December 2010); Upmanyu Patil (18 December 2010); BP senior official (7 October 2009)

⁷¹² Unlike BP, which had moved 'beyond petroleum' to renewable and alternative energy, Exxon remain focused on their core oil business, and had earned in 2008 profits of \$45 Billion to BP's \$25.6 Billion (Forbes 2009).

⁷¹³ BP senior official (7 October 2009)

⁷¹⁴ BP senior official (7 October 2009)

⁷¹⁵ Author's audit of Adharam's internal sales records (July 2010)

⁷¹⁶ Field Visit to SRPL in Osmanabad, India (12 – 15 April 2010); Upmanyu Patil (13 April 2010).

⁷¹⁷ Author's audit (July 2010). Includes Adharam (SSP and CCD) and SRPL sales (2006 – 2010).

Oorja sales.⁷¹⁸ Moreover, the newly established FE channel shifted from retailing stoves and pellets to BoP households to selling them to the urban middle class and to commercial establishments.

2 BoP Script's Logic for Promoting Hybrid Partnership

Having provided a chronology of the partnership, this section will briefly introduce the BoP script's justification for NGO partnership as a BoP entry strategy for MNCs. The section will draw specifically on Brugmann and Prahalad (2007), a noteworthy text because its authors were two of the TNP consultants who advised BP on the launch of their hybrid NGO partnership model in rural India,⁷¹⁹ it is the only scholarly article published about the BP-SSP partnership, it was co-authored by Prahalad, an originator of the BoP proposition,⁷²⁰ and it has become a key text within the BoP prescriptive script, and management studies more broadly.⁷²¹

Brugmann and Prahalad (2007) argue that corporations should partner with NGOs to establish pro-poor businesses that aim to achieve both profits and social impact.⁷²² The authors term this form of hybrid partnership 'co-creation', and argued this structure is an optimal organisational arrangement for a corporation to engage the BoP market.

According to the co-creation thesis, the MNC and NGO partners each play an integral role in the other's capacity to generate stakeholder value.⁷²³ The partners are assumed to develop shared logics (e.g. by aligning objectives, norms, and activities), balance power dynamics (e.g. by each contributing unique capabilities and participating jointly in every

⁷¹⁸ Mahesh Yagnaraman (24 December 2010)

⁷¹⁹ This relationship raises issues regarding the power dynamics of discourse, the imposition of myths by institutional entrepreneurs, and the portrayal of reality to advance certain interests. See for instance, (Munir, Phillips 2005) and (Sahlin-Andersson 1996).

⁷²⁰ (Prahalad, Hart 2002); (Prahalad 2004)

⁷²¹ For instance, Brugmann and Prahalad (2007) won the 2007 McKinsey Award as the best article published in *Harvard Business Review*.

⁷²² (Brugmann, Prahalad 2007)

⁷²³ (Brugmann, Prahalad 2007:89-90)

aspect of the initiative), and forge mutual trust (e.g. by sharing information freely, making credible, long-term commitments, and prioritising collective goals over self-interest).⁷²⁴

The authors cited the BP-SSP partnership as a key example of co-creation and drew on evidence from the case to back their thesis.

The rest of this chapter will apply this theoretical framework to systematically evaluate the same three dimensions of partner dynamics (institutional logics, power, and trust) across each phase of the collaboration: pre-partnership, contracting, operational BP partnership, and BP's divestment to FirstEnergy. After reviewing the empirical findings, it will return to Brugmann and Prahalad (2007) to evaluate the BoP script's hybrid partnership prescriptions.

⁷²⁴ (Brugmann, Prahalad 2007:89-90)

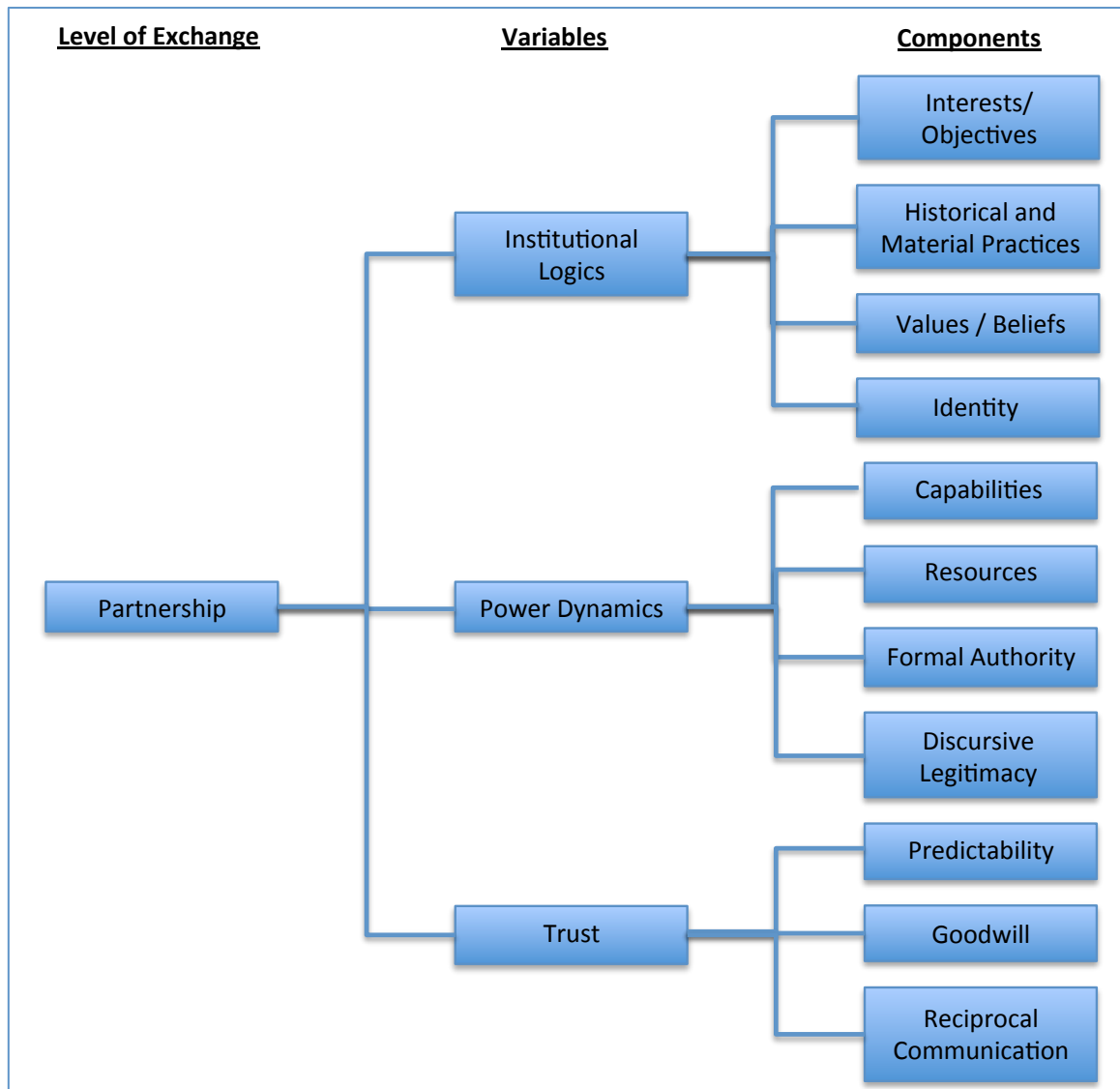


Figure 5.6: Detailed Hybrid Partnership Framework

3. Pre-Partnership

This section will assess, at the point of BP and SSP's initial partnership discussions, the relationship in logics, balance of power, and degree of trust.

3.1 Institutional Logics

3.1.1 Interests and Objectives

BP-Global launched its cookstove venture in rural India primarily for two reasons. Its principal rationale was that it viewed the retailing of clean cooking fuel in rural India as a

substantial, long-term business opportunity, and one that was consistent with BP's stated goal of moving "Beyond Petroleum."⁷²⁵ BP was willing to accept forecasted operating losses for the venture's first five years of operations, as part of BP's broader goal of gaining significant market share in the Indian household energy market.⁷²⁶ BP's secondary reason was that Lord John Browne, CEO of BP-Global, was a proponent of corporate citizenship.⁷²⁷ He viewed projects such as this as opportunities to improve the health of poor people and have a positive environmental impact.⁷²⁸

SSP was interested in partnering with BP for four reasons.⁷²⁹ First, SSP saw this project as an opportunity to create employment opportunities as village sales agents for its SHG members.⁷³⁰ Second, SSP wanted to provide villagers with access to household goods like cookstoves that would enhance living standards and reduce poverty and disease.⁷³¹ Third, Hivos,⁷³² one of SSP's largest donors, would only provide further funding if the NGO launched revenue-generating projects.⁷³³ Fourth, SSP was excited by BP's value proposition: BP would cover the partnership's entire upfront investment and provide SSP with access to low-interest credit, fund an awareness-raising campaign on household air pollution in SSP's villages, and teach SSP how to build and run a sustainable business.

⁷²⁵ "Beyond Petroleum" was British Petroleum's \$200 million public relations campaign, launched in 2001, to reposition the company as environmentally friendly (source: <http://www.bp.com/genericarticle.do?categoryId=2012968&contentId=2001578>). Mahesh Yagnaraman and Mukund Deonkagar (1 October 2007); Avik Roy (3 October 2007); Mahesh Yagnaraman (24 December 2010).

⁷²⁶ Avik Roy (3 October 2007)

⁷²⁷ (Browne 2007)

⁷²⁸ Mahesh Yagnaraman (24 December 2010); (Browne 2007)

⁷²⁹ Prema Gopalan (21 September 2007); Upmanyu Patil (3 October 2007); Upmanyu Patil (13 April 2010)

⁷³⁰ Prema Gopalan (21 September 2007)

⁷³¹ Prema Gopalan (21 September 2007)

⁷³² Hivos, or the 'Humanist Institute for Cooperation' is a Dutch organisation that "promotes development with humanist values."

⁷³³ Prema Gopalan (21 September 2007); Hivos' continued financial support was contingent upon the NGO establishing "clear business plans for sustainability of the institutions promoted" (source: <http://www.hivos.nl/eng/community/partner/10002497>). In response, SSP formed: Sakhi Samudaya Kosh, a spun-off microfinance network; Sakhi Retail, an FMCG channel; Sakhi Construct, a village masonry company; Sakhi Health Mutual, a health mutual program, and Adharam, a rural energy distribution channel.

Also, SSP liked BP's prototype 'smokeless' stove designs.⁷³⁴ Reflecting on the partnership, Adharam/SRPL's CEO, Upmanyu Patil said, "BP developed a good product that has positive health benefits. The company was willing to fund our losses and create livelihood opportunities. We only signed a one-year contract, and so were not sure what would happen after one year."⁷³⁵

3.1.2 Material Practices

SSP is a rural community development organisation whose core activities are focused on poor women and historically comprised disaster resilience and management, loan provision and vocational skills training, and awareness-raising regarding health and hygiene.⁷³⁶ All of SSP's veteran staff were trained as social workers; the NGO did not have any professionals with formal business education or supply chain management experience. SSP had never worked with an MNC.⁷³⁷ Moreover, the staff was modestly compensated, did not have a formal organisational hierarchy, and was rarely fired for poor performance.⁷³⁸

BP, by contrast, was output-focused, with incentives and practices structured around performance and efficiency. The BP-India management team had extensive business experience, and faced pressure from headquarters to meet ambitious financial targets, for which they were well compensated.⁷³⁹ Perhaps most significantly, the BP team had no experience operating in India's villages or partnering on a core business with an NGO.⁷⁴⁰

⁷³⁴ Prema Gopalan (21 September 2007); Upmanyu Patil (3 October 2007; 13 April 2010).

⁷³⁵ Upmanyu Patil (13 April 2010)

⁷³⁶ "Summary of SSP Activities by Khemka Foundation Award Committee" (2008)

⁷³⁷ Upmanyu Patil (3 October 2007)

⁷³⁸ As Yagnaraman explained, "Many of [SSP's staff] may have jobs forever, and maybe that's not a good thing" (1 October 2007).

⁷³⁹ Avik Roy (4 October 2007)

⁷⁴⁰ Mahesh Yagnaraman (1 October 2007); Prema Gopalan (24 September 2007)

There were also cultural differences between the staff of each organisation. While most of SSP's (and all of Adharam's) staff had lived their entire lives in rural India,⁷⁴¹ the BP-India management team grew up in India's cities, studied at elite Indian universities, and had experience working abroad.⁷⁴²

3.1.3 Values and Beliefs

Discursively, there was overlap in the two organisation's stated values and beliefs. SSP's mission was "to enhance the dignity, power, and opportunity of poor women, and make them active partners in SSP's community development efforts."⁷⁴³ SSP's director Prema Gopalan argued, "We must help rural women become not just economically self-sufficient but also the business leaders of tomorrow in their communities."⁷⁴⁴

Lord Browne, the CEO of BP-Global, believed business should not be exclusively profit maximising but should incorporate social impact and environmental sustainability into the firm's core business activities:

There are two oversimplified views about the role of business, and I believe both are wrong. The first says that the purpose of business is to make money, and to deliver something called shareholder value. The other says that we should do that, but that to balance what by implication we are taking out of society in the form of profits, we should pursue a program of what is called corporate social responsibility... Why are those ideas too simple? Well I don't think that a business, which just generated money, would be a very good business—it wouldn't invest in the future, for one thing; it wouldn't develop people or ideas or markets or new products. Business is surely about the long-term, and not just about tomorrow. Nor is responsibility something to be added on as an afterthought, or as a PR gloss. I believe that a good successful business is part of society, and exists to meet society's needs – that's the purpose of business at the highest level.⁷⁴⁵

⁷⁴¹ Adharam managers (September - October 2007)

⁷⁴² Mahesh Yagnaraman (1 October 2007); Avik Roy (4 October 2007)

⁷⁴³ Prema Gopalan (24 September 2007)

⁷⁴⁴ Prema Gopalan (24 September 2007)

⁷⁴⁵ (Browne 2007)

BP believed market-based solutions to be the most effective mechanism for economic development—a neo-liberal argument also advanced by the BoP script.⁷⁴⁶ BP-India’s CEO, Mahesh Yagnaraman, contended that corporations are more efficient distributors of essential goods and services, and that hand-out models create dependence and are not economically sustainable. He argued that when people receive goods for free, “it is not that they devalue it, but the value perception around it is different [than] when they put in their own money.”⁷⁴⁷ Accordingly, he believed the BP-SSP venture aimed to change rural poor people “from subjects to consumers. When they become consumers, the critical thing that changes is that they demand, and they tell you what they like...[and] what they don’t like.”⁷⁴⁸

SSP was willing to partner with BP to establish a for-profit enterprise, but Prema Gopalan was emphatic that SSP would “not compromise [its] social values to do so.”⁷⁴⁹ BP flipped this position and argued that the venture must be financially sustainable to achieve long-term social impact.⁷⁵⁰

3.2 Power Dynamics

3.2.1 Capabilities

As Powell *et al.* (1996), Dyer and Singh (1998), Hamel (1991) and Hamel *et al.* (1989) each explain, a central rationale for partnership is to acquire skills, assets, and market knowledge that cannot be established independently. Patil, Adharam’s CEO, summarised the unique capabilities that each organisation could contribute to the partnership: “SSP

⁷⁴⁶ For instance, Hart argues: “It is tragic that as Western capitalists we have implicitly assumed that the rich will be served by the corporate sector (MNCs), while governments and NGOs will protect the poor and the environment (Hart 2007: 164).

⁷⁴⁷ Mahesh Yagnaraman (1 October 2007); This hypothesis—that low-income households do not value cookstove hand-outs—is backed by empirical evidence by several South Asia-focused studies (e.g. Grant, Mobarak 2011; Kishore, Ramana 2002).

⁷⁴⁸ Mahesh Yagnaraman (1 October 2007)

⁷⁴⁹ Prema Gopalan (6 October 2007)

⁷⁵⁰ Mahesh Yagnaraman (1 October 2007)

brought rural capabilities—an understanding of the community, and what works and what doesn't. BP brought business capabilities.”⁷⁵¹ Consistent with an argument for hybrid partnership advanced by Hardy *et al.* (2003), BP partnered with SSP partly to acquire the latter's local market knowledge. SSP brought insight into nearly 1,000 villages, which it had developed over nearly 20 years of rural operations. The SSP staff knew the community leaders, and could engage in rural business inexpensively (e.g. acquiring land for warehouses below market rates).⁷⁵² Through its microfinance and awareness-raising activities, SSP had developed capabilities in training and recruiting village agents and community marketing.⁷⁵³ These capabilities were particularly beneficial for the BP team, which was comprised of urban professionals who had spent little time in rural India.⁷⁵⁴ SSP partnered with BP to both gain access to, and develop its own business capabilities, which SSP required to establish a financially sustainable distribution channel.⁷⁵⁵ At the time, SSP had no experience in product development and logistics,⁷⁵⁶ and only very rudimentary skills in accounting and financial management outside of its central Mumbai office.⁷⁵⁷

In terms of product development capabilities, BP forged a partnership with the Indian Institute of Science-Bangalore (IIS-B) to design and develop new cookstove and biomass pellet technologies.⁷⁵⁸ BP provided IIS-B with funding to continuously innovate on both products.⁷⁵⁹ The BP team, which worked alongside IIS-B, included product development expert Ravikumar Dhulipala, who in his previous position at Hindustan Lever helped

⁷⁵¹ Upmanyu Patil (18 December 2010)

⁷⁵² Mukund Deonkagar (1 October 2007); Avik Roy (3 October 2007); Upmanyu Patil (14 April 2010)

⁷⁵³ “[M]anaging the network, the social part, building the conscious, building the value around that...training them, motivating them, I think those are elements [the NGOs] are very good at” (Mukund Deonkagar 1 October 2007).

⁷⁵⁴ Avik Roy (4 October 2007)

⁷⁵⁵ Prema Gopalan (21 September 2007); Upmanyu Patil (18 December 2010)

⁷⁵⁶ As Mahesh Yagnaraman explained, the “NGOs were getting into distribution, getting into areas they have never done” (1 October 2007).

⁷⁵⁷ Direct observation (2006).

⁷⁵⁸ Ravikumar Dhulipala (1 October 2007)

⁷⁵⁹ Ravikumar Dhulipala (1 October 2007)

develop and launch its Pureit home water filtration system (also designed for to the BoP market).⁷⁶⁰

With respect to distribution and logistics, BP could rely on the local expertise of its Castrol subsidiary, which had been operating in India for 80 years.⁷⁶¹ Over this period, Castrol had built a wide distribution network selling automotive lubricants in urban and peri-urban markets.⁷⁶² However, Castrol had no rural BoP distribution presence or experience. The BP-India team was headed by two business professionals with broad expertise in strategy, sales and marketing, and supply chain logistics: CEO Mahesh Yagnaraman, previously at Unilever and Castrol, and National Expansion Manager Mukund Deonkagar, formerly a senior manager at Castrol.⁷⁶³

3.2.2 Resources

Another rationale for partnership is market access.⁷⁶⁴ BP partnered with SSP to leverage the latter's network of SHG women as distribution agents, reach approximately 250,000 rural Indian households, and gain trust among villagers.⁷⁶⁵ BP planned to use this network as a scaled product distribution channel with SHG members as agents. As Yagnaraman noted candidly: "We are dealing with the NGOs for their social networks."⁷⁶⁶ Deonkagar added: "The NGOs know these people, they have spent time in these areas. This gives us a huge jump in terms of relationship creation. If I'm not working with them and we have to start from scratch, it will suck a lot of time, effort,

⁷⁶⁰ Ravikumar Dhulipala (1 October 2007)

⁷⁶¹ www.castrol.com ("Castrol India About Us")

⁷⁶² www.castrol.com ("Castrol India About Us")

⁷⁶³ Mahesh Yagnaraman (1 October 2007)

⁷⁶⁴ (Thorelli 1986); (Hardy, Phillips *et al.* 2003)

⁷⁶⁵ Mukund Deonkagar (1 October 2007)

⁷⁶⁶ Mahesh Yagnaraman (1 October 2007)

and money.”⁷⁶⁷ In other words, BP partnered to reduce the transaction costs of engaging a new market.⁷⁶⁸

BP also partnered with SSP to gain legitimacy in a new market setting, a rationale for partnership noted by Suchman (1995) and Deephouse and Suchman (2008). BP recognised that without SSP’s partnership it would have been viewed by prospective agents and customers with scepticism and mistrust. In rural India, BP had no local legitimacy, relationships, or brand recognition. Lord Browne, CEO of BP-Global, viewed local trust as an essential precondition to their partnership strategy: “Can we work with [other actors] on the basis of long-term mutual advantage?...We can only do that if they carry a degree of trust from the societies in which they are a part.”⁷⁶⁹ SSP had amassed a high level of trust within the villages in which it operated.⁷⁷⁰ Deonkagar concurred: “One reason we partnered with them is because they have credibility, as they have been working in [rural India] for quite some time.”⁷⁷¹ Remarkably, in a 2007 survey of Oorja owners, the BP brand was either unknown, confused with the state-owned oil company with a similar abbreviation,⁷⁷² or viewed with scepticism as a foreign corporation.⁷⁷³

As Trist (1983) explained, organisations often partner to acquire resources necessary to address problems that are otherwise insurmountable. In exchange for access to the rural markets, BP covered the venture’s entire up-front investment. At the time, SSP was a donor-dependent organisation and faced heavy and persistent capital constraints.⁷⁷⁴ In

⁷⁶⁷ Mukund Deonkagar (1 October 2007)

⁷⁶⁸ (Borys, Jemison 1989)

⁷⁶⁹ (Browne 2007)

⁷⁷⁰ 83 percent of agents and 76 percent of customers expressed trust for SSP (via survey answers: ‘SSP is committed to my community’s development’ and ‘SSP’s staff are honest’).

⁷⁷¹ Mukund Deonkagar (1 October 2007)

⁷⁷² BPCL (Bharat Petroleum Corporation Limited)

⁷⁷³ Author’s survey findings noted that nearly 60 percent of customers had never heard of BP. To reiterate, this brand ignorance and mistrust was among those who were BP’s customers, who associated the stove with SSP and Adharam.

⁷⁷⁴ Prema Gopalan (24 September 2007)

addition, the NGO was at risk of losing its largest funder, Hivos, if it did not shift to a market-based model of economic development, which the launching of this partnership would achieve. SSP's projected funding shortage had potentially existential consequences. BP, by contrast, had nearly unlimited access to capital; it had an AA+ credit rating⁷⁷⁵ (enabling it to secure very inexpensive financing) and in 2005 earned pre-tax profits of \$32.7 billion on revenues of \$249 billion⁷⁷⁶ (nearly one-third India's 2005 GDP).⁷⁷⁷

3.2.3 Formal Authority

SSP lacked an organisational structure with distinct roles or reporting channels.⁷⁷⁸ Gopalan defended her organisation's structure: "We do not have an organisational chart. Staff have broad mandates... Our structure gives staff scope to address development challenges comprehensively."⁷⁷⁹ According to BP, even though SSP did not have a formal operating structure, decision-making was hierarchical. As Mahesh Yagnaraman explained, "There is an amazing level of centralization of initiative and thought process... it is very top down. Few people who have a lot of ideas. The rest of them are implementers."⁷⁸⁰ While there were exceptions, most of the team lacked the confidence or initiative to propose new ideas or projects.⁷⁸¹ BP, on the other hand, created clearly defined responsibilities for its team members, who were expected to offer expertise and independently make decisions within their respective business area.⁷⁸² "BP's advantage is

⁷⁷⁵ Standard and Poor's Rating (28 October 2005)

⁷⁷⁶ 2005 BP Group's Cash Flow (www.bp.com)

⁷⁷⁷ India's 2005 GDP = \$784 billion (based on official exchange rate, not adjusted for purchasing power parity) (Economist 2006).

⁷⁷⁸ Direct observation (October 2007).

⁷⁷⁹ Prema Gopalan (21 September 2007)

⁷⁸⁰ Mahesh Yagnaraman (1 October 2007); His perspective was corroborated by this author's direct observation.

⁷⁸¹ Direct observation (2006 – 2007)

⁷⁸² Mahesh Yagnaraman (1 October 2007)

specialization,” said SSP’s director. “They have staff siloed off looking at specific aspects of the business.”⁷⁸³

3.3 Trust

Consistent with the findings of London *et al.* (2006), the MNC and NGO partners initially felt a high degree of mutual distrust.⁷⁸⁴ This distrust was rooted in stereotypes about actors from the other sector, concerns about their prospective partner’s reputation, and tense initial meetings.⁷⁸⁵ It was also the result of differences in operational cultures and organisational priorities, a clash of strong personalities, and fears that the other had ulterior or latent motives. For instance, SSP’s director explained, “Our partner CCD and TNP [the consultancy] felt BP always had hidden intentions behind their goals... These concerns undermined the culture of trust.”⁷⁸⁶ Moreover, each actor could not predict the other’s behaviour because they had no prior relationship, no shared domain knowledge, and no assurance their partner would adhere to commitments. As Deonkagar noted: “I wouldn’t say from ‘day one’ that trust was there. We started with words, but for trust to exist, these words need to be backed with actions.”⁷⁸⁷ There was also low goodwill, or mutual expectation of reciprocity. Goodwill is stronger when the partners have aligned objectives and interests, originate from the same sector, and are part of the same culture.⁷⁸⁸ Yet as mentioned, BP and SSP came from different sectors, adhered to different practices and logics of action, and did not share the same operating culture or language (i.e. jargon). Moreover, there was mutual suspicion that the other would behave opportunistically.

⁷⁸³ Prema Gopalan (21 September 2007)

⁷⁸⁴ Senior managers of both organisations (September – October 2007).

⁷⁸⁵ BP and Adharam managers (October 2007)

⁷⁸⁶ Prema Gopalan (22 September 2007)

⁷⁸⁷ Mukund Deonkagar (1 October 2007)

⁷⁸⁸ (Child, Möllering 2003); (Hardy, Phillips *et al.* 1998)

The partners recognised they lacked the cross-sectoral bridging and translational skills required to establish shared objectives and mutual understanding.⁷⁸⁹ For this reason, they asked TNP, BP's consultant, to mediate initial partner discussions and negotiations. TNP had experience working with actors from both sectors, and so was expected to translate logics between the partners.⁷⁹⁰ However, according to BP, having an intermediary exacerbated the partners' non-communicative logic. Yagnaraman remarked: "To make us understand each other, and communicate better, we brought in a third-party, which was not very useful. It was probably heavy handed and created its own issues, because [TNP] started [taking sides]... There is still a bit of a legacy of that left in each of us, baggage that could have been avoided."⁷⁹¹ His colleague Deonkagar added: "I fundamentally don't think that TNP brought transaction costs down. I think we had to get working with each other directly to develop an initial level of connectivity."⁷⁹²

TNP's Brugmann defended the intermediary's role: "There was a large facilitation effort required for BP and SSP to identify a common language and shared objectives."⁷⁹³ However, he conceded that his firm bore part of the responsibility for poor initial communication. As Brugmann explained: "Doubts about the consultants spilled to a questioning of the partnership in general. Ultimately, there was a lack of trust about the partnership 'co-creation' process. Emotions [also] became a factor because the initial partnering phase was not transparent."⁷⁹⁴ TNP also blamed its client, BP, for being antagonistic and insensitive. BP "completely lack[ed] an understanding about how you cultivate a relationship with NGOs and the inherent sensitivities in terms of how they

⁷⁸⁹ (Borys, Jemison 1989); (Selznick 1957)

⁷⁹⁰ Jeb Brugmann (4 October 2007)

⁷⁹¹ Mahesh Yagnaraman (1 October 2007)

⁷⁹² Mukund Deonkagar (1 October 2007)

⁷⁹³ Avik Roy (3 October 2007)

⁷⁹⁴ Jeb Brugmann (3 October 2007)

are treated and respected from the business community. The NGO had reason to fear they would be ripped off.”⁷⁹⁵

4. Contracting

Soon after BP and SSP agreed to partner, they started to discuss the terms and conditions under which Adharam⁷⁹⁶ would distribute Oorja cookstoves and biomass pellets in rural Maharashtra. This section will analyse the initial contracting process in terms of both the formal negotiations and the resultant ‘Stoves and Pellets Distributorship Agreement’ (SPDA), which was signed by both parties on 5 March 2006—one full year after negotiations began.⁷⁹⁷

4.1 Institutional Logics

Adharam’s goal during the contracting process was to formalise BP’s commitments and advance SSP’s interests, which, as set out in the pre-partnership section, included creating income-generating opportunities for members of their SHGs, giving rural villages access to ‘essential’ household goods, launching financially-sustainable subsidiaries to satisfy their donors, and gaining access to capital and operational resources from BP.⁷⁹⁸

BP-Global’s *modus operandi* was to externalise risk onto Adharam.⁷⁹⁹ BP-Global’s legal team projected a conventional market logic by handing Adharam a standard contract

⁷⁹⁵ Jeb Brugmann (3 October 2007)

⁷⁹⁶ As mentioned, SSP legally established Adharam (with CCD) as a for-profit subsidiary in December 2005. In early 2006, the lines between SSP and Adharam were blurred, as SSP staff were transitioning to Adharam, and SSP’s director oversaw the negotiations and Adharam’s initial operational decisions. By late 2006, the transition of personnel and Adharam from SSP to Adharam was complete.

⁷⁹⁷ The ‘Stoves and Pellets Distributorship Agreement’ (SPDA) established the legal provisions for “the transportation, distribution and sale of cooking appliances [and pellets] amongst the underserved rural communities in the states of Maharashtra and Tamil Nadu in India” (2).

⁷⁹⁸ Avik Roy (4 October 2007), who served as the primary contractual mediator between BP and SSP.

⁷⁹⁹ Jeb Brugmann, TNP’s consultant, explained: “BP handed SSP a standard distributorship contract...BP blatantly said ‘we are shifting our risk to everyone else in the system’” (3 October 2007). For an elaboration of this point, see the subsequent section, ‘Analysis of the Initial Contractual Agreement’.

that minimised BP's legal liabilities.⁸⁰⁰ The agreement detailed Adharam's legal and business obligations (e.g. village distribution and sales promotions, agent recruiting, track inventory) but did not specify any responsibilities or liabilities for BP.⁸⁰¹ In a conventional BP channel partnership, this transfer of risk would have been reasonable. For instance, in its core oil and gas business, if BP refines and sells gas to a service station and the station explodes, BP is not responsible. The rationale is that if the gas has been safely delivered to the station, and an incident later occurs, the liability should lie with the station. BP-Legal applied the same logic to the contracting process with Adharam. If a cookstove was faulty or injured a customer (as described in an actual incident below), Adharam would bear the liability.⁸⁰² However, Adharam had no role in designing or manufacturing the stove; it is therefore unlikely that Adharam would have caused a product failure. This unilateral transfer of risk was emblematic of BP's insensitivity to their local partner and operating setting.

4.2 Power Dynamics

4.2.1 Capabilities

The partners' relative negotiating, legal, and risk management capabilities influenced the dynamics of power during the contracting process. The BP management team had extensive experience negotiating partnership and distribution agreements. By contrast, while SSP's director, who negotiated on behalf of Adharam, was considered a tough negotiator by both TNP and BP, she had little experience at the bargaining table, no formal training in negotiations, and little organisational support to help persuasively make her case.⁸⁰³ With respect to legal capabilities, BP's legal team drafted and carefully

⁸⁰⁰ (SPDA 2006)

⁸⁰¹ It also specified the retail price and distributor margins for both products, set sales targets, and codified agent recruitment criteria.

⁸⁰² (SPDA 2006: Clause 3)

⁸⁰³ Jeb Brugmann (3 October 2007); Prema Gopalan (6 October 2007).

structured the initial contractual agreement to minimise BP's liabilities.⁸⁰⁴ Adharam not only lacked in-house legal counsel, they also reviewed the contract alongside TNP—which was paid by BP—and without a lawyer present.⁸⁰⁵ In terms of risk management capabilities, BP used a tightly worded, asymmetric agreement to transfer operational and product risk onto Adharam. Moreover, BP had formal processes and tools to measure, assess, manage, and mitigate the standard sources of business risk (e.g. operational, financial, product liability).⁸⁰⁶ Adharam, by contrast, did not have a systematic process through which to evaluate and minimise these dimensions of risk, and through the contract, they assumed risk even for areas of the business in which they had limited or no involvement (e.g. product development). In addition to these asymmetric contracting and risk management capabilities, BP justified its refusal to give Adharam exclusivity over its sales region on the basis of the NGO subsidiary's lack of “resources, infrastructure, size, experience and expertise” as a distributor.⁸⁰⁷

4.2.2 Formal Authority

During the contracting process, formal authority was strongly skewed in favour of BP, which unilaterally prepared the contract and then gave SSP's director an edict to either sign it ‘as-is’ or lose the partnership.⁸⁰⁸ BP's Deonkagar indicated that “[e]very line of the [Stove Distributorship] contract was analyzed in depth by both the sides.”⁸⁰⁹ While SSP's director corroborated this view, when she proposed modifications to balance risks and opportunities (e.g. granting Adharam authority to terminate the contract, commensurate

⁸⁰⁴ Jeb Brugmann (3 October 2007)

⁸⁰⁵ Avik Roy (4 October 2007)

⁸⁰⁶ “The biggest risk we face is to our reputation and to the reputation of other people we’ve brought on board... Things like product liability risk and business risk, we are less concerned because we have standard ways of measuring that activity” (Mahesh Yagnaraman 1 October 2007).

⁸⁰⁷ (SPDA 2006: Clause 6.1)

⁸⁰⁸ Jeb Brugmann (3 October 2007)

⁸⁰⁹ Mukund Deonkagar (1 October 2007)

with BP's termination rights), BP summarily rejected her proposed revisions.⁸¹⁰ Despite a strongly worded written appeal from BP's own consultants (TNP) to lessen the severity of the contractual asymmetry, BP refused to modify the language.⁸¹¹ Then, two days before the planned signing, BP made significant changes to the agreement, and gave Gopalan another 'sign-or-else' ultimatum. These changes included the following: a unilateral provision for BP to change the contractual terms with 30 days notice (Clause 15.3.1); a reduction in Adharam's pellet margin from Rs. 0.40 per kg to Rs. 0.20 per kg (Appendix 2); and an option by BP for early contract termination if Adharam did not order a minimum of 150 stoves and 6,250 kgs of pellets per month by its fourth month of operations (Clause 8.1).⁸¹² In the view of Brugmann, the TNP partner, "This was the crassest style of doing business. It demonstrated BP's total lack of respect."⁸¹³

4.3 Trust

The contract negotiation process exacerbated each partner's initial distrust. As BP-India's CEO acknowledged: "That is probably when the distrust was highest."⁸¹⁴ During the contracting process, neither partner was confident the other would act in good faith and towards mutual benefit. From the earliest stage of negotiations, there was a high level of scepticism between each organisation's managers. BP was suspicious of SSP's director, who came across during meetings as "stubborn" and as "a hard-nosed negotiator."⁸¹⁵ BP's Head of Public Affairs went so far as to accuse her of economic malfeasance, a claim that was never substantiated.⁸¹⁶ SSP was equally guarded about BP's

⁸¹⁰ Jeb Brugmann (3 October 2007)

⁸¹¹ E-mail exchange, entitled 're: MOU negotiation' between Avik Roy and Mukund Deonkagar (7 and 14 January 2006; 3 and 4 February 2006)

⁸¹² TNP consultants and SSP managers (September – October 2007); (SPDA 2006).

⁸¹³ Jeb Brugmann (3 October 2007)

⁸¹⁴ Mahesh Yagnaraman (1 October 2007)

⁸¹⁵ Jeb Brugmann (3 October 2007)

⁸¹⁶ Jeb Brugmann (3 October 2007)

intentions. One of SSP's board members warned: "These [BP employees] are greedy guys. We have to protect ourselves against being used by them."⁸¹⁷

A contract aims to reduce uncertainty between parties and make behaviour more predictable.⁸¹⁸ In this respect, the agreement only made modest progress. Since the contract was only for one year, and BP could depart prematurely by providing 30 days advance notice,⁸¹⁹ the arrangement failed to lock-in a long-term, credible commitment.⁸²⁰ The threat of contractual exit was realistic, as both parties had suitable alternative partners. BP had ample alternative local channel partners (e.g. Castrol, independent distributors, village kirana shops, other NGOs) and had expressed interest in entering the BoP market independently.⁸²¹ After the first year of the contract, Adharam could likewise relinquish its relationship with BP and distribute a rival manufacturer's stoves (e.g. EnviroFit or Philips).

Consistent with the dynamics of trust theorised by Lane and Bachman (1996) and Bachman (2001), because BP had more power, the contract made Adharam's behavior more predictable to BP, but not vice versa. The agreement bound Adharam to only distribute BP's cookstoves and pellets (and not those of BP's competitors),⁸²² and solely within Adharam's designated sales territory.⁸²³ By contrast, the agreement did not regulate BP's actions. As mentioned, BP could continue to sign distribution

⁸¹⁷ Jeb Brugmann (3 October 2007)

⁸¹⁸ (Williamson 1998)

⁸¹⁹ "BPEI may give 30 days' notice to the Distributor to terminate this Agreement at any time for any reasons whatsoever without having to assign any reasons thereunder" (SPDA 2006: Clause 13.3). Adharam lacked a similar contractual clause during the first year of contract, after which they could terminate the agreement by providing 90 days notice in writing (SPDA 2006: Clause 13.2). BP's consultant, Avik Roy, recommended Adharam be given a similar "provision...to terminate the contract within [the] one year period" but this was summarily rejected by BP (E-mail exchange between Avik Roy and Mukund Deonkagar 7 and 14 January 2006).

⁸²⁰ (North, Weingast 1989); (Shepsle 1991); (North 1993)

⁸²¹ By 2007, BP launched expansion operations both independently and with other NGOs.

⁸²² Adharam "shall purchase the Products exclusively from a BPEI nominated manufacturer during the Period of Agreement" (SPDA 2006: Clause 2.2).

⁸²³ "the Distributor shall... not supply or sell directly or indirectly the Products outside the Sales Territory" (SPDA 2006: Clause 6.2).

arrangements with competing partners or channels, even in Adharam's limited sales territory, in which the NGO subsidiary was not granted exclusivity.⁸²⁴

4.4 Analysis of the Initial Contractual Agreement

The remainder of this section will disclose clauses from the 'Stoves and Pellets Distributorship Agreement' that externalised various dimensions of risk onto Adharam, and will illustrate the consequences of each risk with actual partnership events.

4.4.1 Product Liability

"Risk... [of] the Products shall vest with the Distributor on the Products being physically delivered to the Distributor by the nominated manufacturer" (Clause 3)

This clause placed the unrealistic and undue burden upon Adharam to meticulously test the quality of every stove and pellet BP supplied. If an Oorja stove malfunctioned, product liability was borne by Adharam rather than by BP. In March 2007, a customer was electrocuted by a BP stove's battery wire.⁸²⁵ While BP assumed responsibility and recalled the stove,⁸²⁶ the injured customer could have sued Adharam for damages.

Adharam has three days from the time of delivery to make a claim for "damage, loss or shortage of delivery or deterioration of quality of the Products" (Clause 2.5)

According to a customer impact study conducted by this author in 2007, seven percent of customers were unhappy with the quality of the biomass pellets (objections include: "burn too fast", "turn pots black", "emit a harmful smoke").⁸²⁷ These pellet quality deficiencies were not superficially detectable, and were only apparent through burning.

⁸²⁴ "BPEI hereby grants to [Adharam] the non-exclusive right during the continuance of this Agreement to purchase the Products for resale to the end customers in the Sales Territory only" (SPDA 2006: Clause 6.1).

⁸²⁵ Kaka and Kiran (25 September 2007); Prema Gopalan (21 September 2007)

⁸²⁶ Kaka and Kiran (25 September 2007); Prema Gopalan (21 September 2007)

⁸²⁷ In response to an open-ended survey question, 'Have you had any problems with the Oorja stove or pellets?'

Yet if a customer filed a quality complaint to Adharam more than three days after BP supplied Adharam with the pellets, Adharam, not BP, was legally obliged to remedy the customer's grievance. When Adharam received a supply of pellets from BP, it stored them in a warehouse until its weekly delivery round.⁸²⁸ Adharam then delivered the pellets to the jyoti, who stored them in her home until they were purchased.⁸²⁹ Therefore, in practice, it was nearly impossible for the customer to purchase pellets within three days of BP delivery to Adharam, let alone use the pellets and file a quality complaint.

4.4.2 Operational Risk

“BP Energy India [BPEI] shall not be responsible nor liable to any persons whatsoever in any respect whatsoever for any loss, damage, death or injury resulting from” manufacturing or delivering the stoves or pellets (Clause 12.2.1)

This clause mitigated BP's liability regarding operational hazard. In September 2008, a labourer was killed while operating the pelletiser at the biomass pellet manufacturing plant in Madurai, India.⁸³⁰ According to this contractual clause, BP would not have been held responsible. However, in practice, BP provided compensation to the family and immediately shut down its decentralised pellet facilities (and centralised production with direct oversight and more robust safety measures).⁸³¹

“BPEI shall not be liable for Distributor's loss of use, profits... irrespective of whether such loss, increased cost of working or business interruption is caused by the sole or concurrent negligence of BPEI” (Clause 12.3)

⁸²⁸ Direct observation (2007)

⁸²⁹ Direct observation (2007)

⁸³⁰ Upmanyu Patil (30 November 2009)

⁸³¹ Upmanyu Patil (14 April 2010)

This clause mitigated BP's operational risk with Adharam and the jyotis. In March 2007, after the aforementioned product recall, jyotis were without stove inventory for six weeks. In August 2007, BP had a pellet supply shortage due to insufficient production capacity and contaminated stock.⁸³² From January to April 2009, as BP was in the process of divesting its business, it again halted the supply of cookstoves.⁸³³ Each of these supply problems forced current and potential customers to adopt substitute household cooking solutions (with many returning to cooking on an open fire). Not only did the jyotis lose business income (without compensation) during these BP product shortages, but also many customers did not return to using the BP stoves/pellets once adequate supply returned.⁸³⁴ These recalls also had adverse repercussions on SSP-Adharam's village-level reputation.⁸³⁵

Yet, when BP-India was clearly at fault, it acted as 'subversive strategist', overriding BP-Global's policies, and remedied its mistakes.⁸³⁶ As mentioned, on several occasions BP-India either committed or was complicit in negligent acts that resulted in the physical injury or loss of earnings of SSP's stakeholders. According the formal contracting logic imposed by BP-Global's legal team, SSP should have been held responsible. However, the *de facto* responsibility to remedy was clearly BP's. In each case, BP-India was subversive in the actualization of the formal contract. In other words, there was a distance between the formal contract and BP-India's informal implementation or operating procedures. BP-India ignored the institutional constraints of BP-Global, as the cost of enforcing SSP-Adharam's legal accountability would have been higher (i.e.

⁸³² 400 tons of pellets became mouldy because they were stored in airtight polythene bags to avoid the monsoon rains.

⁸³³ Upmanyu Patil (13 April 2010)

⁸³⁴ According to Kaka, "During this time, customers switched to firewood or kerosene for their daily cooking" (25 September 2007). A similar sentiment was expressed by several other Adharam staff as well as village jyotis.

⁸³⁵ "Customers and jyotis said to us: 'Your company is a fraud. Your company is not working'" (Kaka 25 September 2007).

⁸³⁶ (Morgan, Kristensen 2006: 1467)

according to SSP's director, if they had been held liable, the NGO would have exited the partnership and publicised the incidents).⁸³⁷

5. Operational BP Partnership

This section will examine the dynamics of partnership between BP-India and Adharam from March 2006 to December 2008.

5.1 Institutional Logics

5.1.1 Interests and Objectives

Once the partnership became operational, there was a mismatch in partner logics. BP-India focused *primarily* on meeting business goals, while Adharam focused *primarily* on achieving social impact. BP-India's CEO conceded their central objective was to meet stove and pellet revenue goals: "I would say we are quite consumed by the [financial] targets we have... We need to meet them to keep funding [from BP-Global] coming."⁸³⁸ Even though SSP's director launched a for-profit subsidiary, she argued her organisation's primary interest remained village-level social impact: "Our ultimate objective is to support the communities and give them access to resources and opportunities that will enhance their standards of living."⁸³⁹

The partners recognised the tension in logics that hybridity institutionalised, and explicitly tried to bridge their differences around the boardroom table by negotiating shared meaning. According to Yagnaraman, "from both sides, the articulated interests extended beyond the business, to social, environmental, and health dimensions."⁸⁴⁰

⁸³⁷ Prema Gopalan (21 September 2007)

⁸³⁸ Mahesh Yagnaraman (24 December 2010)

⁸³⁹ Prema Gopalan (24 September 2007)

⁸⁴⁰ Mahesh Yagnaraman (1 October 2007); There were no village agents present for these discussions.

According to BP-India's management, business and social goals were co-dependent.⁸⁴¹

As Yagnaraman explained,

I don't think the NGO's social priorities and BP's business priorities are so starkly away from each other. Unless you have social side your business will not be successful; unless you are successful you are not really doing the social things for which you've set out... They shouldn't be seen as two different parts of the business or two extremes of the business.

Yet BP-India's CEO argued that each partner should continue to promote a different operating logic within the hybrid entity: "It's useful when someone holds canons of social [impact] and someone else holds the canons of efficiency."⁸⁴² He admitted: "In some cases interests are not aligned. In other cases interests are aligned but not achieved. Rarely were [sic.] interests both aligned and achieved."⁸⁴³ For reasons that will be explored later in the dissertation, even when strategy was discursively aligned, it often became decoupled during implementation.

Adharam's CEO saw a clear trade-off or conflict between these objectives: "The traditional thinking amongst our staff is that business means a single-minded focus on profits, whereas social work means being a service provider. Profit and social impact do not go together."⁸⁴⁴ Reflecting later after four years of operations, during which he attempted to become isomorphic with BP's efficiency standards and profit motives while retaining a focus on community and beneficiary welfare, Patil conceded: "It's been very tough to balance the social goals and the commercial goals."⁸⁴⁵ This balancing act matches the challenge highlighted by Albert and Whetten (1985: 97), whereby the partnership "cannot decide what it wants to be or who it wants to serve." It is also corroborated by Dart (2004), who said that as an NGO becomes more business-like, it

⁸⁴¹ Mukund Deonkagar (1 October 2007)

⁸⁴² Mahesh Yagnaraman (24 December 2010)

⁸⁴³ Mahesh Yagnaraman (1 October 2007)

⁸⁴⁴ Upmanyu Patil (3 October 2007)

⁸⁴⁵ Upmanyu Patil (14 April 2010)

may be forced to trade one set of goals (e.g. community welfare) for another (e.g. efficient provision of services to those who can afford them).

5.1.2 Material Practices

The partners commenced operations with “very different expectations and practices,” and faced “major challenges” in aligning these practices.⁸⁴⁶ The partners agreed that SSP-Adharam made a considerable shift in its practices, towards a business orientation.⁸⁴⁷ Consistent with the process of corporatization laid out by Forsell and Jansson (1996), SSP first redefined its key activities to be business-like (by giving its beneficiaries access to stoves and pellets), then reframed its practices around efficiency and profitability (e.g. supply chain management), and then, quite naturally, transformed itself into a full-fledged business. By contrast, BP’s transition to a social orientation was more modest and, from TNP and SSP’s perspective, inadequate.⁸⁴⁸

During this phase of operations, SSP-Adharam made at least three significant shifts in its logics of action: expense minimization, output orientation, and professionalization. First, the SSP-turned-Adharam staff were accustomed to a grant-funded model.⁸⁴⁹ Adharam shifted spending practices from aiming to exhaust all donated funds to minimising their expenditure. Patil explained: “As an NGO, we had to utilize our entire grant budget to demonstrate that we were building the capacity of the community. We were not really focused on efficiency... As a business, the goal is reversed: we have to think about how to minimise spending. Decreased costs and increased efficiency leads to higher profits.”⁸⁵⁰ Second, BP and TNP helped Adharam “think about output and impact in our

⁸⁴⁶ Mahesh Yagnaraman (1 October 2007)

⁸⁴⁷ Mahesh Yagnaraman (24 December 2010); Upmanyu Patil (30 November 2009)

⁸⁴⁸ Jeb Brugmann (4 October 2007) Prema Gopalan (21 September 2007); For instance, Gopalan said, “SSP will keep educating [BP], keep talking about ethics, but the fact remains that BP is focused on profits and growth not social impact.”

⁸⁴⁹ Mahesh Yagnaraman (1 October 2007)

⁸⁵⁰ Upmanyu Patil (30 November 2009)

every action and project,” a practice that SSP had not yet cultivated as performance was not closely monitored or evaluated.⁸⁵¹ Third, BP and TNP worked with Adharam to develop formal rules and procedures.⁸⁵² For instance, Adharam became the first subsidiary of SSP to have an organisational chart with clearly delineated roles and responsibilities.⁸⁵³ BP also held Adharam to the same global safety standards that it held itself.⁸⁵⁴ These efforts were aimed at making the Adharam team more individually accountable and professional. BP and TNP helped facilitate these shifts in practices through workshops, meetings, and on-site staff support. Reflecting on SSP-Adharam’s institutional change, BP-India’s CEO gave “huge credit to SSP for delivering because it’s a big shift [in practices] for them, fundamentally a much bigger shift for them than for us.”⁸⁵⁵

BP, for its part, had to learn how to partner on core business operations with a non-profit organisation and to create a market in rural India, a very different environment from what it was conventionally accustomed to engaging.⁸⁵⁶ Yet it failed to enact the attendant changes in material practices required to succeed in this operating setting. Instead, BP continued to project a conventional market logic that focused on financial targets and scale at the expense of sustainability and social impact; was non-transparent with SSP-Adharam concerning expansion plans, supply shortages, and finances—even when this information directly affected Adharam’s operations; and allowed its managers to earn substantial corporate salaries and travel lavishly, while minimising funding for Adharam’s essential support roles, such as core staff and agent training (a perverse

⁸⁵¹ Upmanyu Patil (30 November 2009)

⁸⁵² Direct observation (2006-7)

⁸⁵³ Direct observation (2006-7)

⁸⁵⁴ Arkajit Mandal (26 September 2007); Upmanyu Patil (26 September 2007)

⁸⁵⁵ Mahesh Yagnaraman (1 October 2007); These changes also pleased SSP’s donor, Hivos, which continued to provide funding for SSP’s non-revenue generating operations (Prema Gopalan 6 October 2007).

⁸⁵⁶ These challenges of operating in rural India will be explored in more detail later in subsequent village-level empirical chapters.

contradiction that bred resentment from the Adharam team). Moreover, as will be explored in the next two chapters, BP managers thought they understood best how to implement a business in rural India and refused to defer to their NGO partner's local market insight.

5.1.3 Values and Beliefs

As mentioned, Adharam underwent a process of organisational transformation,⁸⁵⁷ which caused an identity crisis in terms of balancing social welfare and business activities. As Sahlin-Andersson (1996) wrote, one “cause for imitation is identity crisis. When the present organisational identity is threatened one of the reactions might be to look for ‘idols’—once again, organisations which are judged successful.”⁸⁵⁸ Faced with uncertainty in its operating model,⁸⁵⁹ BP served as its model for successful commercialization.

Adharam wanted to discover from BP how to make a profit and be professional and business-like. Seduced by BP's success as a commercial firm, Adharam did not recognise it had abandoned its social imperative or that the market model was agnostic or antithetical towards beneficiary welfare. As Adharam's former Operations Manager lamented: “Adharam has become too corporate. They have built their trust as community people. Now everything is on the basis of money transactions.”⁸⁶⁰ When asked about it, another former Adharam manager, Kishore Kanthe, was incapable of reconciling the trade-off between business and social values: “I don't know. I'll get back to you on this.”⁸⁶¹ During the interview, he only spoke in business jargon (e.g. ‘market share’, ‘P&L’, and ‘efficiencies’) even when prompted by questions about SSP's low-income beneficiaries.⁸⁶² Prior to joining Adharam, he had been a key member of the

⁸⁵⁷ (Forsell, Jansson 1996)

⁸⁵⁸ (Sahlin-Anderson 1996: 69-70)

⁸⁵⁹ (Sahlin-Anderson 1996)

⁸⁶⁰ Vinay Murhar (3 October 2007)

⁸⁶¹ Kishore Kanthe (25 September 2007)

⁸⁶² Kishore Kanthe (25 September 2007)

NGO's staff. BP-India's CEO voiced a similar concern: "I worry whether [Adharam has] moved too much to the business side. Have they absolutely stopped telling us anything about social issues?"⁸⁶³

The partners also used different logics to conceptualise social impact. BP associated expanding the initiative's social impact with scaling-up operations.⁸⁶⁴ In this sense, BP prioritised overall reach over individual impact. BP-India's CEO cited one example as a proxy for the conflict in priorities: "We were talking about the number of women who would do business in certain span of time. SSP's argument was, 'Lets make some of them successful and then think about ramping up.' Our argument was, 'Unless you have that many numbers none of them will not be successful.'"⁸⁶⁵ Here he argued that growth is consistent with, and necessary for, social impact. Yet he later conceded that the two priorities are separate.⁸⁶⁶ SSP, by contrast, deliberately operated on a smaller scale and focused on maximising individual sustainability and impact.⁸⁶⁷

As mentioned, BP-India faced pressure from BP-Global to meet ambitious revenue targets, which necessitated an expansion strategy that proved unsustainable. BP-Global treated this business as a typical subsidiary, holding it to similarly aggressive revenue targets as its mainstream oil and gas subsidiaries, rather than accounting for the added complexities of retailing at the BoP. In response, BP-India abandoned its expressed prioritization of consumers and agents, and expanded operations to other parts of India

⁸⁶³ Mahesh Yagnaraman (1 October 2007)

⁸⁶⁴ Mahesh Yagnaraman (1 October 2007)

⁸⁶⁵ Mahesh Yagnaraman (1 October 2007)

⁸⁶⁶ See footnote in next paragraph.

⁸⁶⁷ For instance, rather than rapidly expand its microfinance network by concentrating exclusively on loan provision, SSP invests in individualized livelihood support services to help each recipient launch a sustainable business.

before its existing agents earned a sustainable monthly income.⁸⁶⁸ In March 2007, BP induced SSP to adopt its logic of rapid expansion by offering compensation of Rs. 10,000 (\$220) for each new jyoti recruited and trained.⁸⁶⁹ Shortly after, in August 2007, in an effort to reduce costs, BP cut the length of agent training in half, and began to devote less managerial time to Adharam project areas.⁸⁷⁰ In each of these instances, BP-India acted as a ‘Boy Scout’ subsidiary,⁸⁷¹ doing what it was told by BP-Global, rather than responding to the distinctive needs of the local operating environment.⁸⁷² This strategy was sub-optimal: as Nohria and Ghoshal (1997) demonstrated, subsidiaries that reflect and respond to the institutional expectations, pressures, and practices of headquarters rather than the local operating environment tend to underperform.

The net effect of these strategic decisions was unsustainable scale. By aligning with BP-Global’s prioritization of scale over the needs of local stakeholders, the MNC’s subsidiary undermined its village legitimacy and effectiveness.⁸⁷³ By providing minimal support to Adharam and its agents, the model began to unravel from the bottom-up. As will be discussed in the ‘Direct Agent’ chapter, village agents trained after August 2007 indicated they lacked the confidence or skills to make door-to-door sales or organise public stove demonstrations, which had severe repercussions for the overall business.⁸⁷⁴

5.1.4 Identity

⁸⁶⁸ BP-India’s CEO obliquely conceded the short-term prioritization of growth over social impact: “Overall priorities [of each partner] have remained the same, they haven’t changed, but sequencing or timeliness of them has” (1 October 2007).

⁸⁶⁹ Consistent with Scott’s (1992) explanation that ideas can diffuse across organisations via incentives like rewards. ‘Menu of Services’ addendum to SPDA 2007 (between BP and SSP).

⁸⁷⁰ Upmanyu Patil (13 April 2010)

⁸⁷¹ (Morgan, Kristensen 2006)

⁸⁷² Similar concerns about Headquarter-Subsidiary tensions are raised by Hammack and Heydemann (2009) and Nohria and Ghoshal (1997).

⁸⁷³ (Nohria, Ghoshal 1997); (Dorrenbacher, Geppert 2006)

⁸⁷⁴ This sentiment was corroborated by BP and Adharam management (September – October 2007).

The CEO of BP-India viewed his company's identity succinctly: "It's a business that has social impact."⁸⁷⁵ This identity was consistent with BP-Global CEO Lord Browne's proclamation that "a good successful business is part of society, and exists to meet society's needs—that's the purpose of business at the highest level."⁸⁷⁶ Nevertheless, throughout the partnership, BP-India's managers faced an institutional tension between the logics of BP-Global and that of their local NGO partner. In many cases, BP-India maintained BP-Global's policies when, for the sake of the partnership, it should have adopted them to local context (e.g. gradual expansion or a more balanced contract). This presented a real tension, as ignoring BP-Global's dictates may have been existential (i.e. insufficient scale or revenue would have led to the venture's funding being cut even earlier).

Adharam, on the other hand, struggled to develop a hybrid identity that balanced business and social logics. Vinay Murhar, Adharam's first Operations Manager, described Adharam as "the business face of the NGO and the social face of the MNC."⁸⁷⁷ As its organisational transformation unfolded, and it became more business-like by imitating BP's success,⁸⁷⁸ Adharam came to view itself "more like BP's subsidiary than an NGO spinoff."⁸⁷⁹ Adharam tried to corporatise its identity,⁸⁸⁰ and according to Yagnaraman, "completed this transition to a great extent."⁸⁸¹ BP acknowledged Adharam's shift in identity had risks. BP-India's CEO wondered whether Adharam would "be like any business, focused on growing a network and becoming profitable. How will they continue to manage their social fabric?"⁸⁸² Moreover, he saw a risk that Adharam became

⁸⁷⁵ Mahesh Yagnaraman (1 October 2007); Rhetorically, Mahesh's claim also matched Dart's (2004a) description of a business-like NGO that uses business activities to achieve social ends.

⁸⁷⁶ (Browne 2007)

⁸⁷⁷ Vinay Murhar (25 September 2007)

⁸⁷⁸ (Sahlin-Andersson 1996)

⁸⁷⁹ Upmanyu Patil (18 December 2010)

⁸⁸⁰ (Forsell, Jansson 1996)

⁸⁸¹ Mahesh Yagnaraman (1 October 2007)

⁸⁸² Mahesh Yagnaraman (1 October 2007)

an outsourced service provider for BP: “they need to bring in dimensions of impact that are beyond business... They didn’t do all this change only to be a service provider... There is a danger that after all of this talk we treat them like one.”⁸⁸³ Adharam’s CEO felt this latter characterization of Adharam’s identity was accurate: “We felt like we were BP’s arm in rural Maharashtra. We were completely dependent on them financially and operationally, and retailed their products exclusively. There was a low feeling of ownership within our organisation.”⁸⁸⁴ The consequences of SSP-Adharam’s identity transformation were manifest: learning to be ‘business-like’ was costly; it diverted the NGO from its core activities and distorted and perverted its aims.⁸⁸⁵

5.2 Power Dynamics

5.2.1 Capabilities

Adharam’s operational capabilities evolved slowly, a process that, according to BP, had adverse consequences on the partnership’s efficiency and increased inter-organisational tensions during the first year of operations. As Mukund Deonkagar remarked: “This process has taken a huge effort and great toll on them as well as on us.”⁸⁸⁶ His boss, Yagnaraman, counselled patience on both sides: “It’s quite an opportunity for them to [build] capabilities...but we need to have realistic timelines. It doesn’t happen overnight.”⁸⁸⁷ He was quick to add: “I give huge credit to a person like Upmanyu, an individual who has figured out a way of using a social network to do distribution.”⁸⁸⁸ With the benefit of hindsight, BP officials would not have devolved distribution to an NGO. Deonkagar conceded, “Would I partner with NGOs? Yes. Would I partner in the

⁸⁸³ Mahesh Yagnaraman (1 October 2007)

⁸⁸⁴ Upmanyu Patil (18 December 2010)

⁸⁸⁵ (Foster, Bradach 2005)

⁸⁸⁶ Mukund Deonkagar (1 October 2007)

⁸⁸⁷ Mahesh Yagnaraman (1 October 2007)

⁸⁸⁸ Mahesh Yagnaraman (1 October 2007)

same fashion? No.”⁸⁸⁹ However, the very distribution and logistics capabilities that took so long to cultivate in SSP, and that BP would not attempt to transfer to another NGO, are the very capabilities that enabled Adharam to operate by 2009 as an independent distribution channel.⁸⁹⁰ Moreover, these capabilities, more than any other factor, enabled Adharam to develop more balanced power dynamics with BP-FirstEnergy in the long run.⁸⁹¹

However, Adharam faced a related capability constraint as SSP’s SHG network was geographically confined to a five-district operational area in Maharashtra. This made rapid expansion a challenge. While Adharam hoped to grow its distribution network beyond SSP’s natural area of operations,⁸⁹² it never developed a clear plan, let alone the capacity, to do so.⁸⁹³ This constraint, combined with BP’s *de facto* exclusivity over the channel, contributed to asymmetric power dynamics, as BP had not only co-opted SSP’s network, but also was not reliant on it as it expanded beyond SSP to other regions of India.⁸⁹⁴

BP admitted it initially lacked the translation skills to partner effectively with an NGO or work with villagers as customers and agents.⁸⁹⁵ BP was not sensitive to SSP’s partnership expectations, and underestimated Adharam’s operational limitations. BP-India’s CEO acknowledged the challenge of translating a market model to an NGO: “Our intent to work with a civic organisation was sincere. But the capability to make it work, even for us, an organisation like BP, has been very difficult. We are used to working in a very

⁸⁸⁹ Mukund Deonkagar (1 October 2007)

⁸⁹⁰ Upmanyu Patil (18 December 2010)

⁸⁹¹ Upmanyu Patil (18 December 2010)

⁸⁹² Prema Gopalan (6 October 2007)

⁸⁹³ “[S]uppose Adharam said to us ‘We want to grow our network’. So we say, ‘Fine, intentions are fine. But how are you going to do that? You are not going to have a network beyond your natural areas of operation’” (Mahesh Yagnaraman 1 October 2007).

⁸⁹⁴ In the presence of this author, Jeb Brugmann strongly encouraged SSP’s management to develop an expansion plan in collaboration with other NGOs “so they would not be co-opted by BP” (3 October 2007).

⁸⁹⁵ Mahesh Yagnaraman (1 October 2007)

different way.”⁸⁹⁶ However, through its collaboration with SSP-Adharam, BP felt it gained an understanding of how to partner with an NGO. According to BP-India’s CEO, its relationship with SSP gave it “the fundamental confidence to deal as a company with other NGOs.”⁸⁹⁷ Moreover, the partnership helped BP learn how to create a network and do business in rural India: “I don’t think we would have gotten a decent level of insight if we didn’t engage someone like Adharam from the beginning. There is so much learning we have picked up...[regarding] the community and how they make decisions.”⁸⁹⁸ Through this learning process, BP gained the confidence to expand elsewhere in India both independently and with other NGOs as partners.⁸⁹⁹ However, despite its increased market insight and confidence, as subsequent empirical chapters explore, due to a combination of managerial naiveté and hubris, BP remained unaware of many of the challenges of enacting a business in the rural Indian operating context.

The development of each partner’s capabilities—distribution and logistics for SSP, NGO collaboration and village market intelligence for BP—occurred primarily via informal knowledge transfer as well as on-the-ground operational experience. BP-India’s CEO acknowledged that the partners failed to develop formal institutional mechanisms to codify and share knowledge, yet defended this deficiency on the basis of being a start-up: “We are building a business from scratch. There is too much to do and not enough time to learn.”⁹⁰⁰ Yet they successfully transferred insights informally. Yagnaraman noted one such example:

A month and a half back, Mukund and Upmanyu met to work out operations for Osmanabad [one of Adharam’s main sales territories]. And without actually intending, Mukund went to the board and drew a whole distribution model with distances, radii, logistics, everything. It was like a classroom. It was so valuable.

⁸⁹⁶ Mahesh Yagnaraman (1 October 2007)

⁸⁹⁷ Mahesh Yagnaraman (1 October 2007)

⁸⁹⁸ Mahesh Yagnaraman (1 October 2007)

⁸⁹⁹ “I think we have come to a stage where we already know how to scale up...We know what it takes to multiply and are already at the stage of multiplying it” (Mukund Deonkagar 1 October 2007).

⁹⁰⁰ Mahesh Yagnaraman (1 October 2007)

For a period of one hour, there was complete attention to the subject. Upmanyu later told us this was great for him to learn.⁹⁰¹

While BP-India invested some managerial resources in training Adharam's senior managers, it did not make a similar commitment to Adharam's field staff, which served as the business' on-the-ground implementation team. An Adharam manager depicted BP's trickle-down approach to capacity building: "BP knowledge transfer and training only benefited senior Adharam people. We learned business skills through workshops, meetings, negotiations, and strategy sessions. Now we are transferring the skills in operations to our staff."⁹⁰² The Adharam field staff made careless operational mistakes that might have been mitigated had BP also devoted resources to building the field staff's capabilities.⁹⁰³ BP was also unwilling to invest in hiring capable staff for Adharam. For instance, BP refused to pay a market wage for Adharam to hire a competent accountant.⁹⁰⁴ By cutting crucial corners on Adharam staff training and salaries, BP reduced its partner's operational effectiveness.⁹⁰⁵

5.2.2 Formal Authority

BP used its financial clout and operational experience to garner nearly complete formal authority over the partnership. As a result, it could ignore the NGO's role and insight in interpreting the local exchange setting and advocating on behalf of villagers. BP had significant leverage for the following reasons: (1) it covered Adharam's losses; (2) its mid-level staff drove most of Adharam's day-to-day decision-making as Adharam's field

⁹⁰¹ Mahesh Yagnaraman (1 October 2007)

⁹⁰² Vinay Murhar (25 September 2007)

⁹⁰³ For example, the delivery trucks did not carry excess supply, and delivered to furthest villages last. When agents requested more inventory than they had initially ordered, the trucks would run out of stock before completing their delivery round. As a result, not only would the staff miss delivery deadlines, they would also waste time and fuel driving past the already delivered villages (Direct observation 2007).

⁹⁰⁴ Avik Roy (4 October 2007); BP allocated only Rs. 8,000 (\$180) per month for an accountant, when the market rate for an entry-level accountant was Rs. 20,000. Therefore, Adharam could only afford to hire a data entry assistant. According to Roy, BP-India's managers spent more on their two-day field visits than Adharam's Operations Manager earned in a month.

⁹⁰⁵ Avik Roy (3 October 2007); Upmanyu Patil (25 September 2007)

staff had no business experience; and (3) Adharam was an exclusive channel for BP products.

First, by covering Adharam's losses, BP gained disproportionate influence and control over partnership decisions. According to Adharam's CEO, "Adharam had very little authority or bargaining power. Since BP was covering our costs, we had to do what they said."⁹⁰⁶ Adharam managers said they would frequently offer BP recommendations, drawing on their in-depth rural market knowledge, but since BP controlled the venture's funding, they had full discretion as to whether to adopt these suggestions.⁹⁰⁷ It is worth highlighting how little it cost BP to buy Adharam's influence: Adharam's *aggregate* losses from 2006 and 2008, which BP reimbursed, totalled just over US \$40,000.⁹⁰⁸

Second, BP's mid-level managers enacted operational decisions in the field that bore little resemblance to the terms negotiated in the boardroom. In BP-Adharam partnership meetings, SSP's director and Adharam's CEO held some influence over partnership decisions.⁹⁰⁹ However, these boardroom decisions were often ignored or overridden by the mid-level BP management tasked with day-to-day implementation.⁹¹⁰ The Adharam field staff lacked confidence to make independent decisions and so deferred or acquiesced to the BP managers' thinking.⁹¹¹ As ex-SSP staff, the Adharam team were accustomed to dutifully implementing director's orders.⁹¹² They continued to adhere to these practices at Adharam, yet redirected their obedience to BP managers.⁹¹³ Since the

⁹⁰⁶ Upmanyu Patil (18 December 2010)

⁹⁰⁷ Vinay Murhar (25 September 2007); Upmanyu Patil (18 December 2010); The implications of BP's refusal to defer to Adharam's insight are explored in subsequent village-level empirical chapters.

⁹⁰⁸ Adharam Annual Balance Sheets (2006 – 2008).

⁹⁰⁹ Upmanyu Patil (18 December 2010)

⁹¹⁰ As Upmanyu explained, "In the high-level [meetings, there was] scope to make decisions together. Yet in terms of implementation decisions, day-to-day operations, BP feel[s] 'we are paying so we make decisions'. Sometimes the implementation didn't match the decisions made in the group meetings." He continued, "In the field, whatever BP says goes" (18 December 2010).

⁹¹¹ Direct observation (2007).

⁹¹² "Before we did what Prema told us. Now we listen to (BP's managers) Mukund and Arkajit" (Kishore Kanthe 25 September 2007).

⁹¹³ Kishore Kanthe (25 September 2007)

Adharam team had no experience running a business, they assumed BP managers knew best. This dependence dragged down the effectiveness of the partnership, as it marginalised the field staff's capacity to sensitise BP's business decisions to the local, sociocultural context, and further skewed power dynamics in BP's favour.

Third, BP used financial leverage to keep Adharam an exclusive BP channel. BP argued Adharam should remain exclusive, as they funded Adharam's channel development and covered all losses.⁹¹⁴ BP also warned Adharam that they "need to be careful about just treating this as a business and finding all the companies that can sign up. If they start to leverage the channel, there is a risk that they will lose the fabric of the social network."⁹¹⁵

However, Gopalan viewed the implications of a multi-company channel differently:

"Women will earn more money if they are able to sell additional socially relevant products, which will help them stay motivated."⁹¹⁶ If Gopalan's hypothesis was correct—that additional product offerings would increase agent income and therefore make the channel more financially sustainable—then BP's concern about undermining the network's social fabric seemed little more than posturing. BP also maintained that Adharam's channel was not sufficiently robust to add other products.⁹¹⁷ SSP's director argued that this was because "BP doesn't provide enough capital for Adharam make the required investment."⁹¹⁸ Her solution called for more partners: "We will make the channel more robust by getting other companies to also invest in the channel."⁹¹⁹

However, using its financial leverage, BP retained exclusive channel control of Adharam through 2008.

5.2.3 Discursive Legitimacy

⁹¹⁴ Mahesh Yagnaraman (24 December 2010)

⁹¹⁵ Mahesh Yagnaraman (1 October 2007)

⁹¹⁶ Prema Gopalan (21 September 2007)

⁹¹⁷ Mahesh Yagnaraman (1 October 2007)

⁹¹⁸ Prema Gopalan (21 September 2007)

⁹¹⁹ Prema Gopalan (21 September 2007)

BP parlayed its operational experience across the value chain to garner discursive legitimacy over business operations. Adharam depended on BP to advance business goals, dictate the partnership's operational strategy, and teach Adharam staff to confidently speak and act as managers rather than as social workers.⁹²⁰

Both partners agreed that SSP-Adharam uniquely held the discursive authority to advance the needs and interests of poor villagers. According to SSP's director, "We held high-level meetings, during which I would advance the 'woman's angle', while BP presented the 'business angle.'"⁹²¹ BP claimed to rely on SSP to advocate for social interests, a role SSP's director urged her Adharam staff to embrace.⁹²² As BP-India's CEO contended: "SSP can bring us the constant sensitivity to social impact when we forget it. I think their social conscious is the biggest [way they add] value."⁹²³ He added that the NGO could structure the partnership so that it was more inclusive of villager needs: SSP "engage[s] with the village people not as consumers but in other ways. So they can bring values to the channel that we don't see obviously. For example, can the community play a role by collecting and sourcing agrowaste?...[Or,] what impact can a jyoti create on other women in the village?"⁹²⁴ Yet SSP's director felt her organisation made little headway influencing BP: "What can you do? BP is a huge MNC. [They have their] own ways and rules of working. SSP has stretched it to the maximum. Reality is always a compromise of the ideal. SSP will keep educating them, keep talking about ethics, but the fact remains that BP is focused on profits and growth not social impact."

⁹²⁰ For instance, Upmanyu noted, "Adharam's senior managers developed confidence, business skills, and business language through negotiations, workshops and meetings with BP and the consultants, and through operations" (25 September 2007).

⁹²¹ Prema Gopalan (7 November 2010)

⁹²² "SSP-turned-Adharam staff should be able to translate social values and not leave them behind" (Prema Gopalan 24 September 2007).

⁹²³ Mahesh Yagnaraman (1 October 2007)

⁹²⁴ Mahesh Yagnaraman (1 October 2007)

Ineffectual as an advocate for social concerns, Adharam switched its focus, and shed its social imperative in order to professionalise. BP-India's CEO lamented, "The social consciousness flag is not flying as well as it should. I worry about that. I haven't heard anything in the last six to nine months from Adharam saying, 'We met the people with whom we dealt with a year and a half back. They have these challenges.'"⁹²⁵ As Adharam's actions and jargon became business-like, it shirked its discursive responsibility to advocate for village agent and customer needs and interests.⁹²⁶

5.3 Trust

5.3.1 Predictability

Through the first two phases of partnership, BP and SSP felt palpable mutual distrust. These tensions were foreseeable given the partners inhabited different institutional domains.⁹²⁷ Since the partners had no prior history collaborating, they were initially unable to predict the others' behaviour, which precluded the formation of mutual trust.⁹²⁸ However, trust began to materialise as the partners matched their promises with actions.⁹²⁹ According to a BP-India senior manager, "Developing trust took time—we started with words, not with actions...Yet each time we backed our words with action, we took one more step in terms of building trust."⁹³⁰ BP could predict Adharam's operational decisions because it had significant influence over them. Adharam was also strategically, operationally, and financially transparent.⁹³¹ BP only could not predict whether, once the one-year exclusivity clause expired, Adharam would sign partnerships

⁹²⁵ Mahesh Yagnaraman (1 October 2007)

⁹²⁶ (Dart 2004a)

⁹²⁷ (Hardin 2002); (Bachman 2001); (Child, Mollering 2003); (Zak, Knack 1998); (Ostrom, Walker 2005)

⁹²⁸ Mukund Deonkagar (1 October 2007)

⁹²⁹ (Mollering 2002); (Sako 1992; 2006)

⁹³⁰ Mukund Deonkagar (1 October 2007)

⁹³¹ As Vinay Murhar explained, "BP financially supports Adharam so has power to see Adharam financial statements...[BP also] helps the NGO with operational plans, [so] anytime they can ask [Adharam for] information about sales, launches, preparations" (25 September 2007).

with other companies.⁹³² BP-India's CEO suspected Adharam was exploring such channel arrangements: "At times I have a rankling at the back of my head that... [Adharam] is thinking of leveraging this network with multiple organisations and revolving business models. The information is patchy, but keeps coming. I want to know what this [shared channel] would mean for me. I have a blind spot on this."⁹³³ However, as mentioned, BP had leverage over this decision, for it controlled Adharam's funding.

Adharam had little capacity to predict BP's actions, including those that directly affected Adharam's business. This inability was partially caused by BP's non-transparent, non-communicative logic, a subject that will be explored further in the subsequent 'Reciprocal Communication' section.⁹³⁴ BP's opaque strategic planning reduced Adharam's trust, not least when it presented direct risks to Adharam's sales, expansion plans, and business model. For example, Adharam had no line of sight into BP's independent channel activities, which contributed an increasingly large share of BP's overall business.⁹³⁵ In early 2007, Adharam discovered BP was simultaneously pursuing another operational model in nearby areas, in which BP distributed products through its own, organically developed sales network. As Vinay Murhar, Adharam's Operations Manager from 2006 – 7, noted: "Nobody at SSP or Adharam knew BP was working in [nearby] Ahmednagar. BP just suddenly started operating there with a different business model and distribution strategy. Once BP saw the Ahmednagar model was working, they tried to push that model onto [Adharam], by removing us from product distribution."⁹³⁶

The BP-India CEO acknowledged SSP's concerns were warranted: "The NGOs may have trust issues regarding what will happen to their operations in and around BP

⁹³² Mahesh Yagnaraman (1 October 2007)

⁹³³ Mahesh Yagnaraman (1 October 2007)

⁹³⁴ TNP consultants and the partner NGO managers (September – October 2007).

⁹³⁵ In 2007, BP launched independent operations in Ahmednagar, adjacent to Adharam's existing sales territories. As Vinay noted, "Nobody knew that Ahmednagar was being started—neither SSP, CCD, nor Adharam people" (25 September 2007).

⁹³⁶ Vinay Murhar (25 September 2007)

areas.”⁹³⁷ He also conceded the partners were not being fully transparent, which was holding back the formation of a trusting relationship: “I think at some stage both of us have to put our cards out, tell the other what we’re trying to do. That’s the next level of the relationship.”⁹³⁸

Another threat to BP’s predictability was the risk of unilateral exit. The partners never signed a long-term contract, and in any case, either party could leave the partnership prematurely by providing advanced notice.⁹³⁹ SSP’s director had a pragmatic, business-like perspective on this risk: “In a market context, everyone is free to do what they want. If there is a better product and company, why would we stick with BP? The same is true for them. If Adharam doesn’t reach targets, BP will just appoint an FMCG distributor or independent network coordinator in SSP areas.”⁹⁴⁰

5.3.2 Goodwill

Mukund Deonkagar believed BP had earned Adharam’s ‘goodwill trust’⁹⁴¹ by acting in the best interests of the partnership: “Adharam trusts us and say that what we are doing is right and in everyone’s interests.”⁹⁴² Yet based on the evidence presented in this dissertation, this view seemed naïve and inaccurate. Adharam’s CEO, a social worker-turned-business manager, disagreed: “Business won’t protect anyone but themselves. Only charity protects the poor.”⁹⁴³

BP was also mired in a scandal that led Adharam to question BP’s commitment to the local villagers. During the initial stove launch in 2006, BP ran a clinic to test villagers for

⁹³⁷ Mahesh Yagnaraman (1 October 2007)

⁹³⁸ Mahesh Yagnaraman (1 October 2007)

⁹³⁹ From March 2006 – 7, BP could unilaterally exit the partnership with 30 days advanced notice (SPDA 2006: Clause 13.3). Adharam lacked a similar contractual clause during this period. After March 2007, Adharam could also terminate the agreement, but needed to provide 90 days notice in writing (Clause 13.2).

⁹⁴⁰ Prema Gopalan (21 September 2007)

⁹⁴¹ (Sako 1992)

⁹⁴² Mukund Deonkagar (1 October 2007)

⁹⁴³ Upmanyu Patil (13 April 2010)

household air pollution-related health complications. To drum up product demand, the BP-hired eye doctor deceitfully told nearly every villager they had eye damage resulting from firewood smoke.⁹⁴⁴ Once the fraud was revealed, BP apologised to the villages and to Adharam, fired the doctor, and promised that such an incident would never happen again.⁹⁴⁵ Even though BP was cleared of any direct involvement, this fear mongering hurt BP's goodwill trust with both SSP-Adharam and the villagers.⁹⁴⁶

5.3.3 Reciprocal communication

According to Hardy *et al.* (1998), reciprocal communication between all stakeholders, including the weakest, is a key precondition to partnership trust. For such a dynamic to exist, the partners need to be candid and receptive to each other's needs and interests. Yet primarily because of BP's opacity, reciprocal communication was weak and asymmetric. This lack of transparency eroded partner trust and diminished notions of reciprocity.

BP-India's CEO argued that one of the partnership's initial problems was not too little dialogue, but rather too much, leading to organisational inertia: "I think in the early days of partnership, we used to meet too often and have these intellectual conversations, which were not helping either of us move forward."⁹⁴⁷ Yet these strategic meetings did not include the weakest actors—the village stakeholders—and mostly took place in BP's Bangalore boardroom, far removed from villages they planned to engage.⁹⁴⁸ Moreover, as mentioned, SSP felt there was a regular disconnect between the negotiated strategy and

⁹⁴⁴ TNP, SSP and Adharam managers (September – October 2007); This doctor's fear mongering was not at BP's instruction. According to Adharam's CEO, the doctor wanted to convince people to buy BP stoves to impress the company and so receive subsequent assignments (Upmanyu Patil 25 September 2007).

⁹⁴⁵ Upmanyu Patil (26 September 2007)

⁹⁴⁶ It also hurt SSP's village-level reputation, which the NGO had carefully built over nearly 20 years of operations (Prema Gopalan 6 October 2007).

⁹⁴⁷ Mahesh Yagnaraman (1 October 2007)

⁹⁴⁸ Prema Gopalan (21 September 2007); direct observation (2007).

BP's enactment of those policies on the ground.⁹⁴⁹ For these reasons, these conversations did little to align logics of action or enhance mutual trust.

Nevertheless, once operations ramped up, joint partner discussions became less frequent. According to BP-India's CEO: "In a strange way, operations [gave] us a healthy distance, and we [only had] to engage when there were real things to engage on."⁹⁵⁰ However, Adharam argued that during this phase, communication was one-directional. For example, while BP knew the minutiae of Adharam's financial and operational plans,⁹⁵¹ Adharam did not have access to the same details about BP.⁹⁵² BP-India's CEO defended its practices: "Adharam can know very easily what BP is up to beyond the Adharam project because we are a public company."⁹⁵³ This defence was spurious. While it is true that BP-Global was required to regularly file operational and financial reports, the specifics of the BP-India cookstove business, which were most relevant for Adharam, were not publicly disclosed. A more plausible explanation is that it was not in BP's perceived self-interest to be transparent.

BP's concealment of strategic and operational plans was not an isolated case of information asymmetry; it was a proxy for BP's systematic lack of transparency. According to Adharam, BP did not even provide forewarning when their actions *directly* affected Adharam's operations. For instance, BP failed to inform Adharam when product supply would be inadequate—an omission that by 2010 had occurred on at least three occasions.⁹⁵⁴ Vinay Murhar, Adharam's ex-Operations Manager, recounted one

⁹⁴⁹ Kishore Kanthe (25 September 2007); Upmanyu Patil (18 December 2010)

⁹⁵⁰ Mahesh Yagnaraman (1 October 2007)

⁹⁵¹ Adharam management said they shared all operational and financial details with BP (September - October 2007). BP-India CEO's concurred: "I am quite fine as long as Adharam is transparent, which it is" (1 October 2007).

⁹⁵² Upmanyu Patil (13 April 2010)

⁹⁵³ Mahesh Yagnaraman (1 October 2007)

⁹⁵⁴ Stove supply was stopped in March – April 2007 for six weeks due to a product recall and from January – April 2009 when BP divested the business. Pellet supply was short in August 2007 due to contaminated stock and insufficient production capacity.

example: “In March [2007], BP suddenly stopped stove supply because they needed to fix a design problem. Yet they did not give us any warning of the product recall or supply cut. The lack of operational communication from BP is extremely problematic! Information really is only going in one direction.”⁹⁵⁵

In addition, BP did not even share the findings of a study that directly evaluated the venture’s social impact on SSP’s beneficiaries, and which SSP staff conducted on BP’s behalf.⁹⁵⁶ Kaka, an Adharam manager, took issue with BP’s lack of transparency: “We complete without compensation many research and feasibility studies on BP’s behalf. We make our field executives and trainers available for days. But BP never shares the conclusions.”⁹⁵⁷ The consequence of this lack of feedback was that SSP could not fully act as an intermediary to ensure the intervention was having its stated beneficiary impact.

6. BP Divestment / FirstEnergy Collaboration

In 2009, both actors underwent significant changes in identity, form, and activities. BP-Global divested its India cookstove subsidiary, which its BP-India management began to run as a start-up called ‘FirstEnergy’ [FE].⁹⁵⁸ Adharam Energy changed its name to ‘Sakhi Retail Private Limited’ [SRPL] to reflect its shift to retailing a broader portfolio of products and opening retail shops in each of its sales district’s largest cities. This section describes and explains these changes and highlights their implications on the partnership’s institutional logics, power dynamics, and trust.

6.1 Institutional Logics

6.1.1 Interests and Objectives

⁹⁵⁵ Vinay Murhar (25 September 2007)

⁹⁵⁶ “Social Value Assessment of the Business Model of Energy Efficient Smokeless Stoves” (May 2008)

⁹⁵⁷ Kaka (25 September 2007)

⁹⁵⁸ Much of the BP-India management team, including CEO Mahesh Yagnaraman and National Expansion Manager Mukund Deonkagar, left BP-India at the same time that BP divested the cookstove subsidiary.

In this final phase of collaboration, both partners refocused their activities and intended consumer segments. They also each came to treat social impact as a luxury that could be reduced or eliminated to ease the path to financial sustainability. SRPL needed to survive without financial support from BP, which had cut off funding. In response, SRPL became so focused on financial sustainability that it was willing to retail products not intended for SSP's stakeholders and to launch urban stores that cut its rural agents out of the value chain. Also separated from BP's financial backing, FE's management became singularly focused on profitability, and so shifted their target market from poor rural people to commercial establishments and the urban middle class.

According to Foster and Bradach (2005) and Dart (2004a), NGOs often rationalise the establishment of profit-focused activities due to resource constraints. However, these ventures may undermine or distract from the organisation's social mission. SRPL argued it maintained its original social objectives—creating economic opportunity for rural women and retailing mission-driven products to low-income beneficiaries—yet needed to add a third objective, financial sustainability, since funding from BP was discontinued. SRPL's CEO Upmanyu Patil conceded he was “willing to compromise” some social impact by retailing products that were selected for profit potential.⁹⁵⁹ He defended this decision on the basis that “we need a revenue stream and margin to be sustainable, and not enough cash flow is coming from existing products or customers.”⁹⁶⁰

According to Patil, FE completely abandoned its concern for community social impact: “BP used to advance SSP's interests of employment and affordability for village people. The focus of FE has changed, and profit, not social impact, is the only motive... Now it is just a business that serves a mainstream consumer market.”⁹⁶¹ He also complained that

⁹⁵⁹ Upmanyu Patil (18 December 2010)

⁹⁶⁰ Upmanyu Patil (18 December 2010).

⁹⁶¹ Upmanyu Patil (14 April 2010)

FE's products had become too expensive⁹⁶² and that FE stopped agent training entirely.⁹⁶³ FE did not dispute these claims. FE's COO, Mukund Deonkagar, noted their evolving market logic:

If I were to look back, business has changed quite a lot. I mean our network [and] our consumer throughput has come down *drastically*... Our relevance actually came down for rural consumer segments as we kept raising the prices... When we were operating with BP it was in a very different environment. When we are running the business, we didn't [sic.] have hordes of cash.⁹⁶⁴

His partner Yagnaraman explained FE now focused on retailing stoves to commercial establishments (e.g. restaurants, tea stands, and hotels) and the urban middle class—“where they don't have the same economic issue” as poor people in rural areas.⁹⁶⁵ FE tried to add more rural customers, but sales were “far slower than [were] needed to sustain the business financially.”⁹⁶⁶ The firm hoped to return to scaling its rural business once the commercial and urban markets became profitable. Mukund added, “After BP's reign, we had to work towards getting the venture profitable as quickly as possible. We tried [to raise] patient [investor] capital and it didn't work. To ensure the sustainability of the overall business, we shifted our focus to the commercial segment. Once we sort this out, we will go back to the rural consumers.”⁹⁶⁷

There was a perverse silver lining to the partners' shift in operating logics. Their shared focus on revenue and profits clarified the relationship's interest-based ambiguities. No longer were the partners trying to balance business aims with social impact. As SRPL's CEO noted: “Before BP talked about fulfilling SSP's interests in community impact and

⁹⁶² Upmanyu Patil (14 April 2010); Stoves were initially priced at Rs. 575 and increased to Rs. 1050 – 1650 while pellets doubled from Rs. 20 to Rs. 40.

⁹⁶³ Upmanyu Patil (14 April 2010)

⁹⁶⁴ Mukund Deonkagar (1 September 2011)

⁹⁶⁵ Mahesh Yagnaraman (24 December 2010)

⁹⁶⁶ Mahesh Yagnaraman (24 December 2010)

⁹⁶⁷ Mukund Deonkagar (1 September 2011)

women's empowerment, by retailing affordable products and creating local jobs. Now we have a clear business relationship focused just on profits and sales.”⁹⁶⁸

6.1.2 Material Practices

SRPL viewed its transition as a way to enhance its financial sustainability.⁹⁶⁹ The initial product additions (e.g. solar lanterns, water purifiers)⁹⁷⁰ were consistent with SRPL's social mission and were seen to provide the village agents with additional income-generation opportunities; the urban retail channel was intended to expand product access to a new consumer segment.⁹⁷¹ However, both of these decisions ultimately had unintended consequences.

First, in 2010, SRPL loosened criteria for selecting new products, adding products primarily on the basis of profit margin rather than social impact. Its urban stores began to retail Honeywell solar water heaters, which had a positive environmental impact, but at Rs. 24,600 (\$530) were not even remotely affordable to SSP's low-income beneficiaries. They also began to sell Godrej Chutokool refrigerators, priced at Rs. 3,700 (\$80), which were also prohibitively expensive for most BoP households—and unlike clean cookstoves and water purifiers, did not address basic needs like clean air and water. Patil admitted these moves were profit driven: “If I'm only concerned about the protection of the poor, I wouldn't sell water heaters to the urban middle class. But I have to protect my business simultaneously. This is the struggle faced by Sakhi Retail.”⁹⁷² In the villages, SRPL planned to add several other products to its portfolio: mobile phones, clothing, and fast-moving consumer goods (FMCGs) such as toothpaste and

⁹⁶⁸ Upmanyu Patil (18 December 2010)

⁹⁶⁹ Upmanyu Patil (18 December 2010)

⁹⁷⁰ FirstEnergy, which helped SRPL identify these new product categories, notes that the Oorja stove “is still the main product SRPL retails in the rural areas” (Mahesh Yagnaraman 24 December 2010).

⁹⁷¹ Upmanyu Patil (18 December 2010)

⁹⁷² Upmanyu Patil (18 December 2010)

soap.⁹⁷³ These products had positive social impact—mobile phones have been demonstrated to enhance productivity of rural poor people,⁹⁷⁴ clothing is a basic need, and toothpaste and soap are essential for hygiene. Yet the sale of these risked displacing local enterprises: the mobile resellers, tailors, and kirana shops, respectively, which currently provided these goods at the village-level. Second, SRPL’s launch of urban stores was an operational distraction from strengthening the rural sales channel that reaches SSP’s beneficiaries. By opening retail shops, SRPL could avoid ‘last mile’ rural distribution costs. It also could avoid sharing sales margins with its sales agents, which undermined SRPL’s original social mission. By Fiscal Year 2010, these retail outlets already accounted for a substantial share of SRPL’s revenue and profit (approximately 42 percent and 64 percent, respectively).⁹⁷⁵ When questioned about SRPL’s shift in channel strategy, FE’s CEO suggested that SRPL’s retail model might have adverse consequences: “With their store structure, they’re like any other retailer... There’s a real risk this becomes the focus at the expense of the rural retail channel and the VLE [village-level entrepreneur] and rural customers.”⁹⁷⁶ Bhatia *et al.*’s (2009) report on SRPL raised similar concerns:

Concurrent to BP’s shift [away from the BoP market to the urban market], there is a strain in the social mission of SRPL as, without BP financial support for their distribution, SRPL must sell more products in order to [become] a profitable enterprise. Consequently, there is a temptation to bring on additional products (e.g. electricity powered refrigerators) without clearly committing to provide goods to a certain market segment (BoP). In so doing, SRPL risks the same mission shift that BP is currently experiencing. The implication for SRPL in this situation is much more severe as their commitment is founded upon impacting a specific constituency, not necessarily solely profit maximization.

FE also made several significant changes to its business practices. Most significantly, to expedite revenue growth and profitability, FE shifted its consumer target market to the

⁹⁷³ Upmanyu Patil (18 December 2010)

⁹⁷⁴ (Donner 2009); (Waverman, Meschi *et al.* (2005)

⁹⁷⁵ Author’s audit (December 2010)

⁹⁷⁶ Mahesh Yagnaraman (24 December 2010)

urban middle class and commercial cooking users. Accordingly, in 2010 FE released two new stove models: the Oorja Super, priced at Rs. 1,650 (\$37), which according to SRPL's CEO, "no poor rural consumer can afford,"⁹⁷⁷ and the Oorja Jumbo, which holds up to 15 kilograms of pellets, and is retailed to commercial establishments for Rs. 9,000 (\$200).⁹⁷⁸ Simultaneously, FE stopped marketing to new rural customers or recruiting new village agents (though it continued to supply pellets through SRPL's agents to existing rural customers).⁹⁷⁹ According to SRPL's CEO, FE underinvested across the rural value chain: "Since purchasing the business from BP, FirstEnergy has made no investment in marketing or training in our sales territories, and very little in service and maintenance."⁹⁸⁰ This refocus away from rural poor people eliminated the venture's positive social impact: while villagers substituted firewood for the BP stove—mitigating a range of health, social, and environmental consequences—the urban middle class and commercial establishments switched from a cleaner fuel, LPG.⁹⁸¹

6.1.3 Values and Beliefs

FE's CEO indicated that he and Deonkagar acquired BP-India's stove business because they felt that as managers they had created economic and social value "and it would have been a shame to let go."⁹⁸² Yet in retrospect, the partners had misgivings about their acquisition: "We were probably either foolish or too passionate."⁹⁸³ During the first six months of ownership, FE management reevaluated the rural cookstove market opportunity and concluded: "it is neither as large or as easy to access as we previously

⁹⁷⁷ Upmanyu Patil (13 April 2010)

⁹⁷⁸ Direct observation (2010)

⁹⁷⁹ Mahesh Yagnaraman (24 December 2010)

⁹⁸⁰ Upmanyu Patil (13 April 2010)

⁹⁸¹ The urban middle class use the BP stove as a back-up appliance when their LPG tanks are empty. Some commercial establishments use BP pellets because they are cheaper than commercial LPG, which unlike residential LPG, is not subsidized.

⁹⁸² Mahesh Yagnaraman (24 December 2010)

⁹⁸³ Mahesh Yagnaraman (24 December 2010)

thought.”⁹⁸⁴ Alongside a smaller market opportunity, FE faced tighter capital constraints and so a different return horizon: “BP started to scale during its first year of operations, and expected to cover losses for five years. We [as FirstEnergy] are entrepreneurs and so we have to get to some unit level profitability before we can scale.”⁹⁸⁵ According to informed accounts, the venture’s continued losses present risks for its fiscal solvency.⁹⁸⁶

For SRPL’s part, it had adopted a more pragmatic, business-like attitude towards prospective channel partners, a shift in beliefs catalysed by lessons learned from its partnership with BP. Patil no longer bought the private sector’s rhetoric about social impact, and felt that corporations just wanted access to his BoP sales network: “Now, I say to them, ‘I am a distributor helping you sell your product. You are not helping me’.”⁹⁸⁷

6.1.4 Identity

In the aftermath of BP’s divestment, SRPL’s identity changed from being BP’s operational and financial dependent to being a fully autonomous organisation. During the BP partnership, Adharam had felt tethered to the corporation and “viewed itself as an implementation arm of BP.”⁹⁸⁸ Now, SRPL perceived itself as an independent organisation “with an ownership attitude.”⁹⁸⁹ However, SRPL continued to wrestle with an internal identity crisis over its relative commitment to profitability versus social impact. SRPL’s parent NGO, SSP, underwent a similarly profound change in identity. SSP’s director noted the fundamental shift in identity that occurred between 2005 and 2010: “Before SSP viewed itself solely as a social work organisation. Now we have two faces: a

⁹⁸⁴ Mukund Deonkagar (24 December 2010)

⁹⁸⁵ Mahesh Yagnaraman (24 December 2010)

⁹⁸⁶ While this author has not ascertained the extent of these losses, concerns regarding FE’s economic viability have been made by two of the venture’s close affiliates: Upmanyu Patil (SRPL) and Raj Kundra (Acumen Fund), a prospective investor.

⁹⁸⁷ Upmanyu Patil (18 December 2010)

⁹⁸⁸ Upmanyu Patil (18 December 2010)

⁹⁸⁹ Upmanyu Patil (18 December 2010)

business face and an NGO face. We do business with a social attitude.”⁹⁹⁰ Her comment was revealing—it suggested SSP was an archetypical example of an NGO that had decoupled business activities from its social mission, and now adhered to a hybrid institutional logic.⁹⁹¹

The partnership’s identity also changed, shifting from what Brugmann and Prahalad (2007) dubbed a ‘co-creation’ model, in which both organisations were jointly engaged in activities across the value chain, to what this author terms an ‘arm’s length’ relationship, whereby the organisations were simply parties to a transaction and act on the basis of economic self-interest. SRPL’s CEO specifically cites the shift from the ‘Menu of Services’ agreement (2007) to the current contract (2009-10) as a proxy for the evolved relationship: “BP previously provided support in a few key areas, for instance recruiting and training. Now we have a basic supplier contract that specifies products, quantities, margins, and service policy. That’s it. We are now like any other FE distributor.”⁹⁹²

6.2 Power Dynamics

6.2.1 Capabilities

SRPL’s business capabilities have strengthened considerably since the BP partnership. According to FE’s Deonkagar, “SRPL has learned to run their unit as a business rather than [as] a non-profit operation, to run a lean structure with a low cost base, to take risk and make mistakes, and to develop new capabilities internally, for instance by running their own retail stores.”⁹⁹³ There are several reasons for these enhanced capabilities. First, BP’s management invested time and resources in transferring business knowledge and capabilities to Adharam managers; SRPL management credited BP for “helping us

⁹⁹⁰ Prema Gopalan (3 December 2010)

⁹⁹¹ (Dart 2004a)

⁹⁹² Upmanyu Patil (14 April 2010)

⁹⁹³ Mukund Deonkagar (24 December 2010)

understand the business language and logistics.”⁹⁹⁴ Second, by 2010, SRPL’s managers had amassed five years of experience running a distribution channel.⁹⁹⁵ Third, after BP’s divestment, SRPL needed to survive as an independent organisation, an existential imperative that rapidly expedited SRPL’s development of business skills. FE’s CEO argued, “Sakhi Retail probably would not have developed these skills if big companies continued to put in money and tell them what to do. They’ve developed these skills because they had no choice if they wanted to remain in business.”⁹⁹⁶

FE’s new capital constraints led to losses in operational capabilities. For instance, FE was not able to retain several critical members of the BP-India management team,⁹⁹⁷ which it replaced with less expensive, but also less experienced hires.⁹⁹⁸ More positively, FE retained most of BP-India’s partnerships, including one with the Indian Institute of Science-Bangalore that enabled FE to maintain product development capabilities.⁹⁹⁹ FE also managed to keep most of its core field staff.¹⁰⁰⁰ However, since FE shifted its consumer focus to middle-income urban and commercial customers, the capabilities it had begun to develop reaching rural markets and partnering with NGOs were no longer utilised.¹⁰⁰¹

6.2.2 Resources

While access to capital was largely unconstrained for BP-India, it has been a major ‘pain point’ for FE. Yagnaraman admitted that FE has struggled to survive as an independent company: “It’s been much tougher than expected. There is no commercial unit doing it

⁹⁹⁴ Upmanyu Patil (18 December 2010)

⁹⁹⁵ While two Operational Managers have resigned (Mr Vinay Murhar in 2007 and Kishore Kanthe in 2009), all of the current management team have been with the venture since its inception.

⁹⁹⁶ Mahesh Yagnaraman (24 December 2010)

⁹⁹⁷ Mahesh Yagnaraman (24 December 2010)

⁹⁹⁸ Upmanyu Patil (18 December 2010)

⁹⁹⁹ Mahesh Yagnaraman (24 December 2010)

¹⁰⁰⁰ Mahesh Yagnaraman (24 December 2010)

¹⁰⁰¹ The FE field staff now directly approach commercial establishments in towns both as customers for Oorja Jumbo and as retail channels for Oorja consumer stoves.

all on their own. For instance, [our main competitor] EnviroFit is backed by Shell Foundation. All their topline costs go to Shell Foundation, not to the company.”¹⁰⁰²

Alongside the aforementioned operational constraints, FE’s financial constraints have led to missed investment opportunities. Unlike EnviroFit, FE cannot afford to invest in the capital-intensive monitoring and evaluation process to register a carbon credit program, which is seen as a viable approach to reduce cookstove prices. In hindsight, the management team would have mitigated this capital shortfall by raising external funding prior to their re-launch as FE: “We would have greater capability if we had secured some amount of capital. Having said that, it’s not easy in this environment to get capital.”¹⁰⁰³

As mentioned, one of the key drivers of BP’s disproportionate partnership power (and control of Adharam’s channel) was its capital contribution. With BP’s divestment, SRPL now needed to cover its own losses, but it could now forge other channel partnerships and learn to operate independently. Because BP’s withdrawal created a capital shortage, SSP’s director and SRPL’s CEO were eager to secure outside debt or equity capital. Yet after their experience with BP, they were only interested in passive investment, in which funders do not demand strategic or operational influence.¹⁰⁰⁴ Also, SRPL no longer felt obliged to be an exclusive BP channel. As FE’s CEO acknowledged, “That is where most of the conflict and differences existed. When BP was investing in, and subsidizing, Sakhi operations, I had the attitude that other [company’s] products should be excluded. These constraints go away when the resources go away too.”¹⁰⁰⁵

The CEOs of both organisations argue that the withdrawal of financial resources reduced FE’s influence and made power dynamics more symmetric. FE no longer had asymmetric access to SRPL’s financial statements and strategic plans, could not

¹⁰⁰² Mahesh Yagnaraman (24 December 2010)

¹⁰⁰³ Mahesh Yagnaraman (24 December 2010)

¹⁰⁰⁴ Prema Gopalan (7 November 2010); Upmanyu Patil (18 December 2010)

¹⁰⁰⁵ Mahesh Yagnaraman (24 December 2010); The implications of this change will be further elaborated in the subsequent ‘Formal Authority’ section.

unilaterally impose operating conditions, and could not leverage monopsonist bargaining power, as it was now one of several demanders of SRPL's channel.¹⁰⁰⁶ As Phillips *et al.* (2000) note, more balanced power between partners can lead to broader compromise, negotiation, sharing of resources, and collaboration. For instance, SRPL's CEO has much stronger negotiating leverage with FE: "Before I had to do whatever BP said. I would hide my tension. Now if I don't agree, I clearly express my opposition. And I don't do anything unless the terms are favourable."¹⁰⁰⁷

6.2.3 Formal Authority

SRPL now has the authority and confidence to push back against FE and other corporate partners' demands: "Our ownership and decision-making is now independent. FE and the other companies cannot influence our operations. Since we are responsible for our losses, we make demands for greater delivery margins, better quality product, and more frequent supply."¹⁰⁰⁸ Yet this came at the cost of being treated like a standard distributor instead of a full partner. According to SRPL's CEO: "Now with each company it is a basic supplier-distributor relationship."¹⁰⁰⁹

6.2.4 Discursive Legitimacy

Dart (2004a) explains that one marker of the 'business-like' civil society organisation is linguistic—the use of management rhetoric, language, and jargon. As SRPL completed its transformation to a business, the discursive use of social objectives was deliberately abandoned. To gain legitimacy in the business field and attract private sector channel partners and investors, SRPL believed it needed to "speak in business language" and hide

¹⁰⁰⁶ Upmanyu Patil (14 April 2010); Mahesh Yagnaraman (24 December 2010)

¹⁰⁰⁷ Upmanyu Patil (18 December 2010)

¹⁰⁰⁸ Upmanyu Patil (18 December 2010).

¹⁰⁰⁹ Upmanyu Patil (18 December 2010)

its social advocacy rhetoric: “We say ‘this is the size of our consumer base,’ not ‘our goal is to support and strengthen the community.’”¹⁰¹⁰

6.3 Trust

In addition to more balanced power relations, another positive consequence of the change in ownership was that FE and SRPL now felt greater mutual trust.¹⁰¹¹ FE’s CEO indicated that: “In the initial ‘restart’ [after BP’s divestment] the main thing we built was trust.”¹⁰¹² Yet it would be wrong to presume this trust emerged solely because of the ownership shift. Rather, it was built gradually over a five year working relationship during which both parties demonstrated performance and commitment to the venture [thereby illustrating the findings of Zand (1972) and Kramer (1976)].¹⁰¹³ As Patil opined, “Now we have prior relations, know each other’s background, and have each proven ourselves. I trust they won’t lie. And I don’t question Mukund’s word.”¹⁰¹⁴ He added that had BP sold their cookstove business to a third party, “the trust would have had to start again from scratch.”¹⁰¹⁵ Yet while SRPL’s goodwill trust in FE increased, SRPL’s competence trust in FE’s fell commensurately with FE’s decline in capabilities and resources.¹⁰¹⁶ SRPL’s CEO said he is “no longer sure FE will carry out its promises,” and so demands everything in writing.¹⁰¹⁷ By contrast, FE’s trust in SRPL’s competence increased as the latter’s capabilities increased.¹⁰¹⁸

¹⁰¹⁰ Upmanyu Patil (14 April 2010)

¹⁰¹¹ “There’s definitely now a greater level of trust.” (Mahesh Yagnaraman 24 December 2010). According to Upmanyu Patil, “I can’t say today we have built 100 percent trust, but it’s much improved” (18 December 2010).

¹⁰¹² Mahesh Yagnaraman (24 December 2010)

¹⁰¹³ On the positive relationship between trust and the history of partner relations; see also Møllering (2002) and Sako (1992; 2006).

¹⁰¹⁴ Upmanyu Patil (18 December 2010)

¹⁰¹⁵ Upmanyu Patil (18 December 2010)

¹⁰¹⁶ (Sako 1992)

¹⁰¹⁷ As SRPL’s CEO noted, “Now that FirstEnergy has financial constraints, they may not do what they say, and so I ask for everything they promise in writing” (18 December 2010).

¹⁰¹⁸ Mukund Deonkagar (24 December 2010)

Compared to its tenure with BP, FE's management said its relationship with SRPL was more candid, open, and mutually respectful. FE's CEO attributed this change to three factors: first, to "Sakhi Retail being on their own," second, to both parties' demonstrated, multi-year commitment to one another and to cookstove distribution, and third, to less "burdened" communication.¹⁰¹⁹ Furthermore, he felt the posturing that previously characterised their relations had been reduced.¹⁰²⁰ He believed the partners developed mutual respect: "we respect them because they have done a lot of work on their own, and they respect us because we left the careers we built at BP and demonstrated that we are really committed to this space."¹⁰²¹

7. BoP Script's Logic for Promoting Hybrid Partnership

Having presented the empirical findings of each phase of partnership, this chapter will now briefly evaluate the BoP script's prescriptive arguments about MNC-NGO partnership in general, and the BP-SSP venture in specific. It will structure the analysis around the same tripartite theoretical framework, and compare Brugmann and Prahalad's (2007) prescriptions to evidence and analysis presented in this chapter across the four phases of partnership. The authors' depiction of the partnership was inaccurate in several key respects, which created and perpetuated a set of myths regarding corporate-NGO BoP partnerships. These findings partially undermine the BoP script's rationale for advocating hybrid partnership as a BoP market entry strategy.

7.1 Institutional Logics

The BoP script argued that during the course of a partnership, the MNC and NGO align their logics of action. Brugmann and Prahalad explained that as corporations and NGOs

¹⁰¹⁹ Mahesh Yagnaraman (24 December 2010)

¹⁰²⁰ "There isn't the burden anymore of us saying 'We are funding you so you have to do this and do that', which forced both parties into a bargaining positioning" (Mahesh Yagnaraman 24 December 2010).

¹⁰²¹ Mahesh Yagnaraman (24 December 2010)

“learn from and work with each other,” their “interests and capabilities converge.”¹⁰²²

They attributed this synthesis in part to “an enduring shift in the practices of corporations and social groups and, perhaps, in their attitudes toward each other.”¹⁰²³

NGOs were becoming more business-like, while corporations were becoming more focused on social impact. Perhaps, Brugmann and Prahalad postulated, the actors no longer viewed each other with scepticism and mistrust.

Yet this chapter has demonstrated that in this case, business and social logics did not converge, as the partners failed to balance these conflicting priorities. Although the partners made progress in synthesising their historically dissimilar practices, the NGO’s transition to managing distribution and logistics took a “great toll” on both parties,¹⁰²⁴ while the MNC’s shift came only after avoidable strategic missteps and was a “painful process” for the NGO.¹⁰²⁵ Furthermore, even though the partners agreed rhetorically on aligning business and social values, BP’s urgency in meeting ambitious financial targets forced them to prioritise scale over village-level sustainability.¹⁰²⁶ Moreover, in practice, nobody in the value chain made money. BP lost between \$30 and \$50 million on the business¹⁰²⁷ and SRPL continues to incur losses.¹⁰²⁸ Moreover, the village agents earned little more than pocket change.¹⁰²⁹ This economic outcome directly refuted the authors’

¹⁰²² (Brugmann, Prahalad 2007:82)

¹⁰²³ (Brugmann, Prahalad 2007:82)

¹⁰²⁴ Mukund Deonkagar (1 October 2007)

¹⁰²⁵ Vinay Murhar (3 October 2007)

¹⁰²⁶ Mahesh Yagnaraman (24 December 2010)

¹⁰²⁷ BP senior official (7 October 2009); As Mukund Deonkagar later explained, “During BP’s business, we were not recovering even the variable part of the business. Forget about the fixed costs of the business” (1 October 2011).

¹⁰²⁸ Adharam/SRPL has incurred annual fiscal losses of: Rs. 135,595 (US \$3,020) in 2006, Rs. 1,347,040 (\$29,934) in 2007, Rs. 392,404 (\$8,720) in 2008, and Rs. 104,702 (\$2,326) in 2009 (Adharam/SRPL Balance Sheets).

¹⁰²⁹ According to the author’s sales audit, agents earned average commission of Rs. 207 (mean) and Rs. 127 (median).

claim that “BP and the NGOs developed a financial model that would allow everyone in the value chain to make money.”¹⁰³⁰

7.2 Power Dynamics

Brugmann and Prahalad (2007) explored three sub-dimensions of power dynamics: capabilities, risk transfer, and discursive legitimacy. In terms of capabilities, a central tenet of co-creation is that the partner organisations are both actively involved in every aspect of the initiative, including product development, recruitment and training, marketing and distribution.¹⁰³¹ Accordingly, Brugmann and Prahalad contended that “[t]he two sides worked with each other closely at every stage of the project.”¹⁰³² Initially, BP based a business manager on-site at Adharam to help with operational strategy.¹⁰³³ Furthermore, BP senior managers came to SSP’s project areas with some regularity to contribute to business development and collect rural market insights.¹⁰³⁴ The partners also held quarterly joint meetings.¹⁰³⁵ Yet by mid-2007, just one year after signing the initial partnership agreement, interaction became less frequent, as BP management felt it understood the rural market and began to reallocate resources to independent expansion efforts.¹⁰³⁶ By 2008, close collaboration had ended entirely.¹⁰³⁷

With regard to risk, Brugmann and Prahalad noted that SSP bore some of the venture’s risk. However, they suggested this risk was transferred from the village agents rather than from BP.¹⁰³⁸ “The NGOs had to assume a great deal of the credit risks and legal liabilities for the agents in the villages. They would not have done so unless they were confident

¹⁰³⁰ (Brugmann, Prahalad 2007: 90)

¹⁰³¹ (Brugmann, Prahalad 2007)

¹⁰³² (Brugmann, Prahalad 2007: 89)

¹⁰³³ BP’s Arkajit Mandal was based in Osmanabad from May 2006 – October 2007.

¹⁰³⁴ Upmanyu Patil (25 September 2007); Field visit to Osmanabad, India (September – October 2007)

¹⁰³⁵ Upmanyu Patil (13 April 2010)

¹⁰³⁶ Upmanyu Patil (13 April 2010)

¹⁰³⁷ Upmanyu Patil (13 April 2010)

¹⁰³⁸ The below ‘Trust’ sub-section describes how BP externalized risk onto SSP through an asymmetric contract.

that BP was making a long-term investment in the project.”¹⁰³⁹ Yet according to evidence available to the authors at the time of publication, this statement was not accurate for three reasons. First, while SSP initially bore the agent’s credit risk,¹⁰⁴⁰ by mid-2007, SSP had switched to a ‘cash-and-carry’ sales model, whereby agents were required to make an up-front investment in inventory of Rs. 10,000 (\$220) instead of receiving stock on credit.¹⁰⁴¹ Second, each agent, upon committing to the venture, signed a contract with Adharam and so assumed her own legal liabilities.¹⁰⁴² Third, as this chapter made clear, SSP was not confident that BP was making a long-term project commitment. SSP’s director, for instance, observed that every BP contract was short-term (one year or less) and that the partners were free to exit at will.¹⁰⁴³ Furthermore, Brugmann and Prahalad’s aforementioned statement was subsequently proven false when BP divested the project, after just two-and-a-half years of operations.¹⁰⁴⁴

In terms of discursive legitimacy, the authors also hypothesised that “[t]ask-oriented relationships, rather than ideology or policy-driven dialogues, will emerge as the mode of collaboration between companies and NGOs.”¹⁰⁴⁵ This operational dynamic did indeed materialise between SSP and BP, but its implications were largely negative. SSP, whose advocacy for women’s empowerment and poverty alleviation was once the guiding force behind its actions, was no longer raising what BP-India’s CEO termed, ‘the social consciousness flag’.¹⁰⁴⁶ As ideology diminished in importance, the NGO became just another task-focused distribution partner.¹⁰⁴⁷

¹⁰³⁹ (Brugmann, Prahalad 2007: 90)

¹⁰⁴⁰ By delivering stove and pellet inventory to agents on credit and collecting payment only after these products were sold.

¹⁰⁴¹ Vinay Murhar (25 September 2007). The implications of this policy change on the village agents will be discussed in the next chapter.

¹⁰⁴² This nine-page legal contract, entitled the ‘Agency Agreement’, was prepared by BP’s legal team.

¹⁰⁴³ Prema Gopalan (21 September 2007)

¹⁰⁴⁴ (Businesswire 2009)

¹⁰⁴⁵ (Brugmann, Prahalad 2007: 88)

¹⁰⁴⁶ Mahesh Yagnaraman (1 October 2007)

¹⁰⁴⁷ Mahesh Yagnaraman (1 October 2007; 24 December 2010)

7.3 Trust

Brugmann and Prahalad argued that the partners developed mutual trust, behaved transparently, and jointly solved problems through reciprocal communication. They noted that “[t]rust grew when BP made a long-term contractual commitment to the project.”¹⁰⁴⁸ This claim also did not match the empirical realities of the case: as mentioned, BP never signed a long-term agreement,¹⁰⁴⁹ and the partners concurred that trust was at its lowest during the contracting process.¹⁰⁵⁰ The authors also featured as a pull quote: “The manner in which BP and the NGOs struck a commercial agreement bears no resemblance to traditional supplier-channel deals.”¹⁰⁵¹ They went on to describe the BP-SSP contracting process in the following manner: “Drawing up the legal contracts that captured the co-creation-based relationship was a huge learning and confidence-building experience, according to managers on both sides. The process engendered a culture of frankness, transparency, and joint problem solving that is unique in the history of company-NGO relationships.”¹⁰⁵²

However, Brugmann, who as a TNP consultant helped mediate the contracting process, privately refuted his published discursive description. Instead of a partnership arrangement predicated upon a shared business model, as Brugmann and Prahalad’s co-creation framework postulates, “BP handed SSP a standard distributorship contract.”¹⁰⁵³

He continued:

The contract was the most astounding document! It was totally contrary to co-creation! BP blatantly said ‘we are shifting our risk to everyone else in the system’.

¹⁰⁴⁸ (Brugmann, Prahalad 2007: 89)

¹⁰⁴⁹ In March 2006 BP signed a one-year contract with Adharam, which it renewed for an additional nine months (through December 2007). It is possible that the authors consider a one-year contract to be a long-term contract but SSP’s director certainly did not (Prema Gopalan 21 September 2007).

¹⁰⁵⁰ For instance, BP-India’s CEO reflected that the contract negotiation phase “is probably when the distrust was highest” (Mahesh Yagnaraman 1 October 2007).

¹⁰⁵¹ (Brugmann, Prahalad 2007:90)

¹⁰⁵² (Brugmann, Prahalad 2009: 89)

¹⁰⁵³ Jeb Brugmann (3 October 2007), who was referring to the ‘Stoves and Pellets Distributorship Agreement’ (2006).

To serve up a contract like this demonstrated a total lack of understanding of the NGOs. The moment [SSP's director] Prema [Gopalan] received this, she said, 'I do not know if we can carry on with these people.'¹⁰⁵⁴

As mentioned, the NGO, lacking professional legal guidance, was told it had no choice but to agree to the terms that BP had laid out.¹⁰⁵⁵ Its contractual acquiescence was naïve at best and dangerous at worst. According to the asymmetric conditions, SSP assumed BP's operational and product liability risks.¹⁰⁵⁶ Moreover, SSP could not penalise BP for defection or costly blunder.¹⁰⁵⁷

Lastly, in terms of transparency, Brugmann and Prahalad (2007) contended that "BP and the NGOs shared their internal economics with each other so they could understand all the choices they faced in terms of distribution costs, consumer service options, growth rates, and breakeven points. This unusual level of transparency helped overcome the traditional mistrust between the two sectors."¹⁰⁵⁸ The authors repeated the same claim later: "The multinational had to reveal business data it would not normally share with distributors."¹⁰⁵⁹ Yet this assertion of mutual transparency was also not accurate. BP had unrestricted access to Adharam's financials, because it were funding all of Adharam's losses, but BP never divulged its cookstove financials to Adharam.¹⁰⁶⁰ As Adharam's CEO said: "We never asked them [for these numbers]. They never shared them with us."¹⁰⁶¹ BP was also not transparent with its strategic plans, looming supply shortages, or the findings of their impact studies, even when these activities had direct consequences for Adharam and the partnership's agents and customers.¹⁰⁶²

¹⁰⁵⁴ Jeb Brugmann (3 October 2007)

¹⁰⁵⁵ Jeb Brugmann (3 October 2007); Prema Gopalan (21 September 2007)

¹⁰⁵⁶ (SPDA 2006)

¹⁰⁵⁷ (SPDA 2006)

¹⁰⁵⁸ (Brugmann, Prahalad 2007:90)

¹⁰⁵⁹ (Brugmann, Prahalad 2007:90)

¹⁰⁶⁰ Upmanyu Patil (13 April 2010)

¹⁰⁶¹ Upmanyu Patil (13 April 2010)

¹⁰⁶² Vinay Murhar; Naseem Shaikh (25 September 2007)

As the empirical evidence presented in this section demonstrates, the authors' discursive portrayal does not match reality. Brugmann and Prahalad either had an incomplete view of the partnership—unlikely as they were BP's lead consultants on the venture—or manipulated case evidence to substantiate their hybrid partnership 'co-creation' framework.

8. Conclusion

In the pre-partnership phase, the organisations came from different domains and adhered to distinct logics and practices.¹⁰⁶³ However, in the context of forming a hybrid entity that balanced business and social objectives,¹⁰⁶⁴ the partners saw their logics and practices as co-dependent and complementary. Moreover, each organisation contributed operational capabilities and resources that the other lacked.¹⁰⁶⁵ BP contributed operational capabilities that the NGO lacked, while SSP supplied local market intelligence and connections that the MNC needed. SSP provided a platform for rural distribution, while BP supplied the required investment capital. The organisations initially lacked mutual trust, since they came from different sectors, had no prior relations, were uncertain whether their partner would adhere to their commitments, and were skeptical of the others' intentions.¹⁰⁶⁶ These biases were exacerbated by tense initial discussions, and the intervening presence of TNP, which precluded the partners from developing a communicative logic.

The contracting process was imbalanced in BP's favour. As Borys and Jemison (1989) forewarned, hybrid partnerships encounter significant "contracting problems raised by

¹⁰⁶³ (Borys, Jemison 1989)

¹⁰⁶⁴ (Mars, Lounsbury 2009)

¹⁰⁶⁵ (Mars, Lounsbury 2009); (Powell, Koput 1996); (Dyer, Singh 1998); (Hamel, Doz *et al.* 1989); (Hamel 1991)

¹⁰⁶⁶ These findings match those of (Ostrom, Walker 2005); (Zak, Knack 1998); (London, Rondinelli 2003); (London, Rondinelli *et al.* 2006); (Hardin 2002)

opportunism and information asymmetry.”¹⁰⁶⁷ BP had much stronger negotiation, legal, and risk mitigation capabilities, with which they imposed on SSP a one-sided contract that the NGO had to sign without modification.¹⁰⁶⁸ BP’s heavy-handed negotiating style, combined with the highly asymmetric contractual terms, exacerbated the NGO’s distrust.¹⁰⁶⁹ In each instance, BP-India acted as a ‘subversive strategist’—overruling the contractual language—when BP was clearly at fault. Nevertheless, the asymmetric language impaired the establishment of a functioning partnership. The partners both used aggressive and brash communication tactics and lacked a shared language or domain, which made both sides wary of the other’s intentions.

Once the partnership became operational, partner rhetoric about balancing business and social logics gave way to the hard realities of implementation. Concepts that were consensual during negotiations had different meanings and implications when they were actualised. The partners realised it was far more difficult in practice to align and simultaneously achieve both priorities.¹⁰⁷⁰ Instead, they both prioritised self-interest over shared objectives.¹⁰⁷¹ Although BP incorporated social goals into its business model, it continued to exploit power asymmetries and pursue shareholder value over beneficiary welfare. BP only shared information, made credible commitments, or behaved transparently when doing so did not reduce its formal authority or bargaining power. Moreover, with its stronger business capabilities and greater access to capital, BP dictated the partnership’s operational strategy, which Adharam dutifully implemented. The MNC also projected its private sector logic and practices onto Adharam, which the latter adopted via coercive and mimetic isomorphism. The partnership also faced performance challenges when actors assumed roles outside of their areas of competence. Adharam

¹⁰⁶⁷ (Borys, Jemison 1989: 243)

¹⁰⁶⁸ (Hardy, Phillips *et al.* 2003)

¹⁰⁶⁹ (Borys, Jemison 1989)

¹⁰⁷⁰ (Mars, Lounsbury 2009)

¹⁰⁷¹ (Borys, Jemison 1989)

struggled to take on distribution responsibilities, while BP enacted a conventional business model that disregarded SSP-Adharam's insight in interpreting the rural Indian exchange setting. While Adharam helped BP pursue profits by acting as a business partner, this led to an identity crisis *within* SSP-Adharam as SSP continued to advocate for a prioritization of its beneficiary's basic capabilities and welfare.¹⁰⁷² Thus, the partners were plagued by conflicts over inter- and intra-organisational interests, struggles over values and identities, low partnership trust, and BP-dictated partnership priorities.

In 2009, BP sold its cookstove business to FE, and Adharam was restructured, with a broader product portfolio, into SRPL. After these organisational changes, power dynamics between the partners became more symmetric as operational capabilities and financial resources were now more balanced. SRPL had developed a more effective, business-like approach with BP's assistance, which gave it the confidence to negotiate as an equal not only with FE, but also with new channel partners. Moreover, the actors had strengthened their mutual trust through five years of repeat interactions, professional friendships, and an alignment of operational practices. However, both parties now faced financial constraints, which limited the collaboration's overall effectiveness and deprioritised social impact in favour of financial sustainability. Moreover, the collaboration diverged from a closely integrated 'co-creation' partnership to a standard, 'arm's length' supplier-dealer relationship. Lastly, there was now little communication between the partners; that which still occurred was task-oriented and not concerned with addressing villager logics or needs.

¹⁰⁷² (Albert, Whetten 1985); (Whetten 2006); (Battilana, Dorado 2010); (Forsell; Jansson 1996)

Chapter 6: Direct Agent Model

The direct agent model is characterised by “the sale of a consumer product or service, person-to-person, away from a fixed retail location.”¹⁰⁷³ Over the last century, MNCs such as Amway, Avon, and Tupperware have popularised this model to retail high-margin nutrition, cosmetics, and home care products through a network of self-employed agents to customers in developed and developing countries.¹⁰⁷⁴ Since the channels largely retail women’s products, the companies primarily appoint women as agents, who are seen to have more credibility selling these products than men.¹⁰⁷⁵ For example, ‘Avon Ladies’ host house parties in which they promote Avon beauty products through their associational networks.¹⁰⁷⁶

The success of this channel strategy in a diversity of market contexts led to its adoption by the BoP prescriptive script as a low-cost, scalable strategy for MNCs to retail low-margin, fast moving consumer goods (FMCGs) and consumer durables to urban and rural poor people in developing countries.¹⁰⁷⁷ Chu and Segré (2010) explain the extension of the model to the BoP:

Once known as the ubiquitous foot soldier of American business, the Avon lady is no longer confined to ringing doorbells across the United States. These days, she powders noses in Brazil’s favelas, perfumes the jungles of the Amazon, and adds a little eye shadow to the (former) communist world. As Avon shows, direct selling can often reach further and faster than any other sales channel.¹⁰⁷⁸

In the BoP direct agent model, MNCs are encouraged to leverage the self-help group

¹⁰⁷³ Direct Selling. Accessed on 4 October 2012. URL: <http://www.directselling411.com/>

¹⁰⁷⁴ (Cha, Cline *et al.* 2003); (Chu, Segré 2010); (Dolan, Scott 2009a)

¹⁰⁷⁵ (Cha, Cline *et al.* 2003); (Chu, Segré 2010); (Dolan, Scott 2009a)

¹⁰⁷⁶ (Cha, Cline *et al.* 2003); (Chu, Segré 2010); (Dolan, Scott 2009a)

¹⁰⁷⁷ As Dolan and Scott (2009a) write: “Over the last decade, Avon’s explosive growth in countries as diverse as Turkey and Thailand has piqued the interest of academics and development practitioners in how its networks can be harnessed to deliver material prosperity and women’s empowerment (Distler 2008; Prahalad 2004)” (204). See also: (Hammond, Prahalad 2004); (Prahalad 2009); (Rangan, Rajan 2005); (Lalwani, Kubzansky 2009); (Chu, Segré 2010).

¹⁰⁷⁸ (Chu, Segré 2010); For instance, the authors note that Avon has three times more distributors than Wal-Mart’s entire employee base.

(SHG) networks of NGOs as distribution channels.¹⁰⁷⁹ The MNC typically appoints women from these SHGs as local sales agents. These agents are expected to travel door-to-door to retail the MNC's products and host product demonstrations both in central village meeting places and SHG meetings.¹⁰⁸⁰ In one prominent example, Hindustan Unilever's ('HUL'—known until 2007 as Hindustan Lever or 'HLL')¹⁰⁸¹ 'Project Shakti' aimed by 2009 to enlist 500,000 self-employed agents, many of whom were SHG members, to retail inexpensive FMCGs in rural Indian villages. As Prahalad (2004) explains, "Project Shakti utilizes women's self help groups (SHGs) for entrepreneur development training to operate as a 'rural direct-to-home' sales force, educating customers on the health and hygiene benefits of HLL brands and nurturing relationships to reinforce the HLL message."¹⁰⁸² Likewise, Groupe Danone, the French yogurt manufacturer, launched a partnership with Grameen Bank in Bangladesh to retail low-cost fortified yogurt through a network of rural female women.¹⁰⁸³ As Marquis *et al.* (2009) write, "the delivery technology of social networks coupled with individual incentives...would enable these products to get into the hands of the malnourished in poor countries. More traditional delivery techniques were unable to deliver products to the 'last mile' without tremendous cost."¹⁰⁸⁴

The first section of the chapter will introduce the direct agent sales model and explains the rationale for implementing it rural BoP markets. The chapter will begin by explaining why the BoP script recommends the direct agent model as a strategy for MNCs to retail consumer goods to BoP households. Then, applying the theoretical framework to the empirical case, the chapter will lay out each actor's (BP, SSP, village agent) logics for

¹⁰⁷⁹ (Prahalad 2009)

¹⁰⁸⁰ (Prahalad 2009)

¹⁰⁸¹ Since the name change occurred in the middle of the case study's chronology, the dissertation will refer to the company by its earlier name of Hindustan Lever or HLL.

¹⁰⁸² (Prahalad 2004: 218); For more on this model, see Rangan and Rajan (2005) and Hammond and Prahalad (2004).

¹⁰⁸³ (Yunus 2010)

¹⁰⁸⁴ (Marquis, Rangan *et al.* 2009)

adopting the direct agent model. The next section, drawing on survey findings, will provide empirical evidence to show how the direct agent model fell short of each actor's expectations. The remainder of the chapter will evaluate whether the BP-SSP partnership's enactment of the direct agent model was appropriately suited for the local operating environment. It will provide an exposition and analysis of BP's failure to translate the direct agent model in the rural Indian exchange context. It will explain how the model failed in practice due to a mismatch between BP's operating logic and that of the local context.¹⁰⁸⁵ This chapter will also test the BoP literature's prescription that the direct agent model is an effective and locally appropriate strategy for MNCs to retail consumer durables to poor consumers in rural India.¹⁰⁸⁶ Following Dolan and Scott's (2009a) work, this chapter aims to make an empirical contribution to the under-investigated but "burgeoning direct sales phenomenon taking hold in developing countries."¹⁰⁸⁷

1. Summary of Findings

This chapter demonstrates the degree to which an MNC was able to translate its conventional market logic and operating model across multiple actors that have their own perception filters and normative expectations.¹⁰⁸⁸ In this case, the MNC was unable to properly interpret cues from the local market and implement its model accordingly.¹⁰⁸⁹

In this case study, BP's centrally devised business model came into tension with the institutional logic and social structures of the village exchange setting.¹⁰⁹⁰ Perhaps most significantly, there was a disconnect between the agent's perceived role in the

¹⁰⁸⁵ (Czarniawska, Joerges 1996)

¹⁰⁸⁶ (Hammond, Prahalad 2004); (Prahalad 2009)

¹⁰⁸⁷ (Dolan, Scott 2009a: 204)

¹⁰⁸⁸ (Hammack, Heydemann 2009)

¹⁰⁸⁹ (Czarniawska, Joerges 1996)

¹⁰⁹⁰ For an exposition of the relationship between a multinational enterprise and the social contexts in which it operates, see Dorrenbacher and Geppert (2006), Nohria and Ghoshal (1997), Loveridge (2006) and Stern and Barley (1996).

marketplace and what the MNC imagined for them.¹⁰⁹¹ BP assumed its rural female agents would proactively travel door-to-door through their village to make sales. However, this hypothesised behaviour did not match empirical reality, as most agents instead waited for customers to come to their houses to make purchases. As such, the direct agent model did not actually end up coming to fruition in many villages. Moreover, while the MNC made some attempt to sensitise its model by leveraging female self-help network members as a sales channel, it implemented a standard product launch, underinvested in essential agent and network support, and failed to understand the multi-layered, closed social relationships at the village-level. As a result, the MNC's logic failed to deliver an effective, market-based solution to the problem in the local context.¹⁰⁹²

The chapter demonstrates that village markets in India are more complex¹⁰⁹³ and gritty than the BoP prescriptive script acknowledges, or that corporations are capable of addressing. It also highlights the concomitant challenge for an MNC of attempting to upend a culture, and its attendant social restrictions, through the projection of a conventional market model.

2. Logics for Adoption of the Direct Agent Model

Having briefly foreshadowed the chapter's findings, the chapter will now present, from four different perspectives (the BoP script, BP, SSP, and the jyoti¹⁰⁹⁴), the logic for adopting the direct agent model. Each section will explain the perspective through four lenses: economic; gender; network effect; and sales techniques (*Figure 6.1*, below).

¹⁰⁹¹ Analogous to the mismatch in adoption logics between central planner and village agent in Kamat (2002) and Ferguson (1994). Thornton and Ocasio (2008) unpack the relationship in logics across multiple levels of analysis (e.g. societal, organisational, and individual).

¹⁰⁹² (Hammack, Heydemann 2009)

¹⁰⁹³ Corroborated, for instance, by Geertz (1973; 1974; 1983), who describes the considerable challenges faced by outsiders in interpreting the complex local logics, signs and symbols that structure villager daily life and decision-making.

¹⁰⁹⁴ The terms 'jyoti' and 'agent' are used interchangeably to refer to the female SHG members BP and SSP appointed to retail the Oorja cookstove and fuel pellets.

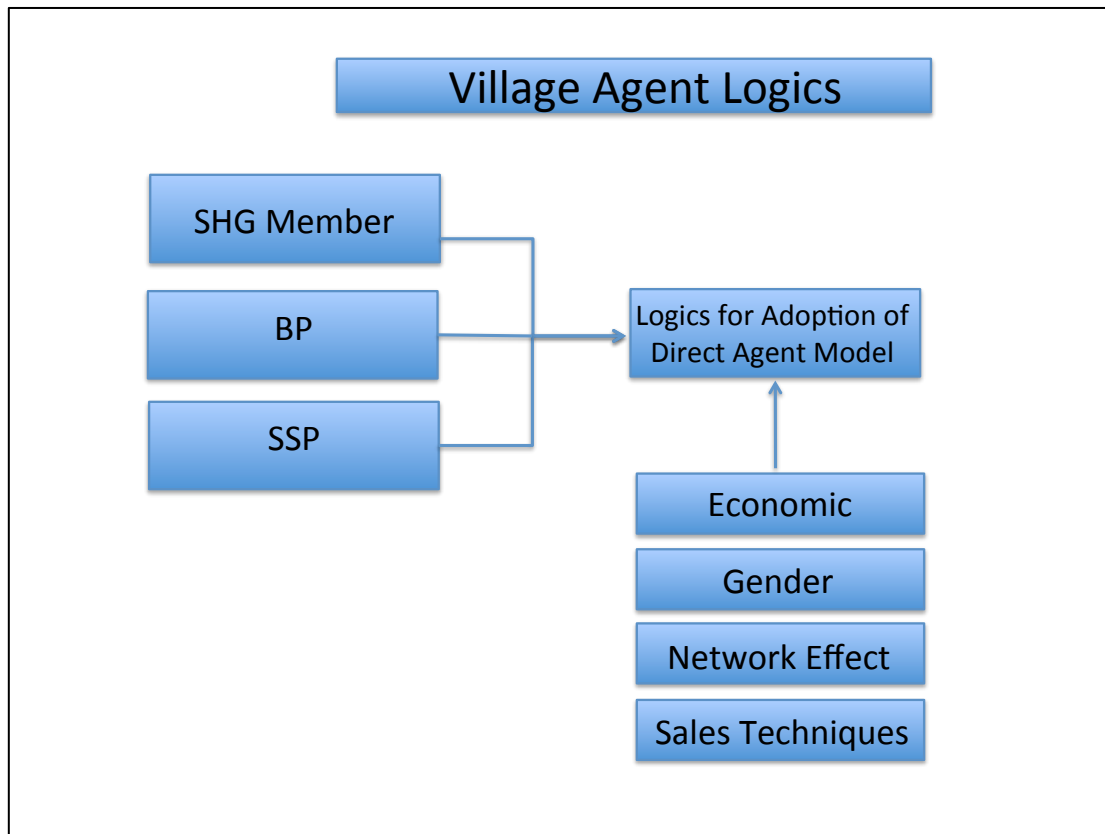


Figure 6.1: Logics for Adopting the Direct Agent Model

2.1 BoP Script's Logic

BoP theorists¹⁰⁹⁵ and practitioners¹⁰⁹⁶ recommend corporations shift from their conventional distribution models (e.g. dealerships, stores) to a direct sales agent channel to retail consumer goods to poor people in rural villages. In this manner, companies can rapidly and cost-effectively reach a wide network of customers.¹⁰⁹⁷

No other distribution channel offers the opportunity to harness local human resources and deploy them faster or in greater numbers. Those local resources can also offer a means to reach markets that are hard to access via other channels.

¹⁰⁹⁵ (Karamchandani, Kubzansky *et al.* 2009); (Prahalad 2004); (Hammond, Prahalad 2004)

¹⁰⁹⁶ A range of organisations have adopted the direct agent model in developing countries, including Hindustan Lever, Project Dharma, and VisionSpring in India; D. Light and Greenlight Planet in India and Sub-Saharan Africa; Living Goods in Uganda; Soluciones Comunitarias in Uganda; Avon in Brazil and South Africa; and CARE and Groupe Danone in Bangladesh. As Dolan and Scott (2009a) note, there has been “a mushrooming of corporate programmes, from Oracle and Gap to Vodafone and Proctor Gamble, which aim to empower women in Asia and Africa (Blowfield and Murray 2008)” (204).

¹⁰⁹⁷ (Prahalad 2004); (Hammond, Prahalad 2004)

As such, direct selling appeals to companies as a unique way to expand their market, learn from their customers, and build a massive sales force.¹⁰⁹⁸

The BoP prescriptive script promotes the direct agent model for several reasons. First, from an economic standpoint, the direct agent model is a low-cost way of building an exclusive sales channel, given its low storage and labor costs compared to building a retail stores network and hiring full-time employees.¹⁰⁹⁹ HLL Project Shakti believes their use of a door-to-door sales strategy to retail low-cost personal care products in rural India led to “double-digit savings in costs as compared to using independent rural sales agencies.”¹¹⁰⁰

Second, the appointment of women as agents is expected to provide marketing credibility and social impact. Since women in BoP markets are typically in charge of household chores (e.g. cooking, cleaning, collecting firewood and water), they are seen to be more credible retailers than men of goods related to these activities.¹¹⁰¹ Several direct agent models have also yielded positive consequences for women in terms of income generation, village status, confidence, and influence over household affairs.¹¹⁰² As Dolan and Scott’s (2009a) study of Avon’s direct agent model in South Africa points out, “it is now well-established that investing in women is the most efficient way to improve not only household welfare, but the social and fiscal health of nations.”¹¹⁰³ Similarly, Prahalad (2004) notes that one of the “intangible benefits” of Project Shakti is social impact, while HLL asserts that their “role in the empowerment of women is more important than sales alone.”¹¹⁰⁴ These presumed social gains have helped MNCs convince NGOs to recruit

¹⁰⁹⁸ (Chu, Segré 2010: 3)

¹⁰⁹⁹ (Prahalad 2009)

¹¹⁰⁰ (Prahalad 2004: 150)

¹¹⁰¹ (Prahalad 2004)

¹¹⁰² (Prahalad 2009); (Chu, Segré 2010); (Dolan, Scott 2009a); (UNDP 2008); (Cha, Cline *et al.* 2007); (Rangan, Rajan 2007)

¹¹⁰³ (Dolan, Scott 2009a: 204)

¹¹⁰⁴ (Prahalad 2004: 150)

and train their female SHG members as agents for household products and consumer durables.

Third, the direct agent model is attractive because existing associational networks can be converted into sales and distribution channels. Dolan and Scott (2009a) explain some of the advantages of using associational networks (e.g. friends, family, SHG networks) to facilitate exchange in developing countries:

[D]irect selling builds on traditional trading arrangements, using existing ties of kinship and exchange as the basis for sales. The Avon system, for example, has always rested on local exchanges among relatives, neighbors, friends, acquaintances, and co-workers, a model that fits well in developing economies, where exchange is typically predicated upon webs of social ties.¹¹⁰⁵

Moreover, such a model is believed to be conducive to appointing poorly educated women as agents, as networking ability and motivation, rather than financial acumen or even literacy, are the main drivers of agent success.¹¹⁰⁶ For instance, the SHG networks of local NGOs provide ‘off-the-shelf’ social infrastructure that can be converted into sales and distribution channels. Such networks are already established, are locally legitimate (instead of being externally imposed), often extend deep into rural areas, and provide social and business support to the retailers.¹¹⁰⁷

Fourth, the model’s sales techniques are advantageous for retailing in BoP markets. In contrast to a retail shop’s passive sales model, the direct agent model employs a proactive marketing strategy, in which agents proactively approach prospective customers. These proactive and persuasive techniques can be used to educate the prospective customer about the benefits of the product and how to use it,¹¹⁰⁸ and appear to be particularly well-suited for selling health-related products that require consumer education, awareness

¹¹⁰⁵ (Dolan, Scott 2009a: 207-8)

¹¹⁰⁶ (Dolan, Scott 2009a: 208)

¹¹⁰⁷ (Karamchandani, Kubzansky *et al.* 2009)

¹¹⁰⁸ (Chu, Segré 2010)

raising and behavior changes.¹¹⁰⁹ According to Sharat Dhall, the head of HLL's Project Shakti, one of the most "important factors for a Shakti dealer's success...[are her] entrepreneurial skills to seek out business instead of passively waiting for customers."¹¹¹⁰

2.2 BP's Logic

In 2004, C.K. Prahalad pitched to BP senior management the direct agent model to sell cookstoves and fuel in rural India. To convince BP of the merits of this model, Prahalad explicitly drew upon the success of Avon, Amway, and HLL's Project Shakti.¹¹¹¹ As Mukund Deonkagar, an original member of the BP-India team, who was later charged with scaling up the direct agent model nationally, noted, "This is a model that has precedent – HLL is doing it through Project Shakti in India; Avon and Amway do it successfully in other countries. We've studied those models closely and are incorporating many of their best practices."¹¹¹²

BP's rationale for establishing a direct agent channel to retail cookstoves was closely related to the BoP script's rationale. First, from an economic perspective, the direct agent model required much less investment than BP's traditional gas-station-cum-convenience store retail model, and made commercial sense for selling a low-margin cookstove¹¹¹³ to a geographically dispersed market. As Ravikumar Dhulipala, BP's General Manager for Business Development, acknowledged, "There's no way the economics of this model would have worked if we [BP] were building 'brick-and-mortar' dealerships. Our consumer market in rural India is too widely scattered and the margins are too small."¹¹¹⁴ By employing a direct agent model, BP did not have to provide formal economy wages

¹¹⁰⁹ (Chu, Segré 2010)

¹¹¹⁰ (Prahalad 2009: 197)

¹¹¹¹ Jeb Brugmann (3 October 2007)

¹¹¹² Mukund Deonkagar (1 October 2007)

¹¹¹³ BP initially sold its stove at a Rs. 225 loss, with the intention of recouping this loss through profits on fuel pellets (Cohen 2008).

¹¹¹⁴ Ravikumar Dhulipala (1 October 2007)

or benefits, or build shop infrastructure. The agents were sub-contractors who were paid a per-unit commission. Inventory was physically delivered to their doorsteps by BP's NGO partner and was stored in their homes. As Deonkagar explained:

[For t]he type of product that we have and what it takes to survive scale and make money in this model, it is obvious to work with the infrastructure that exists in rural India ... If I'm not working with NGO SHG networks and we have to start [building infrastructure] from scratch, than it will suck a lot of time, effort, money, energy.¹¹¹⁵

BP believed it made sense to collaborate with women, who do most of the cooking in rural India, and are therefore seen by other women as credible retailers of cooking appliances. "In very conservative societies like rural India, getting access to the kitchen is not easy," said Deonkagar. "It takes ages to change anything in the kitchen, as villagers have deeply ingrained habits. We thought women would be the most influential entity within the village for the product to make inroads."¹¹¹⁶

Deonkagar acknowledged that BP appointed SHG women as agents for business, rather than social, ends: "I think it's the right thing to work with these women as a business. Are we doing it for social purpose, no! In the long run it makes business sense for me to go this route."¹¹¹⁷ While a male agent can make a rehearsed sales pitch to prospective customers, a female agent brings credibility, as she can vouch for the superiority of the Oorja stove by drawing on her own cooking experience. Moreover, a female agent can maintain an ongoing relationship with her customers by offering them regionally and seasonally specific cooking recipes and tips.¹¹¹⁸ Also, women customers are more comfortable interacting with women agents, especially when the sales interaction occurs within the home. Lastly, the female agent can credibly explain the basic behavioral changes required to use the Oorja stove. For instance, in a traditional chulha, additional

¹¹¹⁵ Mukund Deonkagar (1 October 2007)

¹¹¹⁶ Mukund Deonkagar (1 September 2011)

¹¹¹⁷ Mukund Deonkagar (1 October 2007)

¹¹¹⁸ Upmanyu Patil (3 October 2007)

firewood is fed from the side, can be moved in and out to control the heat of the flame, and can be removed without being burned fully. By contrast, with Oorja, fuel pellets are loaded into the top of the stove, which requires removing the pot while cooking, and means that the pellets must burn through fully. S. Deepashree, BP's Social and Environmental Impact Assessor, said:

Because this is a cooking solution and because women cook, she will be able to teach the consumers how to use the product. Not just about lighting [the] stove and cooking in a certain way. People in every region think differently. Also, about what dishes to cook first and what to cook last, what should be cooked when [the] flame [is] high, when [the] flame [is] low... Since the business is not just stoves but pellets in the long term, that's when women come into the picture."¹¹¹⁹

By recruiting sales agents from SSP's SHG network, BP also gained access to a network of pre-existing relationships between agents and prospective customers, an agent support structure, village-level credibility, and a model of exchange they hoped would help transcend the barriers women in rural India face as economic actors. This associational exchange strategy is consistent with existing trade practices in rural India, which occur through geographically proximate familial or communal networks, and supply the buyer and seller not only with material benefits, but also with social support, bonding, and mutual aid.¹¹²⁰ According to Deonkagar, the SHG model was an optimal channel through which to access customers, because (1) agents and customers know each other well, trust each other, and interact regularly through SHG meetings; (2) the SHG could potentially provide credit to would-be customers to make the stoves affordable (in reality, this never happened); and (3) agents could use SHG meetings to educate would-be customers about the health and economic consequences of cooking on wood chulhas.¹¹²¹ Moreover, he argued that recruiting agents from each village's SHGs delivers unique value to BP:

¹¹¹⁹ S. Deepashree (1 October 2007)

¹¹²⁰ (Cantor, Henry *et al.* 1992)

¹¹²¹ Mukund Deonkagar (1 October 2007)

“To penetrate the rural Indian village, it is important to work with someone who is part of the ecosystem...The [jyotis] deliver huge value in terms of credibility.”¹¹²²

Finally, BP argued the proactive sales techniques prescribed by the direct agent model would be more effective than the passive sales approach of retail shopkeepers, who sit and wait for customers rather than actively engaging in product marketing and customer awareness-raising.¹¹²³ Deonkagar explained the basic features of the agent’s sales strategy: “Agents sell stoves by traveling door-to-door around the village, explaining the health risks of cooking with wood and the benefits of Oorja, and holding product demonstrations in village meeting places, markets, and during festivals.”¹¹²⁴ BP believed the persuasive, proactive door-to-door sales tactics of the direct agent model, which included consumer education campaign about the health consequences of household air pollution, were necessary to elicit a behavioral change among firewood chulha users to a ‘smokeless’ cooking technology.¹¹²⁵

2.3 SSP’s Logic

SSP’s economic logic was to create sustainable livelihood opportunities for its SHG members. Naseem Shaikh, SSP’s health program coordinator, explained that SSP’s original strategy was actually not to launch a direct agent sales model: “Our initial goal was to offer an alternate appliance for women to cook, that was good for health and [for] the environment. It was not to create a distribution network or partner with companies.”¹¹²⁶ Yet the NGO realised that the most effective way to reach this vision was to partner with BP and build a sales and marketing channel, which would also provide economic opportunities for its SHG women. As Shaikh explained: “SSP thought,

¹¹²² Mukund Deonkagar (1 October 2007)

¹¹²³ Mukund Deonkagar (1 October 2007)

¹¹²⁴ Mukund Deonkagar (1 October 2007)

¹¹²⁵ Mukund Deonkagar (1 October 2007)

¹¹²⁶ Naseem Shaikh (25 September 2007)

‘if we are sourcing appliances, why aren’t we creating livelihood opportunities for the women. Other SHG agents are doing milk selling, agriculture, but are not having satisfaction with that work’. This is why we created jyotis.”¹¹²⁷ Moreover, in SSP’s original vision, the agents would eventually own and run the Adharam business: “We are starting the Adharam governance body. We brought the women in as entrepreneurs and have to give them a [plan] to run the company.”¹¹²⁸

SSP’s promotion of the direct agent model was also consistent with the organisation’s overall women’s empowerment mission. The NGO only agreed to partner with BP because the appointed sales agents would be exclusively female SHG members.¹¹²⁹ According to Shaikh, the direct agent model offered a quality work experience compared to the jobs poor rural women were otherwise coerced into taking.¹¹³⁰

Men are sending their wives to work but these are not good opportunities. They are mistreated and they do not learn. If women join our network structure, they will get opportunities to learn and work that match their interests. SSP is not just teaching them how to use the product or a set of skills. We are teaching them values. We help them understand when they make mistakes. We explain how they can help change the life of their consumers, and teach them the importance of creating a base of consumers at the village level.¹¹³¹

In addition to empowering the jyotis, Shaikh explained that the direct agent model also offered flexibility to both jyotis and consumers:

The jyoti doesn’t have to sit all day. Anytime she has free time she can sell. The job is flexible—if she needs to cook or take care of her kids, she can prioritize that. Likewise, consumers can anytime go to her and access the product. A distributor from outside the village couldn’t do this. Therefore, there is maximum convenience and flexibility for both the customer and the jyoti. This is unique value.¹¹³²

Dolan and Scott (2009a) identify this same advantage in Avon’s sales model in South Africa: “This flexibility allows women to balance productive work with reproductive

¹¹²⁷ Naseem Shaikh (25 September 2007)

¹¹²⁸ Naseem Shaikh (25 September 2007)

¹¹²⁹ Prema Gopalan (24 September 2007)

¹¹³⁰ (Harriss-White 2003: 35)

¹¹³¹ Naseem Shaikh (25 September 2007)

¹¹³² Naseem Shaikh (25 September 2007)

obligations at home, an advantage in a context in which household divisions of labour are rigidly defined along gender lines (Wilson 1999).”¹¹³³

SSP’s director, Prema Gopalan, also believed the jyoti could “use the web of relationships through her group and community [locality] to deliver value to the consumer.”¹¹³⁴ As she explained, the jyoti “is closest to the end customer, not only geographically as her neighbour, but also socially or viscerally, as she experiences the same day-to-day challenges as her customer. Jyoti is not just a distribution agent, or an outsider coming in to sell something. She comes from an organised group, and her identity is linked to the community.”¹¹³⁵ Shaikh added that jyotis benefit from the SHG network because it serves as a prospective consumer base: “Jyotis’ main question is, ‘Where can we sell the product?’ Jyotis feel comfortable because they have a relationship with their SHG. Because of this network, the jyoti knows the market demand and needs. The jyoti thinks, ‘maybe they are not my customers today, but slowly they will come into my chain and use these pellets’.”¹¹³⁶ SSP also expected fellow SHG members to support the jyoti as word-of-mouth marketers.¹¹³⁷

Finally, in the direct agent sales model, jyotis attract customers by explaining the health, environmental, and economic benefits of cooking on Oorja. This social marketing approach is consistent with SSP’s mission of using education to reduce poverty, disease, and environmental degradation.¹¹³⁸ Shaikh talked through the jyoti’s sales pitch:

The jyoti tells the customer that Oorja will alleviate the time and physical burden of gathering agricultural waste or wood. The jyoti explains the health benefits of Oorja compared to cooking with wood or charcoal. If the consumer is buying

¹¹³³ (Dolan, Scott 2009a: 208)

¹¹³⁴ Prema Gopalan (24 September 2007)

¹¹³⁵ Prema Gopalan (24 September 07)

¹¹³⁶ Naseem Shaikh (25 September 2007)

¹¹³⁷ Upmanyu Patil (26 September 2007)

¹¹³⁸ For instance, SSP has dedicated staff that educate villagers about the importance of hygiene, sanitation and hand washing to encourage them to construct toilets, boil water, and use soap.

wood from farmers or wood sellers, the cost is high. The jyoti explains that [Oorja] is more efficient, easier to handle, and reduces fuel costs.¹¹³⁹

Just as SSP runs awareness raising activities through SHG meetings, jyotis were expected to use these meetings as sales platforms, alongside door-to-door visits and village demonstrations.

2.4 Jyotis' Logic

From an economic standpoint, many SHG members wanted to become BP sales agents because they expected the position would offer a reliable income source. BP told the jyotis they would earn commission of Rs. 1,500 – 2,000 per month,¹¹⁴⁰ which was relatively consistent with the minimum wage in the State of Maharashtra.¹¹⁴¹ BP also explained that once the jyotis had lined up a critical mass of customers, they would continue to generate monthly income from fuel sales: “We told the jyotis, ‘You won’t need to struggle too much [to earn reliable income] because once the consumer relationships have been created, the consumers will continue to buy fuel from you.’”¹¹⁴² Moreover, jyotis would receive inventory on consignment from BP and so would not have to invest in stock. SHG members also received assurances they would not have to assume risk.¹¹⁴³

According to Mahesh Yagnaraman, CEO of BP-India, jyotis’ economic goals often trumped their social priorities. Mahesh described the tone of one jyoti meeting:

Some of the jyotis kept talking about only the business goals, ‘I want to be the largest jyotis’...Nothing wrong with that. It was quite intriguing. You would think that jyotis would only talk about social...[T]his is not about being judgmental. The fact is...they are taking steps up the economic ladder...They are

¹¹³⁹ Naseem Shaikh (25 September 2007)

¹¹⁴⁰ Upmanyu Patil (26 September 2007)

¹¹⁴¹ In 2005, the minimum wage in Maharashtra was Rs. 60/day (or Rs. 1,500 per month for working six days per week, as is customary in India); (Basu, Chau *et al.* 2005).

¹¹⁴² Mukund Deonkagar (1 September 2011)

¹¹⁴³ Prema Gopalan (24 September 07)

taking a product, they are investing money, it's a very economic relationship initially...But how do we build their social sensitivity into that [value] chain?¹¹⁴⁴

Second, as women in rural India suffer life disadvantages and persistent subordination,¹¹⁴⁵ SHG members were initially very excited to become jyotis because of the social status accorded by the position. For instance, Miriam Mogul, a jyoti from Apsinga, said, "I knew that working for a company would increase my status. All the people [in my village] will know who I am."¹¹⁴⁶ Similarly, Anita Pawar, a jyoti from Bamaniwadi, declared: "I thought that becoming jyoti would make me an important person in my village."¹¹⁴⁷ Gopalan concurred: "Of course our women are strapped and don't have many choices in the world, but being jyoti will give them a great sense of dignity."¹¹⁴⁸ Jyotis also realised that their gender gave them credibility as sales agents. Miriam Mogul said, "Being a woman helps for business. Customers trust me since I cook. Men don't know how to use a stove and don't understand the difficulties we face cooking with firewood."¹¹⁴⁹

Third, SHG members were willing to take on the role of jyoti as they thought they could leverage their associational networks as a customer base. Anita Pawar said: "I can advertise Oorja at the SHG meetings. If there weren't groups, I would have to go to all households in the village, which is impossible...The group members can give information to other people about the stove and pellets."¹¹⁵⁰ Agents also saw this as an opportunity to make new friends within their village.¹¹⁵¹

Fourth, while sales techniques were not the primary driving force for agents participating in the direct agent model, many jyotis were eager to develop business acumen (e.g.

¹¹⁴⁴ Mahesh Yagnaraman (1 October 2007)

¹¹⁴⁵ (Harriss-White 2003); (Harriss-White, Gooptu 2001); (Gayathri 2001)

¹¹⁴⁶ Miriam Mogul (3 September 2007)

¹¹⁴⁷ Anita Pawar (26 Sept 2007)

¹¹⁴⁸ Prema Gopalan (24 September 07)

¹¹⁴⁹ Miriam Mogul (3 September 2007)

¹¹⁵⁰ Anita Pawar (26 Sept 2007)

¹¹⁵¹ Savita Tanvade (27 August 2007); Miriam Mogul (3 September 2007)

marketing skills). They were excited for the training BP and SSP promised to provide to help make them successful entrepreneurs.

As the above section demonstrates, there was initially a meaningful alignment in the adoption logics of the MNC, NGO, and village agents. Each actor recognised, at least in principle, the advantages of adopting the direct agent model for village exchange.

However, as the next section will explore, the actualization of the model had very different consequences on the stakeholders than that which was expected at the initial point of adoption.

3 Impact Evaluation

Having presented each partner's and the village agents' respective initial motivating logics for adopting the direct agent model, the chapter will now explore the economic and social impact of this model on the agents. This section presents findings from two studies: (1) a Quantitative Sales Analysis, which calculates per agent income for the entire jyoti population from the 2006 pilot to 2011, and (2) a Jyoti Survey, which investigated jyoti sales strategies and evaluated the social impact of the venture on jyotis in 2007 and 2010.¹¹⁵² Together, these analyses offer insight into the model's village-level sustainability and the venture's overall impact on its agents.

3.1 Quantitative Sales Analysis (2006 - 2011)

Despite recognising the importance of agent's earnings to the venture's social impact and continued agent participation, neither BP nor SSP ever calculated the agents' actual income. For instance, in October 2007, over a year after the sales commenced, BP-India's CEO acknowledged it did not have a pulse on even basic jyoti sales and income data, let alone whether jyotis were facing social opposition to their entrepreneurship:

¹¹⁵² This agent sales database and the jyoti survey are available for examination upon request.

“Are they earning [the] money which we said? Are they feeling comfortable making sales or are they facing social pressures? I don’t know the answers to these questions. Some of these things, if we had a yardstick of measuring it, I think we can have an honest conversation.”¹¹⁵³ His comment revealed how disconnected BP was from the needs and interests of its agents. Several years later, the partners continued to speculate about, and recognise the significance of, agent earnings, without every measuring them.¹¹⁵⁴ Accordingly, between April 2010 and September 2011, the author completed the first agent sales analysis in collaboration with SRPL’s accountant and CEO. The details of this process are elaborated in the methodology chapter.

Findings

As *Table 6.1* (below) explains, Adharam-SRPL appointed 776 jyotis, through whom they sold nearly 45,000 stoves and over 500,000 bags of pellets.¹¹⁵⁵ While stove and pellet sales peaked in 2007, per-jyoti commissions peaked during the pilot in 2006. After the 2006 pilot, per-agent commission declined significantly as BP reduced individual agent support. In 2007, BP tried to expand the channel as fast as possible, recruiting over 400 new agents. In 2008, per-agent income bottomed, compelling many underperforming agents to quit the business. From 2009 to present, annual commission increased again, due to a shift in operational focus to urban markets, where per agent sales were much higher, and to survivor’s bias, as underperforming agents continued to resign.

<u>Annual Sales</u>	<u>Stoves</u>	<u>Pellets</u>	<u>Jyotis</u> ¹¹⁵⁶	<u>Annualised Jyoti</u> <u>Commission (Rs.)</u>	<u>Annualised Jyoti</u> <u>Commission</u> <u>(USD)</u> ¹¹⁵⁷

¹¹⁵³ Mahesh Yagnaraman (1 Oct 2007)

¹¹⁵⁴ Upmanyu Patil (30 November 2009); Mukund Deonkagar (1 September 2011)

¹¹⁵⁵ This chart excludes CCD’s sale of ~17,000 stoves and ~220,000 pellets, as well as those sold directly by Sakhi Retail’s urban retail shops.

¹¹⁵⁶ Jyoti included if she sold at least one stove or 100 bags of pellets during the year.

Jun-06	6,012	14,895	39	4,619	102.65
2007	18,082	169,053	446	1,898	42.18
2008	15,122	53,219	565	1,086	24.13
2009	3,570	308,194	328	2,116	47.02
2010-Mar 2011	931	79,175	135	1,958	43.51
Total/Average	44,803	518,540	776	1,912	42.49

Table 6.1: Annual Jyoti Sales and Commission

BP and SRPL initially projected each jyoti would earn a monthly income of Rs. 1,500 to 2,000 by cumulatively selling 200 stoves, and then regularly retailing pellets to these 200 customers.¹¹⁵⁸ As mentioned earlier, these earning expectations were a strong motivator for SHG members to become agents, and starting in 2007, to justify the Rs. 10,000 personal investment in stove and pellet inventory that BP required each agent make.¹¹⁵⁹ Yet actual jyoti earnings fell significantly below both the partners' initial projections and their more recent claims regarding jyoti performance.

As *Table 6.2* (below) demonstrates, monthly per agent commission was Rs. 207 (mean) and Rs. 127 (median), or approximately one-tenth and one-fifteenth of the partners' projections, respectively. These earnings were well below daily minimum wage and poverty line income.¹¹⁶⁰ Moreover, while agents were expected to cumulatively sell an average of 200 stoves, in reality, the average agent sold just 56 (mean) and 25 (median) units. Even Anita Pawar, the second jyoti appointed and the most successful overall in

¹¹⁵⁷ Uses average USD/INR exchange rate of 45 between June 2006 and March 2011.

¹¹⁵⁸ Upmanyu Patil (3 October 2007)

¹¹⁵⁹ The consequences of this agent investment requirement will be explored later in this chapter.

¹¹⁶⁰ Jyoti wages are also below those of a female daily labourer (Rs. 50/day). Moreover, since jyotis were asked to make an inventory investment, they assumed higher financial risk, and many had to spend part or all of their commission servicing their loans.

terms of stove sales, said at the peak of BP's business in 2007: "The income is not enough for me. It is not fair."¹¹⁶¹

Jyoti Commission	Rupees	Average Jyoti Sales	Units
Monthly (Mean)	207	Stoves (Mean)	56
Monthly (Median)	127	Stoves (Median)	25
Cumulative Income ¹¹⁶² (Mean)	3,256	5-Kg Bags of Pellets (Mean)	668
Cumulative Income (Median)	1,485	5-Kg Bags of Pellets (Median)	255

Table 6.2: Average Jyoti Sales and Commission

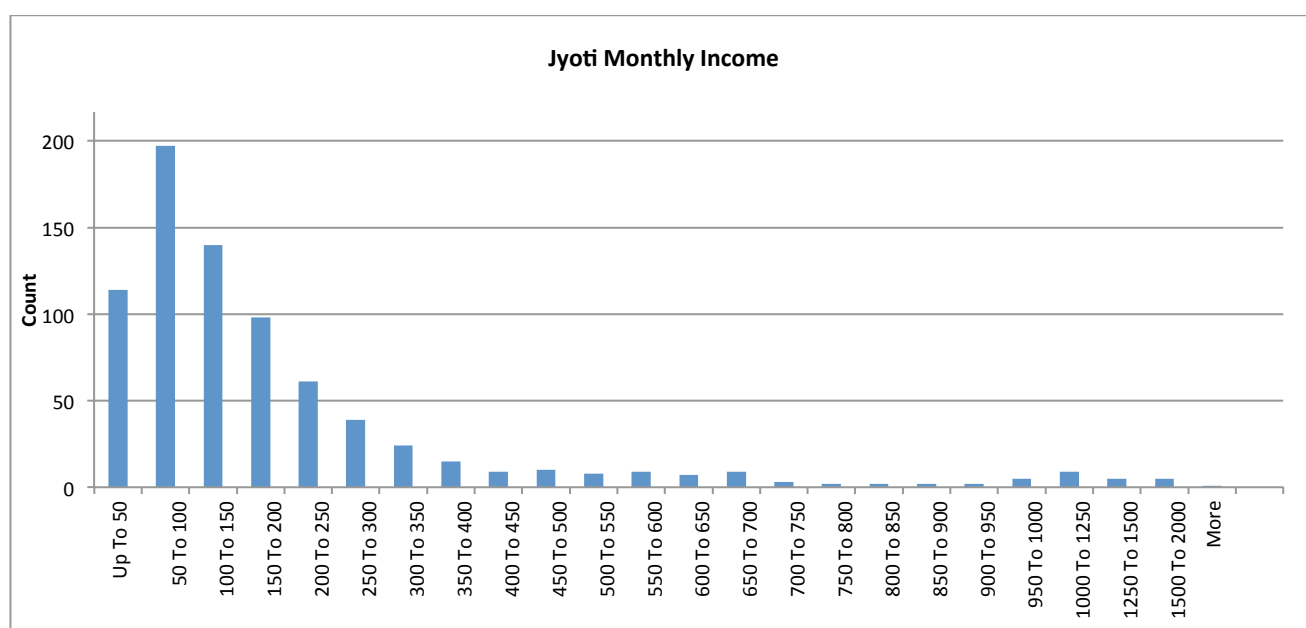


Figure 6.2: Distribution of Jyoti Monthly Income

The above histogram (*Figure 6.2*) of monthly jyoti income has a very long right tail, which means that a few outperforming agents are pulling up the mean. Given the high degree

¹¹⁶¹ Anita Pawar (26 Sept 2007)

¹¹⁶² Total income earned during jyoti's overall tenure as sales agent.

of skewness,¹¹⁶³ the median agent income of Rs. 127 (approximate US \$3) is a more accurate indicator than the mean.

Jyoti Monthly Earning Distribution	# of Agents	Percentage of Overall Jyotis
< Rs. 200 per month	548	70%
Rs. 200 - 500 per month	158	20%
Rs. 500 - 1000 per month	50	6.5%
> Rs. 1000/month	20	2.6%
> Rs. 1500/month	6	0.8%
> Rs. 2000/month	<u>1</u>	<u>0.1%</u>
Total	776	100%

Table 6.3: Distribution of Jyoti Monthly Earnings

In *Table 6.3* (above), the monthly income distribution is presented in percentage terms. Fewer than 1 percent of agents achieved the partners' initial projections of Rs. 1,500 to 2,000 per month. 70 percent of jyotis earned less than Rs. 200 per month on average. This cut-off is noteworthy: those agents who borrowed Rs. 10,000 to purchase required inventory would have paid Rs. 200 per month just to service the loan for that very inventory.¹¹⁶⁴ The table also highlights discrepancies between partner rhetoric and reality. In July 2009, *Outlook Business*, one of India's top-selling English weekly newsmagazines, reported that a SRPL sales agent "typically earns over Rs 2,000 per month as commission."¹¹⁶⁵ In reality, only one agent out of 776 met this earnings threshold. In November 2009, SRPL's CEO claimed that agents earned on average Rs. 700 to Rs.

¹¹⁶³ This histogram has a skewness of 3.41. A normal distribution has a skewness of 0.

¹¹⁶⁴ SSP loans capital to its SHG members at 24 percent per annum.

¹¹⁶⁵ (Karunakaran, Prasad *et al.* 2009). The Rs. 2,000 figure was inclusive of commission from other Sakhi Retail products (i.e. solar lanterns), but the sale of these other products was insignificant.

1,000.¹¹⁶⁶ In September 2011, BP-FirstEnergy's Deonkagar stated that jyotis earn Rs. 1,000 to 1,500 per month.¹¹⁶⁷ The partners' consensus of Rs. 1,000 had been achieved by only 2.6 percent of agents, or one in 40. *Table 6.4* (below) quantifies the magnitude of the difference between partners' projections and actual performance.

Jyoti Sales	Initial <u>Projections</u>	<u>Rhetoric</u>			Actual (Median)	Difference (Actuals v. Consensus Projections)
	BP & SRPL	Outlook Business (July 2009)	SRPL (Nov 2009)	BP (Sept 2011)		
Commission (Per Month)	Rs. 1,500 - 2000	> Rs. 2000	Rs. 700 - 1000	Rs. 1000 - 1500	Rs. 127	14x
Stove (Total)	200	N/A	N/A	N/A	26	7.7x
Pellet Bags (Per Month)	1000	N/A	N/A	N/A	13	75x

Table 6.4: Partner Projections and Rhetoric versus Actual Sales

One of SSP's logics for partnering with BP was to create reliable income generating opportunities for its SHG members. Yet the average agent earned less than one-tenth the partners' initial commission forecast. Equally troubling, the partners continued to believe the agents earned roughly their original forecast. Since they never calculated per agent earnings, they continued to make overstated claims after the enactment of the model, despite evidence to the contrary. These analyses demonstrate quantitatively the disconnect between the initial logic for participation and the actual economic benefits accrued to the agents.

¹¹⁶⁶ Upmanyu Patil (30 November 2009)

¹¹⁶⁷ Mukund Deonkagar (1 September 2011)

The analysis also revealed a significant decline in agent earnings after the 2006 pilot phase, when BP simultaneously cut agent training and forced them to purchase inventory. This provides preliminary evidence that BP's post-pilot reduction of support, combined with product price hikes, had adverse consequences on agent performance.

3.2 Jyoti Survey (2007; 2010)

3.2.1 Agent Promotional Strategies

The 2007 jyoti questionnaire can be used to compare the agent's actual role in the marketplace with that which the MNC envisioned for them. Survey questions unpacked the main means through which agents promoted the Oorja stove, and assessed the extent to which jyotis valued their membership in SHG networks. As *Table 6.5* (below) indicates, the primary channels through which jyotis sold stoves were customer visits to *jyoti* homes (62 percent) and village demonstrations (61 percent). The SHG infrastructure also provided jyotis with a valuable social and business network. 37 percent of jyotis reported they relied on this network as a customer base, while 33 percent indicated their peers (e.g. SHG members, neighbours, family, or existing customers) helped with word-of-mouth marketing. For instance, Savita Tanvade, a jyoti from Bembali village, and Miriam Mogal, the agent in Apsinga village, both extensively leveraged their social networks as sales channels. Savita mentioned that: "Most of my customers are friends or members of the SHG,"¹¹⁶⁸ while Miriam approximated that 40 of her 71 customers were members of local SHGs.¹¹⁶⁹ The significance of the associational exchange model was corroborated even more strongly by Dolan and Scott (2009a), in their study of Avon's direct agent model in South Africa. The authors found that over 80 percent of agents leveraged their social networks (e.g. friends, family, neighbours) and organisational affiliations (e.g.

¹¹⁶⁸ Savita Tanvade (27 August 2007)

¹¹⁶⁹ Miriam Mogul (3 September 2007)

schools, churches, offices) to acquire customers, while a similar proportion of customers learned about Avon through such networks.¹¹⁷⁰

Jyoti Promotion Activities¹¹⁷¹	Proportion
Customer visits jyoti's home	62%
Village Demonstrations	61%
Jyoti visits customer's home	43%
SHG Meetings	37%
Signs/Advertising	34%
Word-of-mouth	33%
Family members visit households	19%

Table 6.5: Jyoti Promotional Mediums

One statistic from the *Table 6.5* (above) deserves particular emphasis: only 43 percent of agents surveyed had visited other households to make sales, despite BP expecting this to be the primary sales medium.¹¹⁷² Literature on gender dynamics in rural India argues that for work to empower women, it must be in the public arena: “it has to involve that kind of social interaction that is ‘an antidote to seclusion and its adverse consequences’ (Agnihotri 1997, p. 285).”¹¹⁷³ Harriss-White states directly: “Glovestitching at home will not do.”¹¹⁷⁴ Yet as most agents do not leave their home, jyoti work is no such antidote. Therefore, the continued inability of agents to leave their domestic space for work may constrain the social impact of the venture, along with their economic success.

3.2.2 Jyoti Impact Study

¹¹⁷⁰ (Dolan, Scott 2009a)

¹¹⁷¹ Agents were asked to self-report the ways through which they promoted Oorja stove and pellets, and could specify multiple mediums.

¹¹⁷² Moreover, few jyotis did so as common practice (Upmanyu Patil 4 March 2011)

¹¹⁷³ (Harriss-White 2003: 131)

¹¹⁷⁴ (Harriss-White 2003: 131)

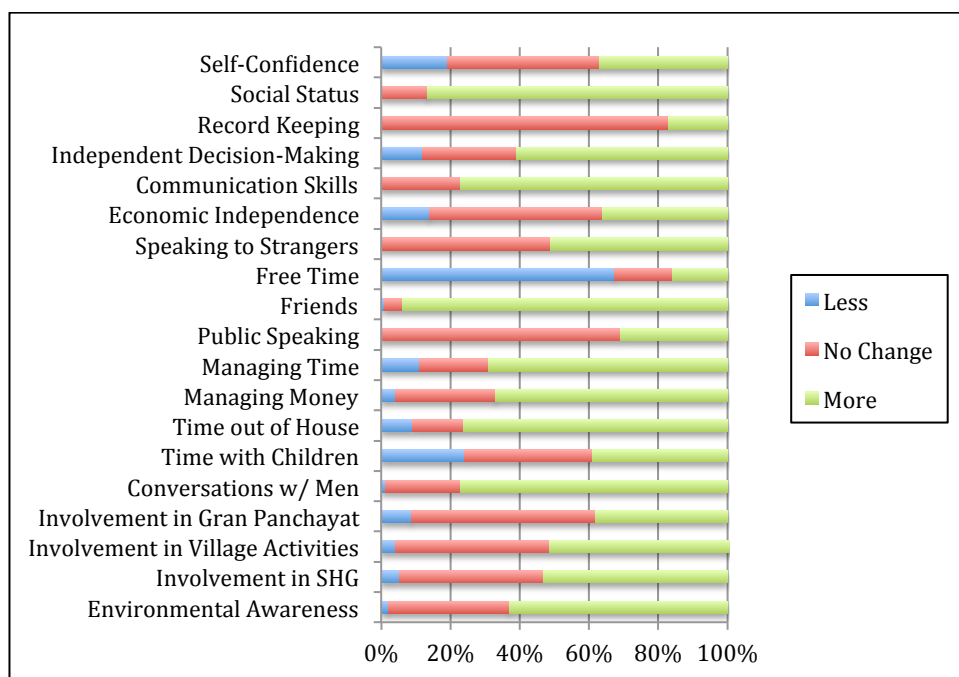


Figure 6.3: 2007 Jyoti Social Impact (versus Pre-Jyoti)

According to findings from the 2007 jyoti questionnaire, which were collected at peak stove sales, jyotis perceived an improvement in most social indicators (*Figure 6.3*, above). Most reported an increase in social status,¹¹⁷⁵ stronger communication skills, more friends, and more time outside the home. Furthermore, over half reported that they independently made more personal and household decisions, were more comfortable speaking to strangers, were better able to manage their time and finances, were more involved in village and SHG activities, and were more aware of environmental issues. Less encouragingly, a minority reported gains in self-confidence, while most said, due to added responsibility, they now had less time for leisure activities.

¹¹⁷⁵ This increased social status is corroborated with customer and non-customer testimony. 91 percent of customers and 92 percent of non-customers describe the jyoti as an ‘important person’ in the village. While there may be some selection bias (Adharam appointed some jyotis because they were already considered ‘important’), these findings are impressive nonetheless.

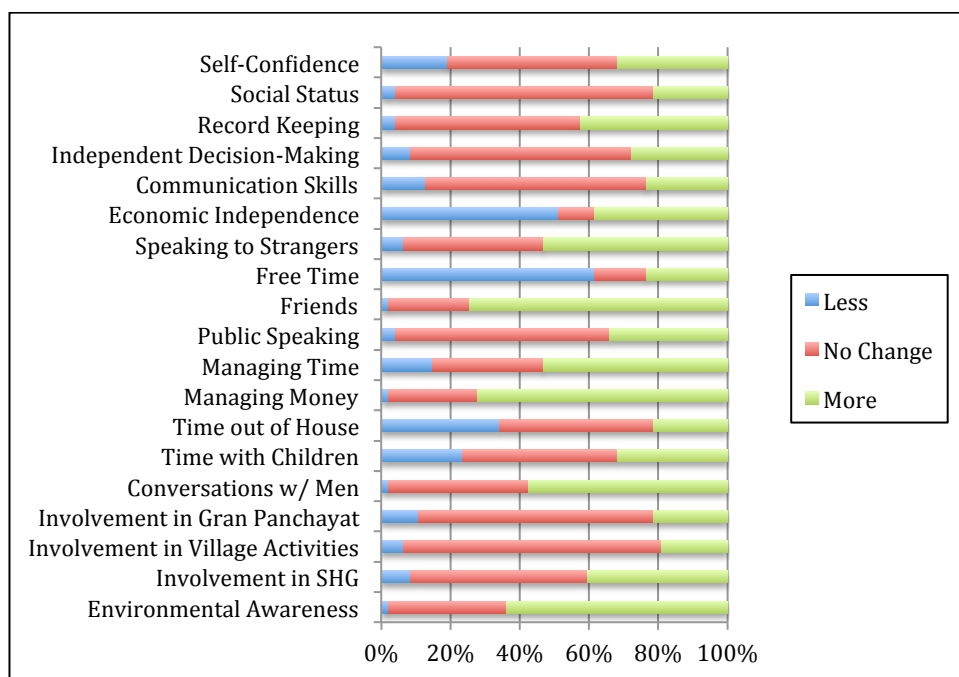


Figure 6.4: 2010 Change in Social Impact among Active Jyotis (versus 2007)

Among surveyed agents who were still active in 2010 (N=47), social gains were more modest compared to 2007 (Figure 6.4, above). Indeed, a significant number of agents reported ‘no change’ for most indicators, a decline in economic independence, which may have been caused by the need to repay money borrowed from SHGs or family, and a decline in time spent outside the home, which suggests some social retrenchment linked to reduced stove and pellet sales, or to communal/familial backlash.

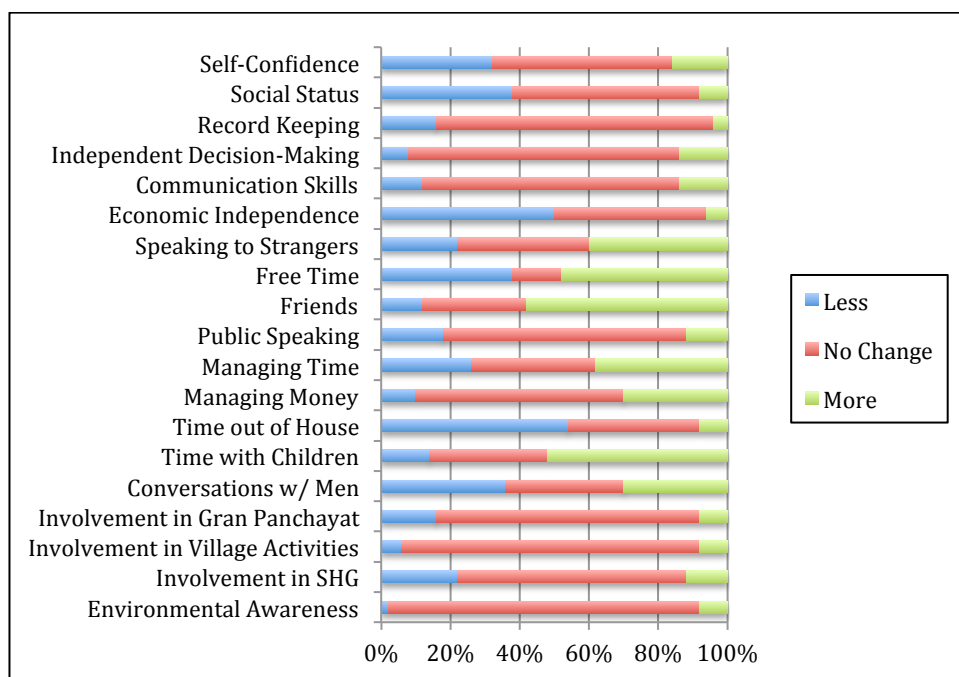


Figure 6.5: 2010 Change in Social Impact among Inactive Jyotis (versus 2007)

As shown in *Figure 6.5* (above), the social gains from serving as jyoti were even more transient among those who had resigned by 2010 as agents (N=50). Former agents were more likely to report declines than improvements over their 2007 baseline in the following social indicators: economic independence (eight times as likely to report declines), time spent outside the home (seven times), social status and record keeping skills (four times), and self-confidence (two times).

On balance, much of the economic and social rationale for adopting the direct agent model did not materialise. Agents earned a fraction of the projected income from retailing stoves and pellets. While agents effectively leveraged their existing networks as sales channels, they were much less proactive than expected in retailing stoves outside their own homes. While agents experienced short-term gains in social indicators (e.g. social status, communication skills, time spent outside the home), these gains tapered off, and even reversed for agents who resigned. These findings provide evidence that the micro-level institutional change the agents experienced may have been fleeting. In

addition, they demonstrate the significant gap between SHG members' logics for participating as agents and their actual economic and social gains.

3.3 Mismatch in Logics between BP and the Local Exchange Setting

Thus far, this chapter has presented each actor's rationale for adopting the direct agent model, and then provided evidence that the model fell short of the agents' expectations. The rest of this chapter will explain why. It will explore the relationship in logics between the village exchange setting and two key dimensions of BP's conventional market logic: namely, their non-reflexive attitude towards the marketplace they were trying to serve, and their prioritization of firm revenue and profits over village agent economic sustainability. The combination of these two factors contributed to the model's unravelling. Accordingly, the analysis will reveal the inability of BP to translate the direct agent model to the local sales context.

3.3.1 BP's non-reflexive attitude towards the marketplace they were trying to serve

BP projected a non-reflexive market logic that was not sensitised to the sociocultural dynamics of the rural Indian exchange setting. BP-India relied on its managers' existing operational knowledge and experience to implement this partnership, and rarely collected input from, let alone deferred to the judgment of, the local stakeholders. BP-India's CEO downplayed the extent of the required cultural bridging: "There are fundamentals [to] the way we drive business that are familiar to us in this project. We are in the same broad terrain."¹¹⁷⁶ However, while BP managers had extensive strategic and operational experience retailing energy solutions to India's middle class (through their tenures at Castrol), they had no experience marketing or distributing products to India's rural BoP

¹¹⁷⁶ Mahesh Yagnaraman (1 October 2007)

market. Moreover, there was a physical distance between BP's management and their consumer base: BP-India's office was in Bangalore, 500 miles away from its rural consumer base in Maharashtra. There was also a cultural distance: Bangalore is a major cosmopolitan city, and a very different society from the one for which they BP was designing a stove. BP made little attempt to traverse this divide. BP did not understand the profound differences in the market it was trying to serve, and the attendant need to modify its conventional market logic to be sensitive to the local operating context. In other words, it relied on a set of perception filters and operating procedures that were poorly suited to rural India.

This was not always the case. During its initial product design phase in 2005 and pilot in 2006, BP was engaged with its target customer base. BP managers made regular visits to SSP's areas of operations, collected local market knowledge from SSP, and commissioned consumer insight studies by MART, a respected India-based, rural market research firm.¹¹⁷⁷ Moreover, BP held focus groups with village women in Maharashtra to test product attributes such as stove colour and understand how users would interact with the cookstove. Through these consultations, BP learned that Oorja needed to be highly durable, to withstand corrosive forces such as the monsoons and dirt, and that the internal fan needed to be powered by a rechargeable battery, since electricity access within rural areas was sporadic.¹¹⁷⁸ Jeb Brugmann, BP's senior consultant, explained that during the design and pilot phases, "BP used SSP as a learning laboratory. They got their value for money out of SSP."¹¹⁷⁹ According to Avik Roy, BP's field consultant, BP was "initially clueless. But by working with the NGOs and jyotis, they got initial insight into

¹¹⁷⁷ HLL's Project Shakti also commissioned MART during their pilot phase.

¹¹⁷⁸ Consumer Feedback/Product Testing Survey (2005)

¹¹⁷⁹ Jeb Brugmann (3 October 2007)

the market. This was the best strategy to get insights, stabilise product models, and improve their design. But then all these learnings dropped off.”¹¹⁸⁰

While scaling its operational model in 2007, BP did not listen to, defer to, or understand the insights of its locally embedded agents (NGO, consultants, and village-level agents), let alone the marketplace it aimed to serve. According to the TNP consultants and SSP, BP felt it had learned to independently launch and scale a supply chain in rural India, and did not need villagers or NGOs to tell them how to set up its business.¹¹⁸¹ As Brugmann explained, “There is an arrogance on BP’s part. There is no scope for them to listen to the NGOs or consultants for anything. There is a persistent lack of trust by BP in the NGOs and the consultants.”¹¹⁸² BP cut down staff visits to SRPL field areas, stopped collecting villager feedback on new stove model designs, and did not even set up a formal channel to collect agent and customer feedback. As Prema Gopalan noted critically nearly a year after the pilot was completed, “BP has no contact with the market. They do not have a sense of customer or jyoti needs. Their implementation strategy is developed in an office in Bangalore, disconnected from the realities of village life. They don’t even want feedback. Their new product versions are designed in laboratories, and barely tested in the field.”¹¹⁸³

Mukund Deonkagar disputed these characterizations, and explained that BP simply shifted the focus of its field operations: “Our partnership with Adharam had reached a level of scale and efficiency such that we could move on to new markets, and apply the lessons learned from this partnership.”¹¹⁸⁴ Moreover, he was still in touch with Upmanyu Patil almost daily,¹¹⁸⁵ and had a BP staff member (Arkajit Mandal) stationed permanently

¹¹⁸⁰ Avik Roy (4 March 2011)

¹¹⁸¹ Jeb Brugmann (3 October 2007)

¹¹⁸² Jeb Brugmann (3 October 2007)

¹¹⁸³ Prema Gopalan (21 September 2007)

¹¹⁸⁴ Mukund Deonkagar (1 October 2007)

¹¹⁸⁵ An assertion Patil corroborated.

in SSP's Osmanabad office.¹¹⁸⁶ Yet BP pulled Arkajit from SSP's office in October 2007, which greatly diminished BP's organisational presence in SSP's markets, as well as its capacity to systematically gather field insights from SSP's beneficiaries. In other words, BP's learnings in SSP's markets diminished greatly after its pilot, and stopped almost completely once it withdrew its staff member.

SSP and TNP, BP's consultancy, believed BP management's non-reflexive and disconnected attitude caused it to fundamentally misunderstand the local market. Enacting its business model in rural India, the MNC systematically made poor decisions by relying on its pre-existing private sector logic.¹¹⁸⁷ This was more fundamental than just sensitising its market model to a new context—rural India is based on very different economic and cultural constraints than BP's conventional operating settings. Its missteps would have been preventable, had the BP-India team been more receptive to the NGO's local market intelligence. For instance, in the 'Stoves and Pellets Distributorship Agreement', BP unilaterally specified seven criteria for appointing rural women as agents.¹¹⁸⁸ Even BP-India's consultant Avik Roy pushed back: "Let Adharam evolve criteria for agents with inputs from BPEI [BP-India] instead of criteria set by BP[-Global], some of which may not be possible to fulfill."¹¹⁸⁹ Yet BP refused to give SSP-Adharam latitude to develop agent selection criteria, even though Adharam understood much more richly the logics of rural women and the barriers these criteria would present. Ultimately, as will be explored later in this chapter, the first of these criteria, "Ability to invest Rs 10,000 (\$220) of own in the business," had economically perverse and socially regressive consequences on agent selection, and ultimately harmed BP's business (a

¹¹⁸⁶ Which this author confirmed during field visits.

¹¹⁸⁷ (North 1990: 95-6)

¹¹⁸⁸ Stoves and Pellets Distributorship Agreement (2006)

¹¹⁸⁹ E-mail exchange, entitled 're: MOU negotiation' between Avik Roy and Mukund Deonkagar (7 and 14 January 2006).

reality BP-India's Deonkagar conceded in retrospect).¹¹⁹⁰ BP committed other major blunders by projecting its conventional market logic rather than deferring to its NGO partner. During the initial operational phase in mid-2006, SSP recommended that BP segment the consumer market not according to geographically proximate villages, but rather by village 'clusters' based on political, cultural, and social norms.¹¹⁹¹ These clusters delineated legislative bounds of fuel subsidies, and demarcated culinary preferences, lifestyle patterns, caste groupings, and purchasing habits. If BP's operational strategy had been aligned with these clusters, BP could have more easily leveraged the NGO's cluster-based SHG network. BP-India's executives refused to listen to or evaluate, let alone implement, these suggestions.¹¹⁹² Management thus made an ill-advised business decision about distribution and marketing by relying on its conventional market logic. In 2008, one and a half years after SSP recommended the cluster-based operational strategy, BP-India realised the inappropriateness of its channel structure and shifted its consumer segmentation strategy accordingly. As the next section will explore, this non-reflexive attitude had far-reaching consequences, as BP's enactment of a generic direct agent model came into tension with the social structures that interpenetrate rural Indian exchange.

3.3.2 Logic of the Village Exchange Setting

This section will discuss the manner by which social structures mediate and regulate exchange between villagers in rural Maharashtra. It will explore how BP's approach was incongruous with the nature of the market—one that is segmented by association (e.g. religion, caste, relationships), constrained by gender, and predicated on very different notions of community. The first part of the section will explain how rural women face

¹¹⁹⁰ Mukund Deonkagar (1 September 2011)

¹¹⁹¹ Jeb Brugmann (4 October 2007); Vinay Murhar (3 October 2007)

¹¹⁹² Jeb Brugmann (4 October 2007)

social constraints against leaving the home to engage in commerce. These restrictions undermine a basic component of the direct agent model, namely that women will proactively make door-to-door sales and hold public product demonstrations. The second part of the section will explain why there is limited economic exchange across caste and religion. These durable social structures reduce the village agent's pool of prospective customers.

3.3.2.1 The Implications of Gender and Religion on the Direct Agent Model

In accordance with the BoP narrative of the Avon Lady ringing doorbells and the Tupperware Lady hosting product demonstration parties, BP envisioned the jyoti would proactively travel around her village to make sales and host product demonstrations. BP failed to understand the sociocultural strictures against women in rural Maharashtra engaging in business in this manner outside the home. BP did not properly socialise women to overcome these challenges. This mismatch in logics between BP strategists and the cultural norms of the village led to the door-to-door model not coming to fruition, which contributed to sales falling short of BP's expectations.

SSP's SHG members faced many labour market disadvantages, which had initially motivated many to become jyotis, but then hindered most from employing effective sales practices. These included: (1) social constraints on female mobility for commercial purposes, (2) Islamic religious restrictions against leaving the home (i.e. purdah), (3) stigma that only poor women engage in sales outside the home, and (4) husbands taking over their business outside the home.

First, female mobility is very limited within rural Maharashtrian society, and structured by marital status, age, and socioeconomic status.¹¹⁹³ In this exchange setting, most unmarried women are not permitted to go to other homes for commercial purposes.¹¹⁹⁴ Young women, married or widowed, are only allowed to leave their home to work if their family is very poor and desperately needs the money.¹¹⁹⁵ If an agent is not permitted to leave the home, often her widowed mother-in-law will market the stove and pellets on her behalf, because elderly, widowed women have the most freedom of mobility.¹¹⁹⁶ Yet according to Upmanyu Patil, this co-option of the jyoti's business by her mother-in-law has hurt sales: "Younger women are better agents because they are focused on their careers. Older women have lots of other responsibilities, such as caring for their families. They also don't have the same initiative, hunger, or risk appetite to earn more."¹¹⁹⁷ In addition, recent widows are not permitted to publicly engage in business for an extended period after their husband's death as they are expected to grieve.¹¹⁹⁸ This restriction exacerbates the economic hardship: not only has their husband, who is often the primary breadwinner, passed away, but now they are not allowed to earn an income outside the home. The husband of Shobha Swami, a jyoti in Naldurg village, unexpectedly died in a motorcycle accident in early 2008. His death affected her business: "It was not right for me to leave the home so I had to stop selling. I would have been shamed by the community because I was supposed to only be grieving."¹¹⁹⁹ Since her husband's death, her earnings as jyoti decreased from Rs. 600 to Rs. 300 per month.¹²⁰⁰

¹¹⁹³ (Acharya, Panwalker 1989)

¹¹⁹⁴ Upmanyu Patil and Avik Roy (4 March 2011)

¹¹⁹⁵ "Young, married women were not able to go door-to-door or to leave their villages. For young women, sales only happen via word-of-mouth, or if people walk into her house" (Avik Roy 4 March 2011).

¹¹⁹⁶ According to Patil, who has managed Sakhi Retail's direct agent model from project inception to present (4 March 2011). Many agents highlighted during interviews the role their mother-in-law played in retailing or delivering stoves outside the home.

¹¹⁹⁷ Upmanyu Patil (4 March 2011)

¹¹⁹⁸ Upmanyu Patil (4 March 2011)

¹¹⁹⁹ Shobha Swami (16 April 2010)

¹²⁰⁰ Shobha Swami (16 April 2010)

While some jyotis were willing and able to travel door-to-door or host product demonstrations when the partner organisations' staff was present, most jyotis remained within their home, waiting for customers to visit.¹²⁰¹ The jyoti's home became just another retail outlet, but with far less foot traffic, cross-sell opportunities, or customer exposure. Pooja Tekale, a jyoti in Washi, who sold over 300 stoves and 3,000 bags of pellets between 2007 and 2009, explained: "Initially I bought one stove to do a demonstration and went to customers' houses with a Sakhi Retail staff member. But I stopped doing that and now my customers come to my home, or to my husband's shop. I gained most of my customers when they came to the shop for other purchases."¹²⁰²

Upmanyu Patil, CEO of Sakhi Retail, explained the disconnect between the partners' sales strategy and that of the agents:

There is no such practice of door-to-door sales in rural Maharashtra. Women do not feel comfortable going outside, let alone knocking on doors and marketing the stove house-by-house. Even among the few agents – not more than ten percent – who regularly make sales outside of their home,¹²⁰³ they do not approach the homes of people whom they do not know. They only solicit orders from people whom they know well, or introduce the products at self-help group meetings where they feel more comfortable.¹²⁰⁴

Reflecting back on the model in 2011, BP's Mukund Deonkagar expressed a similar view:

I really struggled in terms of getting women to go door-to-door to explain the solution. The agents relied on us to spread awareness instead of doing so themselves. They were more keen to sit in their house, and let the customer walk in rather than going around the village and explaining the product to the end customers. We didn't expect this. It was a bit of a mess.¹²⁰⁵

This constraint was not unique to the BP model. In Project Shakti, "[t]here were cultural issues to contend with as well. The status of women in rural society differed across states... In some districts, it was almost impossible for a woman to venture out of her

¹²⁰¹ Field observations (2007 – 2010); Interviews with village agents (2007 – 2010); Senior Managers of Sakhi Retail (2010-11) and FirstEnergy (2010); The Next Practice consultants (2007 – 2011).

¹²⁰² Pooja Tekale (9 April 2010); After 2009, Tekale stopped selling stoves and pellets entirely.

¹²⁰³ Note that Patil's 10 percent estimate was considerably lower than the 43 percent of agents who self-reported making household sales visits. This differential may be explained by agents who made household visits during agent handholding but did not subsequently make visits independently.

¹²⁰⁴ Upmanyu Patil (March 2011)

¹²⁰⁵ Mukund Deonkagar (1 September 2011)

home and try to sell products to other homes or to male retailers in the village.”¹²⁰⁶ For similar reasons, Eureka Forbes, which runs a door-to-door direct agent channel in India’s cities (which are generally more socially progressive than its villages), almost exclusively appoints male agents, as “women recruits were difficult to attract...[because they] found it difficult to overcome the social stigma attached to women knocking on doors.”¹²⁰⁷ More generally, as Unni and Rani (1999) write about the rural Indian context, “The cultural traditional barriers still operate to prevent women from going out of their homes for work or establishing themselves in business places.”¹²⁰⁸

Second, Muslim women face particularly severe constraints against leaving the house to participate in the labour market. The Islamic practice of ‘purdah’ secludes women both in terms of dress and in access to public space. Purdah “literally means ‘curtain’, [and] refers to the obligation that Muslim women have to stay close to their family relations, limit contact with unrelated men, and avoid being visible in public venues such as the village market or in court (Chen, 1983).”¹²⁰⁹ Patil recognised that this practice had adverse consequences on the direct agent model: “Because of purdah, Muslim agents are not allowed to go to most customers’ houses, especially where other men are present.”¹²¹⁰ For instance, Taslim Salim Shaikh, a Muslim jyoti in Palsap village, who sold just 30 stoves, said: “I am a woman. I am not permitted to leave my home for work.”¹²¹¹ Instead, she had to rely almost entirely on sales behind this religious barrier with other Muslim females in her village.¹²¹² Adharam deliberately appointed fewer Muslim women as agents because it understood the significance of purdah as a constraint against agents leaving the

¹²⁰⁶ (Rangan, Rajan 2005: 13)

¹²⁰⁷ (Narayandas, Herman 2009)

¹²⁰⁸ (Unni, Rani 1999: 52)

¹²⁰⁹ (Mair, Marti *et al.* 2012)

¹²¹⁰ Upmanyu Patil (18 August 2011)

¹²¹¹ Taslim Salim Shaikh (11 Sept 2007)

¹²¹² Taslim Salim Shaikh (11 Sept 2007)

home.¹²¹³ By contrast, BP's Mukund Deonkagar admitted he did not grasp the significance of religion as a barrier to sales: "I'm not able to figure out why, because of whatever religious practices, women couldn't come out and do the business."¹²¹⁴

Third, door-to-door sales are problematic because of a prevalent social convention in SSP's villages that only poor women should be allowed to sell goods outside the home.¹²¹⁵ For these women, their economic needs trump any social, cultural, or religious obstacles to leaving the home. While, on the one hand, this exception permits poor agents to engage in exchange, on the other hand, it stigmatises non-poor agents by signalling that they face financial difficulty. As a result, non-poor agents are reluctant to retail stoves and pellets in the public domain, out of fear of lowering their social status and being talked about behind their backs. For instance, Vandana Kulkarni, a Brahmin in Bavi village who sold only twenty stoves overall, explained the community's negative reaction when she tried to engage in business outside her home: "People did not accept or approve of me leaving the house to do demonstrations or market the stove in public places as I am from a good family. That hurt my family's social status."¹²¹⁶

Fourth, while BP envisioned the female agents proactively marketing the stove outside the home, some of the agents' husbands only agreed to let their wives participate because they assumed the agent would remain at home. The husband of Vaishali Sonwane, a jyoti in Pangare village, supported her becoming an agent because "it was an economic opportunity for which she did not have to leave the house and which would not disturb her daily life."¹²¹⁷ Moreover, since jyotis' husbands saw earning potential from the

¹²¹³ Upmanyu Patil (4 March 2011); 52 of the 777 total jyotis are Muslims (6.7 percent), which makes them somewhat underrepresented in SSP's districts. According to the 2001 Census of India, Muslims comprise 10.2 percent of the population in Osmanabad, 14.1 percent in Latur, 9.8 percent in Solapur, 13.4 percent in Nanded, and 11.9 percent in Beed.

¹²¹⁴ Mukund Deonkagar (1 September 2011)

¹²¹⁵ Upmanyu Patil and Avik Roy (4 March 2011)

¹²¹⁶ Vandana Kulkarni (7 April 2010)

¹²¹⁷ Gaurav Sonwane, husband of Vaishali (29 August 2007)

business, and could sell the stove outside the home, some co-opted their wives' businesses, which reinforced rather than reduced the entrenched, asymmetric gender imbalances. Shobha Swami, who sold 215 stoves, indicated she was successful only because: "My husband got new customers because he had better community relations. He sold most of the units [to men] and I expect him to sell more."¹²¹⁸ Patil hypothesised that co-option by husbands would not only reduce the venture's social impact but also may hurt its business impact: "Stoves are a women-to-women product so one reason why they are not selling as much may be that her husband has taken over. The husband thinks he is good enough to tell people what to buy, but a man cannot tell a woman how to cook."¹²¹⁹

BP's conventional market logic, consistent with the BoP script, was that women would engage in door-to-door sales of Oorja stove and pellets. However, this logic was inconsistent with the micro-level cultural institutions that govern exchange in rural Maharashtra, and that ultimately prevented this model from coming to fruition. The section will next explain how BP, in addition to disregarding gender-based obstacles to the direct agent model, glossed over the difficulties posed by caste.

3.3.2.2 Caste and its Implications on the Direct Agent Model

Within BP's direct agent model, caste mediated the exchange of stoves and pellets to some degree. As such, it posed another obstacle to women visiting others' homes to make sales.¹²²⁰ Padmin Sarvade, a Brahmin jyoti from Yevati village, explained her relationship with lower caste customers: "While I'm upper caste, my customers are mixed caste. I'm willing to sell to low-caste households but I wouldn't go to their house to

¹²¹⁸ Shobha Swami (16 April 2010)

¹²¹⁹ Upmanyu Patil (4 March 2011)

¹²²⁰ Religion plays a similar mediating role: sales rarely take place across religious communities. Avik Roy described that "in a Muslim dominant village, the agent selected would most likely be Muslim and there would be very little cross-selling to Hindus" (4 March 2011).

make sales or deliver pellets. They have to come to me.”¹²²¹ Avik Roy, BP’s consultant, concurred: “A BP agent who belongs to a high caste would rarely visit a lower caste customer. She would expect the low caste person to come to her—even if the latter is her customer.”¹²²² Patil added that low caste customers would not be comfortable approaching a higher caste agent’s home, where these sales would be expected to take place.¹²²³ The reverse caste dynamic is also problematic: “Upper caste people are reluctant to buy from people of a lower caste, particularly in small, interior villages. In any case, “Dalits and low caste agents are very hesitant and uncomfortable to go to higher caste households.”¹²²⁴ Patil went on to explain that “elderly people in particular cling to these caste traditions.”¹²²⁵ Surekha Mali, a Dalit jyoti from Katgaon, attributed her weak stove sales (41 units) to caste: “many people won’t buy stoves from me because I’m a Dalit.”¹²²⁶ With the benefit of hindsight, BP’s Mukund Deonkagar also conceded that caste somewhat restricted the agents’ customer base: “Did the women have access to the entire village in terms of reaching out? I guess to an extent it’s right, that we did find that caste or socioeconomic status in the village precluded her from getting access to the entire village. Maybe we should have paid more attention to that in our entry strategy.”¹²²⁷ The table below summarises the relationships between caste and stove sales.

¹²²¹ Padmini Sarvade (9 September 2009)

¹²²² Avik Roy (4 March 2011)

¹²²³ Upmanyu Patil (4 March 2011)

¹²²⁴ Upmanyu Patil (4 March 2011)

¹²²⁵ Upmanyu Patil (4 March 2011)

¹²²⁶ Surekha Mali (12 September 2007)

¹²²⁷ Mukund Deonkagar (1 September 2011)

	If customer is:	If agent is:
High Caste	May not buy from a low caste agent because she perceives the agent is polluting the product.	May think it is beneath her to approach the home of a low-caste customer.
Low Caste	Willing to buy from a high caste agent, but it is unlikely one would come to her home.	Often uncomfortable approaching a high caste customer's home.

Table 6.6: Barriers to Exchange across Caste

That being said, commission rates did not significantly differ by caste group—though these findings do not rule out the significance of caste as a mediator of exchange. Avik Roy, BP's consultant, surmised that high caste agents would outperform low caste agents because of social stigma: "Higher or dominant caste agents have access to, and can influence, more households to become customers."¹²²⁸ On the other hand, low caste agents are more likely to come from poorer families, which means they are more likely permitted to leave the home for business, and may be more motivated to make sales. These factors may cancel each other out, which may explain why there is very little differential between high caste and low caste sales performance.

¹²²⁸ Avik Roy (4 March 2011)

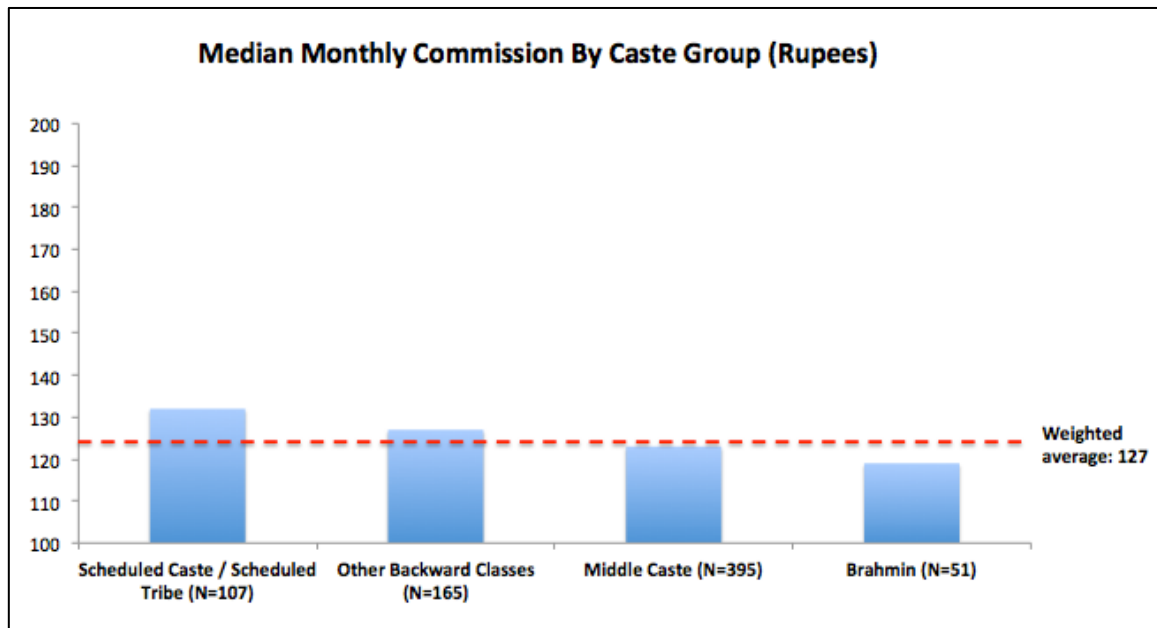


Table 6.7: Commission by Caste Grouping

Unfortunately, BP did not understand that female agents have limited mobility because of social and religious restrictions, or that customers would be reluctant to purchase a stove from agents of a different caste or religion. The next section draws out further the consequences of BP's non-reflexive approach, and explains how the MNC's mechanistic adherence to a conventional market logic also undermined the bottom-up sustainability of the venture.

3.4 BP's prioritization of firm revenue and profits over village agent economic sustainability

In addition to the mismatch in logics between BP and the local exchange setting, there was a mismatch in logics between BP and its agents. In this case, BP-India's predominant logic was to satisfy BP-Global's impatience for revenue and profit by prioritising scale over village-level sustainability.¹²²⁹ As a result, as this section will explore, BP-India expanded operations across India as quickly as possible, without regard to whether its

¹²²⁹ This conundrum raises broader questions about whether MNCs, often funded by shareholder capital, are the most appropriate organisational actor to launch BoP ventures.

policies met its agents' business needs or basic earning expectations. In order to attain profitability, it minimised village-level expenditure by systematically underinvesting in the basic elements agents needed to be successful (e.g. training, agent working capital, product launch, feedback, service and maintenance of stoves). These policies transferred excessive risk onto the agents, and contributed to their low motivation, negligible earnings, and local reputational damage. It worked to undermine the economic viability of the direct agent sales model, and by extension, BP's overall business.

BP's core short-term objective was to aggressively generate revenue by scaling operations as rapidly as possible. BP-India's CEO, Mukund Deonkagar, conceded his fixation with meeting growth targets: "I would say we are quite consumed by the financial targets we have. And that's for us a much larger challenge because we need to meet them to keep our funding going."¹²³⁰ As SSP's director, Prema Gopalan explained: "They [BP] are on a mad pace to scale up, and so they are focused on the bare bones [of operations]. Are logistics okay? Is customer acquisition okay? Are accounts and sales okay? Mukund now is only obsessed with how to increase customers."¹²³¹ Deonkagar acknowledged the trade-off between sustainability and scale.¹²³² He explained why BP ultimately decided to prioritise scale: "What should prevail is what makes it...a successful business model, because otherwise it will not become successful social-wise. Unless I've done business with, say, a million households, I cannot say I've had the social impact that we are talking about."¹²³³ Gopalan argued that BP's priorities damaged the venture's social impact by subordinating the needs and interests of agents: "BP is doing [expletive] for the jyotis and they know it. Their priority is just to expand as fast as possible."¹²³⁴ As the next

¹²³⁰ Mahesh Yagnaraman (1 October 2007)

¹²³¹ Prema Gopalan (21 September 2007)

¹²³² Mukund Deonkagar (1 October 2007)

¹²³³ Mukund Deonkagar (1 October 2007)

¹²³⁴ Prema Gopalan (21 September 2007)

section will explain, one indicator of BP's prioritization of scale over sustainability was the firm's inadequate investment in agent support.

3.4.1 Agent Support: Training and Product Launch

Adequate training was crucial to sensitise new agents to the complexities of village exchange, and better align the agents' day-to-day sales logic with that of BP. Since SSP's SHG members' had limited education, business skills, self-confidence, and willingness to work outside their homes, SSP viewed agent training as a precondition to the direct agent model's viability. According to SSP staff, SHG members were initially unfamiliar with the basic concepts of business, and did not fully understand why being an agent was in their economic self-interest. As Naseem said, "In [the] first year, the SHG women who became jyotis didn't accept or understand business. But through training, they realised how business works: 'The shopkeeper—he sits all day and sells Rs. 200 and earns Rs. 20. If I sell lots of stoves and pellets, I'll earn much more on my own time frame and terms.'"¹²³⁵ Moreover, since most of the women had little education or business experience, they did not "have much faith in their skills" as sales agents.¹²³⁶ BP and SSP promised the agents that through this support, they would develop confidence and business acumen.¹²³⁷

Training: In the initial pilot, jyotis participated in two days of classroom training, one day of one-on-one field training, and two days of village promotion activities. Yet BP substantially reduced the scope and substance of each these activities once it began to scale up operations. After the pilot, BP reduced classroom training from two days to one day. All 'non-essential' programming was eliminated, including business confidence-building activities, interactive experience-sharing sessions with successful jyotis, and jyoti

¹²³⁵ Naseem Shaikh (25 September 2007)

¹²³⁶ Naseem Shaikh (25 September 2007)

¹²³⁷ Miriam Mogul (3 September 2007)

input/feedback periods. SSP argued this reduction in agent training hindered agent confidence, competence, and the venture's overall effectiveness.¹²³⁸ BP also eliminated field training sessions, during which agents could practice what they learned in the classroom (e.g. making door-to-door sales). Lastly, BP reduced refresher course funding, and only offered a single refresher session, regardless of the individual jyoti's business support needs. To put this training length into context, Living Goods (Uganda) provides its village agents with two weeks of training and one day of refresher training each month, while Eureka Forbes (India) provides its urban agents with one week of training (classroom and handholding). Hindustan Level's Project Shakti provides its rural female agents with three weeks of devoted training, which includes both classroom exercises and one-on-one field sessions. As Patil explained, "Now [BP] training is just: 'This is the business model. This is the margin you will get. This is how you use the stove for demonstrations. This is why the stove is important. This is how you talk to customers. This is how you do bookkeeping.' It is just us explaining to them."¹²³⁹ After the reduction, agent training was neither thorough nor interactive, as BP eliminated funding for experience sharing sessions, group discussions between jyotis, and question and answer sessions (during which agents could also express lingering concerns or reservations).¹²⁴⁰ Furthermore, agents no longer had time during training to practice their sales pitches or learn how to confidently and appropriately approach customers of different religion, caste, or gender. Patil noted, "Before...we got feedback from jyotis on the sales program, and addressed their questions and concerns. These things helped to clarify their doubts. Now there is no time for them to talk, to ask questions, to voice reservations or concerns. If they have doubts after training, this definitely affects [their business]. If they are clear,

¹²³⁸ Prema Gopalan (21 September 2007); Upmanyu Patil (3 October 2007)

¹²³⁹ Upmanyu Patil (3 October 2007)

¹²⁴⁰ Jyotis complained about these specific programming cuts in response to open-ended questions about training in the 2007 Questionnaire.

they will be very confident.”¹²⁴¹ Jyotis appointed after the reduction in training felt similarly. When asked about her training experience, Minakshi Kotalwar, who was appointed in February 2008, said, “There are many things I still don’t understand. I don’t know how to sell so many stoves, or how to convince my husband to let me leave the house to make sales. I want to talk to other jyotis. They know how to deal with these problems.”¹²⁴²

Deonkagar, BP’s manager, agreed with the criticism: “We could have done a better job in terms of training. In the initial stages, we did more training, but as we rolled out extensive numbers [of agents], it became a challenge in terms of doing proper training...Training didn’t allow [the agents] to be confident enough to go door-to-door and talk about the product.”¹²⁴³ However, he believed the responsibility for underperformance also partially lay with the agents: “We also expected them to do a lot in terms of reaching out to the consumers in the village. It’s as much about us as it is about those women entrepreneurs.”¹²⁴⁴ His comment was revealing: it demonstrated that BP-India did not recognise the need to provide socialization for women to understand and overcome the challenges they faced in engaging in business outside the home. Had there been more intensive training, or the requisite support to help agents try to overcome gender and cultural barriers, the direct agent model might have been more successful.

During the 2006 pilot, BP hired jyoti network coordinators and an outside advertising agency to support newly appointed jyotis. Over two days, a team of four to five staff organised a range of marketing activities with the jyotis, which mixed awareness-raising activities about the health risks of firewood stoves with more conventional marketing

¹²⁴¹ Upmanyu Patil (3 October 2007)

¹²⁴² Minakshi Kotalwar (8 April 2010)

¹²⁴³ Mukund Deonkagar (1 September 2011)

¹²⁴⁴ Mukund Deonkagar (1 September 2011)

techniques promoting the purchase of Oorja stoves.¹²⁴⁵ BP believed health education would help to sell stoves, and so created free health camps to test eye sight, school drawing competitions to teach children about health risks of firewood stoves, and live street plays that explained the risks of cooking with firewood and the benefits of Oorja. BP also organised with jyotis Oorja product demonstrations, wall paintings, door-to-door visits, and prizes of free or discounted Oorjas. Through this multi-dimensional product launch, the jyoti built confidence and generated an initial customer base.¹²⁴⁶ For instance, Anita Pawar, the second jyoti appointed (in June 2006) and the single most successful jyotis in terms of stove sales (she sold nearly 700 units), explained: “All of BP staff visited me and helped me a lot with my sales.”¹²⁴⁷ As Gopalan noted, “Lots of money was spent on the launch, which was done with much fanfare.”¹²⁴⁸ Yet even the pilot had its limitations. While staff initially accompanied agents on sales calls, BP never rigorously assessed whether agents were comfortable *independently* making door-to-door sales.¹²⁴⁹ Roy hypothesised, “Since most of the agents had never worked outside their home, maybe they did not know to flag to BP the constraints of the door-to-door model? BP made it seem that knocking on doors to make sales would be easy. In any case, there was very little time for agents to ask questions or raise these concerns.”¹²⁵⁰

After the pilot, Gopalan said: “BP realized the product was heavily in demand, and wanted to cut costs, and so said, ‘Forget the frills and fancies. Launch in an ordinary way’.”¹²⁵¹ BP’s Deonkagar concurred: “The launch program has been mostly reduced because of costs.”¹²⁵² BP eliminated all the aforementioned awareness-raising activities, as well as the conventional activities that cut into margins (e.g. prizes) or were time-

¹²⁴⁵ Upmanyu Patil (20 Aug 2011)

¹²⁴⁶ Prema Gopalan (6 Oct 2007)

¹²⁴⁷ Anita Pawar (26 Sept 2007)

¹²⁴⁸ Prema Gopalan (6 October 2007)

¹²⁴⁹ Avik Roy (3 October 2007)

¹²⁵⁰ Avik Roy (3 October 2007)

¹²⁵¹ Prema Gopalan (6 October 2007)

¹²⁵² Mukund Deonkagar (1 October 2007)

intensive (e.g. support on door-to-door visits). All that remained were product demonstrations organised by a promotional team that travelled between the villages. Patil laid out the implications of this policy change: “[J]yotis want initial support to demonstrate house-to-house sales. When BP was there [during the pilot], [SSP’s] Sakhi Supervisors and [BP’s] Network Coordinators demonstrated house-to-house sales to jyotis. But BP removed this agent support early on, so newly recruited women don’t go house-to-house. They don’t have the confidence or the sales techniques to do so.”¹²⁵³ The change even affected Anita Pawar’s business: “BP does not support me anymore, so I have stopped all village promotion activity.”¹²⁵⁴ Her sales performance reflected this statement. All 673 stoves sold occurred in 2006 or 2007. She did not sell a single stove after 2007.

HLL’s Project Shakti, by comparison, has an established rural salesperson accompany new dealers on thirty home visits.¹²⁵⁵ Moreover, “[m]ost of the training is in a market setting (vs. a classroom) with dealers learning selling, business, and record-keeping skills.”¹²⁵⁶ Prahalad (2004) credits the HLL team with realising the importance of agent support: “HLL acknowledges that for Project Shakti to be a significant part of the company’s rural penetration, dealers and communicators must be well-trained.”¹²⁵⁷

3.4.2 Agent Support: Service, Maintenance, and Complaints

BP’s underinvestment in service and maintenance of stoves undermined the relationship between jyoti and customer, hurt pellet sales, and caused some customers to return to

¹²⁵³ Upmanyu Patil (4 March 2011)

¹²⁵⁴ Anita Pawar (26 Sept 2007)

¹²⁵⁵ (Pralhad 2004: 152)

¹²⁵⁶ (Pralhad 2004: 152)

¹²⁵⁷ (Pralhad 2004: 204)

cooking with firewood.¹²⁵⁸ When Oorja stoves fell into disrepair, the venture's projected health and environmental impact was undermined, and the money poor customers spent on the stove was wasted. 39 percent of jyotis reported their customers were generally dissatisfied with service and maintenance.¹²⁵⁹ Jyotis indicated that repairs were too slow, replacement parts were too expensive, and the warranty was too short (one-year) and had not been honoured for many customers.¹²⁶⁰ Because of these factors, Patil explained, "[m]any Oorja owners do not bother to fix their units outside of the warranty."¹²⁶¹

Jyotis recounted repair delays of up to three weeks, which bred customer resentment and forced users to find alternative cooking solutions. For instance, the jyoti in Barshi, Uma Dixit, said, "If a customer brings me a broken stove, I wait until the warehouse vehicle pick it up. It may take 15 or 20 days to get the stove back, as it comes on the next pellet delivery. My customers are dissatisfied because they don't have their stove and this also means fewer pellet sales."¹²⁶² Anita Pawar, from Bamni village, experienced the same problem:

Adharam does not provide good maintenance support. When there are problems with the [stove's] fan or battery, I take the customer's stove and tell them to come back in two days and it will be fixed. But after two or three days, the serviceman has not come, and I have to face the customer. I have to keep calling Adharam. Finally after four or five days the serviceman comes, but by then, the customer is angry with me.¹²⁶³

By contrast, Anita Mane from Osmanabad—the second most successful jyoti in terms of overall earnings—attributed part of her success to her husband's profession. He was an electrician and fixed Oorja stoves himself: "If I had to wait for Sakhi Retail to send a service technician, it could take weeks. My customers are happy because my husband

¹²⁵⁸ For instance, Rohini Goverdhan, a jyoti, complained: "My customers get tired of waiting for their stoves to be fixed. They tell me that Oorja is too much trouble, and go back to cooking on the ['traditional'] chulha" (13 April 2010).

¹²⁵⁹ 2007 Questionnaire

¹²⁶⁰ The initial Oorja user manual was mistranslated into Marathi and inadvertently specified that customers could (rather than could not) burn wood in the stove (Upmanyu Patil 4 March 2011).

¹²⁶¹ Upmanyu Patil (14 April 2010)

¹²⁶² Uma Dixit (12 April 2010)

¹²⁶³ Anita Pawar (26 Sept 2007)

does the repairs quickly.”¹²⁶⁴ Bhatia *et al.* (2009) corroborated these findings: “Poor turnaround time in service of Oorja stoves has eroded trust in many customers of their Jyoti and of SRPL. This challenge is caused by the lack of capacity of Jyotis and [Warehouse managers] to fix maintenance issues and stock sufficient spare parts supplied by BP.”¹²⁶⁵

In order to provide timely service, Patil told BP they needed to hire one technician for every 100 villages. In 2007, BP funded a ratio of one service technician for every 200 villages.¹²⁶⁶ By April 2010, this ratio fell to one technician per 300 villages.¹²⁶⁷ Moreover, according to Patil, BP’s successor, FirstEnergy, was “even more picky” than BP with regard to which stoves they are willing to repair.¹²⁶⁸ When concerns about service and maintenance were presented to BP’s Deonkagar, he conceded: “These complaints are fair. I won’t negate that. We were not as equipped for service as we should have been. I still [in 2011] think that’s the case.”¹²⁶⁹

While BP cut funding for essential jyoti and customer support services, Adharam also failed to provide its stakeholders with adequate, ongoing support. A discouraged jyoti from Osmanabad, Rohini Goverdhan, described the problem: “I frequently get customer complaints but I don’t know who to contact. I tell the warehouse manager [who delivers stoves and pellets] but he never resolves them.”¹²⁷⁰ Patil admitted there was a widespread institutional failure: “Jyoti has to call the [Adharam] field executive if she has any problem, and he may not report it to me if he has not solved it. He is running from his responsibilities. His attitude is, ‘I don’t want to work, so I don’t report these

¹²⁶⁴ Anita Mane (6 April 2010)

¹²⁶⁵ (Bhatia, Fumis *et al.* 2009)

¹²⁶⁶ Upmanyu Patil (25 September 2007)

¹²⁶⁷ Upmanyu Patil (14 April 2010)

¹²⁶⁸ Upmanyu Patil (14 April 2010)

¹²⁶⁹ Mukund Deonkagar (1 September 2011)

¹²⁷⁰ Rohini Goverdhan (13 April 2010)

problems.”¹²⁷¹ The failure was also underpinned by entrenched discrimination against poor women: “I just fired two field executives. Their attitude towards the jyoti was: ‘I don’t have to give her respect. I’m educated. She’s not educated. I earn more than her. I’m a man. She’s a woman’.”¹²⁷² A 2009 report by MIT noted: “Many jyotis are frustrated over the lack of follow-up on feedback they provide. Sakhi Retail also missed valuable opportunities for developing best practices for distribution and marketing by not capturing the feedback in a central manner.”¹²⁷³ In 2010, Shashikala Nadgire, the Valsang jyoti, expressed continued frustration: “The warehouse manager [who is her main point of contact] does nothing to help or motivate me. He ignores my complaints, and does not respect me.”¹²⁷⁴ The partners’ financial cuts and staff recruitment strategy undermined the agents’ dignity, confidence, and sales effectiveness. These policies also hurt the agents’ village credibility, as they bear personally the reputational burden when customers’ complaints are not resolved.

3.4.3 Agent Working Capital: Cash-and-Carry Model

During the pilot phase, jyotis operated under a consignment model, whereby they were paid a commission for each unit sold. Yet BP felt this model did not transfer enough risk to the jyotis, or motivate them to succeed: “The agents had a safety net in the sense that, ‘I’m not going to be held accountable if this doesn’t get sold’...[T]he amount of risk-taking was very low. And they were not throwing themselves into the business as much as they should be. So it’s like, ‘I’ve been given Rs. 10,000 of stock. If it goes, I’ll get money. If it doesn’t go, I’ll just take it back.’”¹²⁷⁵ Therefore, in early 2007, BP shifted to what they call the ‘cash-and-carry’ model, which required new jyotis to make an initial, up-front inventory investment of Rs. 10,000 (approximately \$250). BP claimed this

¹²⁷¹ Upmanyu Patil (3 October 2007)

¹²⁷² Upmanyu Patil (3 October 2007)

¹²⁷³ (Bhatia, Fumis *et al.* 2009)

¹²⁷⁴ Shashikala Nadgire (13 April 2010)

¹²⁷⁵ Mukund Deonkagar (1 September 2011)

investment requirement better aligned incentives, as it made the agents assume risk as entrepreneurs. According to BP's S. Deepashree: "You can't create entrepreneurs from people who can't take the risk of investment."¹²⁷⁶ Consistent with BP's conventional market logic, Deonkagar argued that the investment requirement was appropriate because the jyotis would be earning a solid return on their investment: "[W]e were talking about the kind of returns they make from this business, so the emphasis was on the fact that they should be investing to earn this."¹²⁷⁷ It was also more consistent with the BoP script's treatment of poor people as entrepreneurs (rather than vulnerable agents).¹²⁷⁸ BP documented other self-interested benefits of the policy change: it reduced BP's accounts receivable risk and working capital investment, and mitigated the logistical challenge of collecting cash from agents on units sold.¹²⁷⁹ It should be noted that while there are other direct agent micro-consignment models (e.g. Soluciones Comunitarias in Guatemala), there was precedent for an investment requirement: HLL's Project Shakti, for instance, obliged its agents to commit up-front capital of Rs. 10,000 – 15,000. However, there were three key differences between BP and HLL's financing models: (1) Project Shakti retailed FMCGs, which turned over much more quickly than cookstoves, (2) unlike BP, HLL facilitated access to credit, and (3) HLL's agents earned monthly income of Rs. 3,000 – 7,000, which was more than ten times the average income of BP's agents.¹²⁸⁰

The projection of this conventional market logic had adverse consequences. BP's introduction of an investment requirement created a recruitment policy that was economically perverse and socially regressive. To put the investment requirement in context, in SSP's project areas, Rs. 10,000 was almost three times the average jyoti's monthly *household* income. Prior to the cash-and-carry model, BP appointed the best

¹²⁷⁶ S. Deepashree (1 October 2007)

¹²⁷⁷ Mukund Deonkagar (1 September 2011)

¹²⁷⁸ (Pralad 2004)

¹²⁷⁹ Mukund Deonkagar (1 October 2007; 1 September 2011)

¹²⁸⁰ (Pralad 2009)

agent, regardless of financial means. Yet when BP added this investment requirement, they significantly reduced their pool of eligible recruits. A former Adharam manager lamented, “Jyoti selection is now based entirely on individual financial means. If you have the cash, you’re hired. No longer are jyotis selected for entrepreneurial experience or temperament, self-help group leadership, community reputation, trustworthiness, motivation, creditworthiness, or bookkeeping skills.”¹²⁸¹ BP’s Deepashree acknowledged, “A woman from a poor family...will find it difficult to take up this business.”¹²⁸²

Moreover, for jyotis who borrowed the Rs. 10,000, it was a bad investment, because the commission they earned from selling stoves was often less than the interest costs they were obliged to pay. If an agent secured a Rs. 10,000 loan through SSP’s microfinance arm, they paid 2 percent interest—or Rs. 200—per month. While BP predicted jyoti earnings of Rs. 1,500 – 2,000 per month, in practice 70 percent of jyotis earned less than the loan financing costs of Rs. 200 per month. Furthermore, Adharam would not help agents secure the loan. In practice, the majority of jyotis surveyed borrowed the Rs. 10,000 from their husbands (*Figure 6.6*, below). Thus, the investment requirement created another level of dependency on their husbands, who, as has already been noted, often co-opted their wives’ business. The requirement therefore undermined another dimension of social empowerment.

Prahalad and Brugmann, the consultants who helped launch BP’s direct agent model, argued that BP “had to ensure, for instance, that the women the NGO’s company recruited as local sales agents were the first to receive cash generated by the business, thus allowing the villagers to recover their working capital.”¹²⁸³ With the adoption of the cash-and-carry model, however, the agents were the *first* to outlay cash for the stoves and

¹²⁸¹ Vinay Murhar (3 October 2007)

¹²⁸² S. Deepashree (1 October 2007)

¹²⁸³ (Brugmann, Prahalad 2007: 90)

pellets, and the *last* to be repaid. The sequence of cash flows occurred as follows: first, jyotis paid Adharam for inventory; second, Adharam paid BP for stoves delivered (with one month zero interest credit); third, customers paid jyotis for stoves and pellets purchased. In some cases, jyotis sat on unsold inventory for months or even years, dutifully paying interest on this working capital. In hindsight, Deonkagar conceded the advantages of returning to the consignment model, and thereby removing the investment requirement: “Obviously the women had a push back against the cash-and-carry model. If I understand the psyche of agents now, I think for them consignment was a better model because it gave them [more financial] security. Could be. I’m just thinking in hindsight.”¹²⁸⁴

This policy also had adverse sales implications for BP. According to Patil and Roy, during the pilot, poor jyotis were more successful than relatively well-off jyotis. Patil explained that poor jyotis were accustomed to working hard and were especially motivated because they needed the money for survival: “We have found that landless daily wage labourers are more successful agents because they substitute hard labor for work as jyoti.”¹²⁸⁵ Landholding farmers and homemakers are not interested in serving as agents.”¹²⁸⁶ Roy concurred, “the best agents were servants who were used to working hard and didn’t expect a very high income, and women whose husbands could not work for some reason. But many of these women were excluded once BP instituted the investment requirement.”¹²⁸⁷ By contrast, for relatively well-off village women, the expected commission was a modest incentive. As BP’s S. Deepashree acknowledged: “a woman from a richer family has less incentive to do this business. For her, Rs. 1,000 –

¹²⁸⁴ Mukund Deonkagar (1 September 2011)

¹²⁸⁵ However, in villages where low-income agents are not from the dominant caste, many have a reduced pool of prospective customers, due to the aforementioned caste-based stigma.

¹²⁸⁶ Upmanyu Patil (4 March 2011)

¹²⁸⁷ Avik Roy (4 March 2011)

1,500 per month won't entice her involvement."¹²⁸⁸ With actual mean commission of Rs. 207,¹²⁸⁹ this argument became even stronger. In addition, as mentioned earlier in this chapter, there is a widespread social stigma in rural Maharashtra against rich women leaving the home for work.

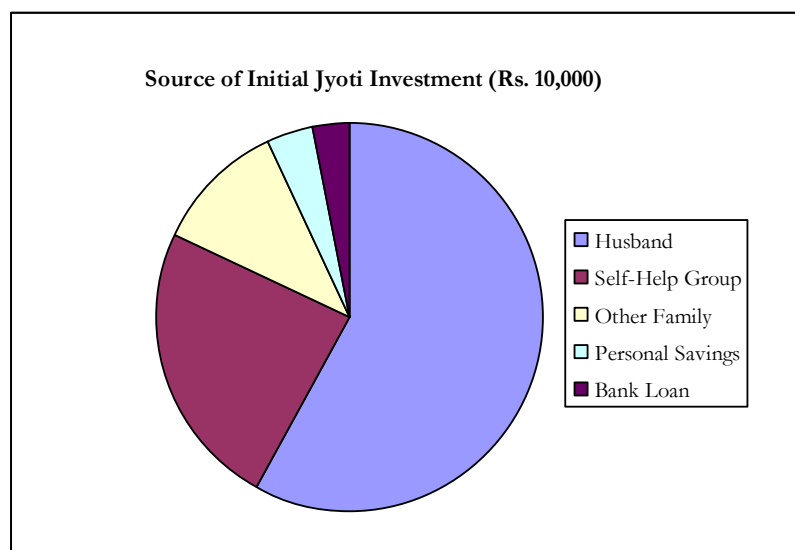


Figure 6.6: Sources of Jyoti Investment

3.4.4 SSP's Logic for Strengthening the Network

SSP and SRPL's logic was much more sensitive than BP's to the needs and interests of the agents. The NGO and its spin-off developed and recommended to BP a concrete plan for supporting and empowering the jyoti network. SSP's director saw this as essential for the venture's long-run success, as well as for satisfying the aspirations of each individual agent: "We need to take this network to the next stage, which includes creating a roadmap for jyotis to move upwards and a board of jyotis who can look at how to continuously improve the business. We want the jyotis to see themselves as business leaders in their community for tomorrow."¹²⁹⁰ First, SSP proposed a suite of benefits akin to those formal sector employees receive from their employers. "We should

¹²⁸⁸ S. Deepashree (1 Oct 2007)

¹²⁸⁹ Median commission = Rs. 126.

¹²⁹⁰ Prema Gopalan (24 September 2007)

launch a ‘Retailers Network’ to provide counselling and related support services, create a pension fund to provide jyotis with equity ownership, provide health insurance to the agents, and offer micro-savings matched with a company ‘gift’. This will keep agents happy in the long-term.”¹²⁹¹ Second, SRPL’s CEO, Upmanyu Patil, developed a ‘Super Jyoti’ model, in which the most successful agents would be rewarded with status and enhanced responsibility, and able to participate in additional training to expand their business and managerial capabilities. SRPL wanted these agents to eventually manage new agent training, product promotion, new product introduction, customer education, and even network coordination. This transfer of responsibility was expected to make the sales network more socially and economically sustainable, as it would be run by village women and would have lower overhead costs.

Yet BP, despite paying lip service to the advantages of this jyoti support plan,¹²⁹² never funded or implemented it. When pressed later about the Super Jyoti model, Deonkagar said, “We did not launch that model. While it was a nice idea, it never was a strategic priority.”¹²⁹³ Such a statement exposed the disconnect between BP’s business logic and SSP’s locally sensitive logic. SSP also envisioned “tri-annual jyoti meetings, [during which] jyotis will get learning and support from other jyotis. We will also start awards for jyoti’s service to their community.”¹²⁹⁴ BP and SSP organised a ‘Jyoti Day’ in early 2007, during which forty jyotis spoke and BP awarded gifts to the three most successful jyotis.

¹²⁹¹ Prema Gopalan (24 September 2007)

¹²⁹² BP-India’s CEO, Mahesh Yagnaraman, expressed his support for the super-jyoti model: “Upmanyu has developed what they call a super jyoti, which is a great way for agents to gain more responsibility and train other agents” (1 October 2007).

¹²⁹³ Mukund Deonkagar (1 September 2011)

¹²⁹⁴ Naseem Shaikh (25 September 2007)

However, BP never funded the Retailers Network or Super Jyoti model, and subsequently cut off funding and support for Jyoti Days.¹²⁹⁵

A 2009 article co-authored by Roberto Bocca, Head of BP's Emerging Consumer Markets Business, and Prema Gopalan, SSP's Director, laid out the partners' commitments: "We have to invest in networks, in horizontal learnings, and in teams and women who are part of the innovation in order to produce a community of business leaders who can transfer insights across networks, institutions, and corporations."¹²⁹⁶ However, this mission never materialised, as BP eliminated, or refused to provide, funding for such activities, and SSP lacked the capital to do so themselves.¹²⁹⁷ A year after the article's publication, Patil complained, "BP does not even provide agents regular meetings amongst themselves to share best practices regarding sales and marketing, and get business support."¹²⁹⁸ Gopalan's aforementioned fears about not supporting the network were prescient: by 2011, most jyotis quit, and the venture's rural sales stopped almost entirely.

Notably, SSP's vision for strengthening networks and inspiring agents closely matched Avon's activities in South Africa: "As [Avon] fully realizes, these motivational events, inspirational materials, reward systems and monitoring process not only inspire women to realise their personal ambitions, but reinforce their identity as entrepreneurs, with the object of prompting to sell, recruit, and earn more."¹²⁹⁹ Avon made being an agent aspirational, by encouraging agents to work hard to meet individual milestones, and providing awards for agents who do so.

¹²⁹⁵ SSP hosts an annual 'Melava' (Marathi for 'assembly') to honour SHG members across all of its activities. While BP initially made a token contribution to the event, the gathering is not specific for motivating and honouring jyotis or exchanging best practices.

¹²⁹⁶ (Bocca, Gopalan 2009: 10)

¹²⁹⁷ Upmanyu Patil (14 April 2010)

¹²⁹⁸ Upmanyu Patil (14 April 2010)

¹²⁹⁹ (Dolan, Scott 2009: 214a)

4. Conclusion

This chapter tested, using a single case study, the BoP script's claim that the 'Avon-Tupperware Lady' direct agent distribution model is an effective way to retail a consumer durable to low-income households in developing countries. It evaluated BP's direct agent model and its sensitivity to the local exchange setting and the needs of BP's local sales agents in rural Maharashtra.

This chapter first explored the relationship between the stakeholders' initial logics for adopting the direct agent model. Then, it assessed the economic and social impact of the model on the agents, and compared the MNC's expectations of village women making door-to-door sales against the way they actually marketed stoves. The second half assessed the relationship in logics between BP and the village exchange setting once the model was actualised on the ground. Although the stakeholders' logics were generally aligned at the outset, the chapter demonstrated how the enactment of the model exposed clear tensions between the partners in their prioritization of logics. For instance, BP wanted to expand the model as quickly as possible—and so underinvested in agent training, service and maintenance, and agent working capital—while SSP wanted to provide more support for individual women to become successful agents. This tension in priorities was only part of the problem. In mutually agreeing to adopt the direct agent model, the partners ignored the village-level social restrictions that would eventually prevent the model from operating successfully. BP proceeded through the negotiations and pilot without understanding the meaning of, and obstacles presented by, these social structures. SSP, meanwhile, did not adequately highlight the complexities posed by these structures.

This chapter revealed a mismatch between the MNC's conventional market logic and the complex logics that govern village exchange. Rural Maharashtra's social structures and

exchange logics are more complex than the BoP script acknowledged, or that BP was capable of addressing. While BP designed a similar sales and marketing model to that of Avon and HLL, BP's model failed because it was not aware of the significance of the micro-institutions in rural India that preclude sales across caste and religion and stifle women as village entrepreneurs. BP underestimated the extent to which beliefs and behaviours at the village level are deeply held, and overestimated the ease with which they could manipulate exchange practices and lifestyle patterns. For instance, BP presumed that rural female agents would proactively knock on doors to collect orders or host 'Tupperware' style product demonstrations. However, for the most part, this hypothesised behaviour did not match empirical reality, as such practices were inconsistent with the village exchange setting, and impeded by regressive social structures. Moreover, village agents and customers had never encountered the door-to-door model normatively or cognitively. Accordingly, the direct agent model was inconsistent with both acceptable village exchange practices and the *de facto* manner by which BP's agents retailed 'Oorja' stoves in rural India.

BP-India's fixation with meeting BP-HQ's aggressive financial targets also contributed to the failure of the model. The subsidiary's simultaneous focus on cost cutting and rapid expansion led to an underinvestment in individual jyoti support. In an interview in October 2007, BP-India's CEO, Mahesh Yagnaraman, suggested the following logic motivated their business:

We want the jyoti to be sustainable; she should get a certain amount of time and money for the effort she takes. That's the first big value we have to deliver. The second thing is that the channel partners like Adharam should start to be sustainable on their own. We are willing to put ourselves third after these other two partners...And only then will BP start to sustain itself as a business. There's a sequencing there. It's a mental model there that drives us.¹³⁰⁰

¹³⁰⁰ Mahesh Yagnaraman (1 October 2007)

Had the organisation actually adhered to Yagnaraman's stated prioritization, perhaps this business model would have succeeded. But as this chapter (and the previous chapter on partnership) has explained, BP's actual logic was completely reversed. BP systematically underinvested in the basic human capital support that the agents needed to be confident and successful. The MNC externalised downstream all dimensions of risk onto the partnership's most vulnerable parties—the agents and customers.¹³⁰¹ The MNC transferred excessive financial risk onto its agents, by requiring they invest heavily in inventory, and refusing to implement a financing model for agents or consumers. BP also transferred the subsequent sales risk through inadequate agent capacity building, supply shortages, excessive price hikes, and service and maintenance delays. Moreover, BP largely ignored SSP's role in interpreting the local environment and structuring the channel in a manner sensitive to the village exchange context. As sales began to decline in late 2007, BP diverted resources and expedited the partnerships' deterioration, rather than working to reverse the decline (e.g. by collecting jyoti and customer feedback; by adjusting recruiting, training, and product launch policies). If there was any pretence of this venture as a developmental model, it was lost through BP's policies, which were exploitative (i.e. through risk transfer), and disempowering (i.e. through poor agent support), until ultimately all actors in the ecosystem were made worse off. These findings present cautionary words with regard to the risks of market-based solutions to poverty, for they undermine what Prahalad (2010) calls on the cover of his book, "enabling dignity...through markets."¹³⁰²

This chapter has evaluated how markets actually function under certain micro-level social and institutional constraints. It has explored the micro-processes of markets: the local

¹³⁰¹ The next chapter explores, for instance, how BP transferred financial risk onto its consumers through fuel pellet pricing volatility.

¹³⁰² (Prahalad 2009)

social structures that affect the firm's strategy and practices.¹³⁰³ Building on Fligstein (2001), Granovetter (1985), Swedberg (1994), the chapter has demonstrated that exchange is governed by complex social structures. While the BoP preamble makes conventional economic assumptions about the creation of markets,¹³⁰⁴ this chapter has demonstrated that markets are enacted in a strikingly different way on the ground.

For BP's direct agent model to survive in rural India, BP needed to either conform to the institutionalised expectations of the local exchange setting,¹³⁰⁵ or project a logic that local stakeholders could adopt in a reformulated form.¹³⁰⁶ This is because BP did not sensitise its model to cultural norms and social structures of the micro-institutional environment, or bridge differences with the agents' logics. Accordingly, BP's model lacked legitimacy and ultimately did not survive.

¹³⁰³ (Fligstein 2001)

¹³⁰⁴ (Prahalad 2009)

¹³⁰⁵ (Meyer, Rowan 1977); (Nohria, Ghoshal 1997); (Dorrenbacher, Geppert 2006)

¹³⁰⁶ (Sahlin-Andersson 1996); (Greenwood, Oliver *et al.* 2008: 17)

Chapter 7: Villager Purchasing Logics

This chapter will explore an MNC's projection of a conventional market logic onto an institutionally complex, socio-culturally embedded exchange setting. It will examine the manner in which BP designed and marketed a 'smokeless' cookstove to poor villagers in Maharashtra, India. It will evaluate the relationship between the villagers' purchasing logics and the MNC's perception of these logics. The first part of the chapter will provide an overview of several logics that informed BP's market strategy and villagers' cookstove purchase behaviour. The remainder of the chapter will develop a rich and nuanced understanding of the role of religion as a purchasing logic—in particular, the beliefs, practices, and symbols that enshroud the firewood cookstove (in Hindi, 'chulha') with meaning. The chapter will devote disproportionate attention to this logic because of the unique and deeply entrenched symbolism of the traditional firewood chulha that BP overlooked, and which present significant obstacles for Oorja adoption. By demonstrating the chulha's mythical, ritualised, and sacred properties, the chapter will reveal a critical, non-market challenge that BP faced in selling a competing, modern cooking appliance that lacked the same transcendent nature. This analysis is novel because it raises complex cultural questions in the context of commercialising a product at the BoP.

As Loveridge (2006) notes: "there has been a growing regard for the distinctive role that is sometimes played by foreign MNEs in shaping the sociopolitical context of its overseas affiliates beyond the purely business sphere."¹³⁰⁷ This chapter will investigate the local operating environment in which the MNC operates, and will raise important questions with regard to micro-institutional politics and the social embeddedness of a foreign company. It will explore the way in which BP, a foreign MNC, projected its

¹³⁰⁷ (Loveridge 2006: 190); quoting in turn (Stern, Barley 1996); (Holtbruegge, Berg 2004)

institutional logic onto the complex cultural and social context that exists in rural India. Hammack and Heydemann (2009) explain that logics projected across such borders continue to display the mark of their source, whether deliberately or not. The chapter will corroborate this perspective by demonstrating the significant cultural distance between the MNC and its target consumer base in the enactment of the model in rural India.

The chapter will first describe BP's perception of villager purchase logics—in other words, the set of assumptions about rural Indian consumers that framed BP's entry strategy. It will then compare these logics to those that villagers self-declared to influence their cookstove purchasing decision. It will present results from small-N villager questionnaires that explored fuel usage, purchasing, and collection behaviour, intra-household decision-making, and the perceived health consequences of open fire cooking.¹³⁰⁸ The survey data is supplemented by a quantitative sales analysis of stove and pellet sales. The remainder of the chapter will examine one purchasing logic that BP ignored entirely—religion. This section will begin by explaining how purchases can be informed by religious logics, and how savvy marketers draw on evocative aspects of religion (e.g. ritual, symbolism, myth) to imbue their everyday products with transcendent significance. It will also unpack the relationship between religion, symbolism, sacredness, and ritual, which will serve as a conceptual framing for illuminating the religious significance of one of the chapter's objects of study, the firewood chulha in rural India. Next, it will provide context for the chulha's sacred and symbolic meaning by drawing upon secondary ethnographic research and religious texts. Then, field research findings will be presented to explain the religious and ritual significance of the cookstove in the rural Maharashtrian home. The chapter will evaluate the appropriateness of BP's product design and marketing campaign for rural India, given the extent to which religious

¹³⁰⁸ Customer and non-customer questionnaires are available for examination upon request.

symbolism influences consumer decision-making. The chapter will conclude by explaining that BP's focus on 'getting right' the technical and economic aspects of its business, without fully appreciating the cultural factors that motivate purchasing decisions, contributed to the venture's failure.

2. Summary of Findings

BP enacted its model dysfunctionally on the ground in part because it did not understand the symbols, traditions, and rituals that are widely adhered to in rural India. As an organisation set up to penetrate a consumerist marketplace, BP tried unilaterally to define its product innovation according to its own market-based logic (i.e. optimising Oorja's price and performance), instead of moulding the product around the logics and practices that govern cooking in rural India. The importation and imposition of BP's market-based norms faced resistance from durable and deeply entrenched social structures and cultural norms. Accordingly, BP failed to deliver an effective, market-based solution to the problem in the local context.

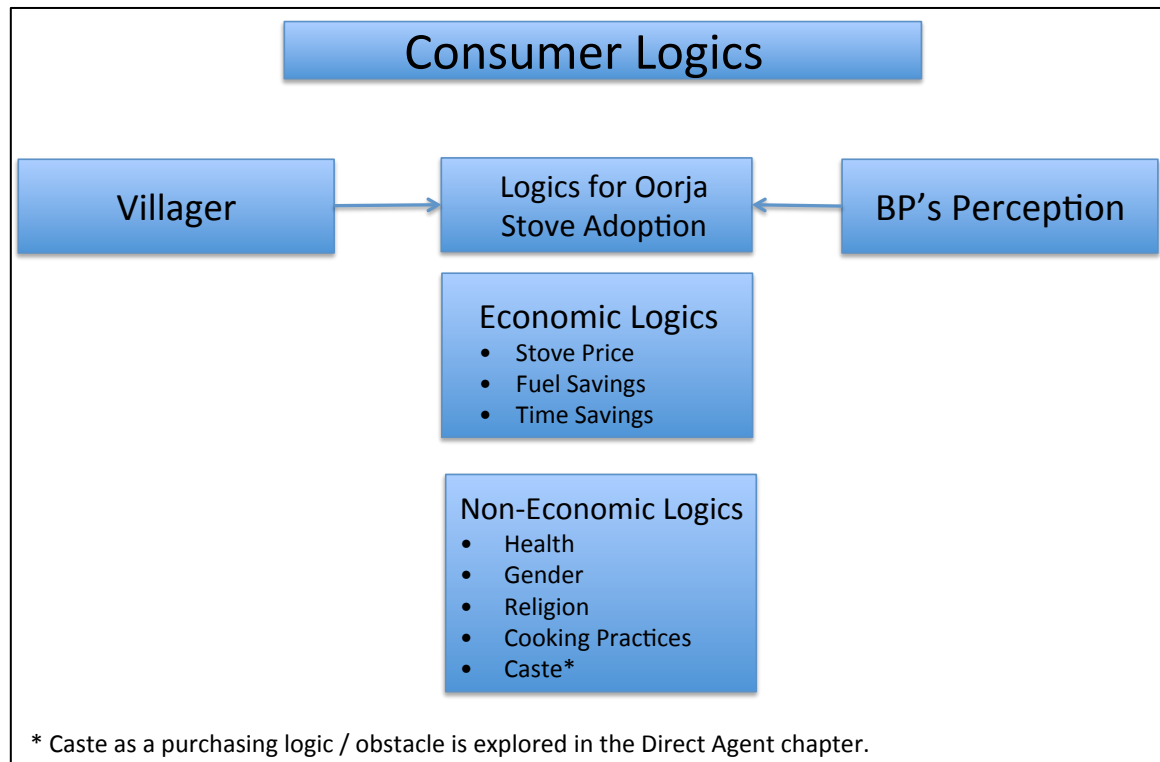


Figure 7.1: Theoretical Framework

3. Consumer Logics

3.1 BP's Perception of Villager Logics

BP managers believed, consistent with their conventional market logic, that they could drive product adoption by delivering a low-cost technology that reduced smoke and fuel consumption relative to open fire cooking. They promoted Oorja by primarily emphasising three logics they expected to resonate with villagers: economic, technical superiority, and health benefits.¹³⁰⁹ They also assumed their customers would be women, who would be able to satisfy all their cooking needs with the Oorja.

3.1.1 Economic (Stove Price and Fuel Savings)

¹³⁰⁹ Mukund Deonkagar explained the consumer proposition: "This stove dramatically reduces smoke, cooks more efficiently, and reduces fuel consumption. Through this technology, you are moving people from a problem area that they had to a new area, which is improving their health, giving them more money, and these are very socially relevant things. Oorja reduces the cost of health, the time they spend collecting wood, it releases time for them to earn more, so it's an economic benefit. Social converges into economic for the consumer" (1 October 2007).

BP's entry strategy was to sell Oorja stoves below cost (i.e. with an internal subsidy), appealing to the price sensitivity and limited up-front purchasing power of its customers. During its first two years of operations, BP lost Rs. 225 on each stove sold.¹³¹⁰ BP expected to recoup this subsidy, and generate all of its profits, by locking in poor consumers to the recurrent purchase of proprietary fuel pellets.¹³¹¹ As Mukund explained: "We started selling this product with CK [Prahalad's] philosophy... at 'price minus', and at some stage, expected to make money based on throughput of pellet sales."¹³¹² This was the 'Gillette razor' business model: sell one good at a loss to increase demand for a complementary good.¹³¹³ This approach was also seen to be consistent with BP's corporate strategy. Being a fuel company, BP saw pellets—not stoves—as its core business.¹³¹⁴ It sold stoves as a conduit to retail household fuel.¹³¹⁵ In this way, BP's business model differed from that of every other clean cookstove manufacturer in India, whose stoves could burn any locally collected fuel (e.g., wood, crop residue, cow dung).¹³¹⁶ BP was confident its pellet business would be attractive to customers because its fuel pellets were cheaper than any other locally purchased fuel—thus generating additional savings for users. Moreover, BP restricted villagers to use its pellets by specifying that the product's warranty would be invalidated if customers burned any other fuel in their Oorja stoves.¹³¹⁷

¹³¹⁰ (Yale Global 2008)

¹³¹¹ Jeb Brugmann (3 Oct 2007).

¹³¹² Mukund Deonkagar (1 September 2011)

¹³¹³ As Picker (2010: 1) explained the basics of the model: "The razors-and-blades strategy is a simple one: sacrifice returns— maybe even lose money—on the razor handle but make boatloads of profits on the blades. Razor handles are useless without blades and so razor makers had no reason to fear that customers would take free handles and never appear again."

¹³¹⁴ Jeb Brugmann (3 October 2007)

¹³¹⁵ Jeb Brugmann (3 October 2007)

¹³¹⁶ e.g. EnviroFit, Philips, Prakti, and StoveTec.

¹³¹⁷ In the Jyoti Training Manual, BP inadvertently wrote: "Pellets are the most effective and efficient fuel option. However, regular firewood can also be used." This misinformation led to consumer confusion. Jyotis took the responsibility to police this seriously. For instance, Miriam Mogul, a jyoti, when asked how often she visited customers, replied: "[My] mother-in-law visits customers' houses without announcement for inspection purpose to check what fuel source they are using in their Oorja. If they use a fuel other than biomass, I won't give them a warranty or replacement" (3 September 2007).

3.1.2 Economic (Time Savings)

BP managers assumed villagers would consider the opportunity cost of time spent collecting firewood, and would be willing to purchase pellets because the additional cost would be offset by income generated from additional working hours. BP explained to jyotis: “By using this stove one saves the hassle and time spent on collecting wood and prolonged hours on cooking. Daily wage earners value flexibility in managing their time and convenience-enhancing product. This stove helps them save time and energy that they can use to enhance their earning capacity on a daily basis.”¹³¹⁸

3.1.3 Technical Performance

BP presented a case for Oorja adoption to prospective consumers based upon the stove’s functional superiority and its attendant consumer benefits.¹³¹⁹ BP optimised combustion performance through a top-loaded design,¹³²⁰ which helped control the primary air flow, and a built-in fan, which force-fed additional oxygen onto the flame. The design resulted in a significant reduction in smoke emissions compared to the open fire.¹³²¹ Mahesh Yagnaraman, BP-India’s CEO, explained that his team had developed for the rural Indian market “...a technically advanced cooking solution for the poor. Our Oorja stove offers a very attractive consumer value proposition relative to that of the firewood stove.”¹³²² Compared to the firewood chulha, Oorja delivers “efficiency and performance benefits (ease of use; time and fuel savings; safety and reliability; positive environmental impact; cost savings).”¹³²³ Unlike the firewood chulha, Oorja appears ‘smokeless’, lights immediately, cooks more efficiently, allows mothers to spend less time

¹³¹⁸ BP Jyoti Manual

¹³¹⁹ (BP Jyoti Training Guide)

¹³²⁰ Fuel is fed through the top of the stove rather than the side.

¹³²¹ (Cohen 2008)

¹³²² Mahesh Yagnaraman (1 October 2007)

¹³²³ (BP Jyoti Training Guide; Consumer Sales Pitch)

cooking and collecting fuel and more time with family, and reduces respiratory and eye infections.¹³²⁴

3.1.4 Health

BP's social marketing campaign communicated a rational-scientific explanation for the adverse health consequences of cooking on an open fire (e.g. difficulty breathing, eye problems, and headaches)¹³²⁵ and collecting firewood.¹³²⁶ The campaign explained that cooking on Oorja would improve the health of women and their children.¹³²⁷ Since toxic smoke from open fire cooking has been shown to cause nearly 500,000 fatal respiratory diseases annually in India alone,¹³²⁸ BP expected that promoting Oorja's health benefits would resonate with villagers.

3.1.5 Gender

BP assumed women would be its customer base, and therefore targeted its marketing efforts towards women.¹³²⁹ This assumption was based on the fact that women in rural India do most of the cooking and firewood collection and disproportionately suffer (along with their children) the adverse health effects of the open fire.¹³³⁰ To reach these women, BP exclusively appointed other women as sales agents. Moreover, BP's messaging was focused on issues that resonated with women. BP positioned Oorja as an

¹³²⁴ (BP Jyoti Training Guide; Consumer Sales Pitch)

¹³²⁵ As BP told jyotis: "You will have to explain to them that smoke can cause lot of diseases like eye problems, respiratory problems etc" (BP's Jyoti Manual).

¹³²⁶ For instance, BP explained: "...[Y]ou have to go out in the jungle or away from home and your village to gather wood. You not only go through the pain of climbing trees, chopping the branches and running thorn but also get less or no time to be with your children and they feel neglected. At times you run the risk of being bitten by snakes which could be fatal, just think of your family, they need you more than the fire wood." Allergies and fungal infections spread very swiftly when you handle moist and dusty wood in the open" (BP's Jyoti Manual).

¹³²⁷ BP's Jyoti Manual

¹³²⁸ (Bonjour, Prüss-Üstün *et al.* 2007)

¹³²⁹ For instance, in BP's Jyoti Manual, it is written: "Consumers—the end users of the product, in this case women in the household. They have the maximum association with the product and are likely to be the first to understand its importance or find its demerits."

¹³³⁰ According to the Hutton *et al.* (2006), 85 percent of open fire cooking deaths are women and children.

appliance that would reduce respiratory infections and eye irritation, keep the kitchen clean and not blacken pots, and allow mothers to spend more time with their children.¹³³¹

3.1.6 Cooking Practices

BP predicted customers would use Oorja as their exclusive cooking appliance. As Mahesh Yagnaraman explained: “In our initial revenue projections, we assumed that customers would fully replace their firewood stoves with Oorja.”¹³³² BP built its business model on the assumption that users would purchase enough fuel to satisfy their daily cooking needs—for the average family, approximately six, five-kilogram bags of pellets per month.

BP structured its business model, product design, and marketing campaign to be consistent with what it perceived to would be the villagers’ adoption logics. The next section will evaluate the relationship between BP’s model and the villagers’ actual purchasing logics.

3.2 Villager Purchasing Logics

¹³³¹ As BP explained to jyotis: “Make the audience discuss their current kitchen and cooking conditions. Let the issues of too much smoke, choking while cooking, botheration of firewood, cow dung, fatigue, delay in cooking, increased hassles and expenses—on medicine, firewood and soap, storage of chopped wood, cooking with damp wood, soiled hands and clothes, darkened walls and ceiling, blackened utensils, loss of time and increased expenses on soap come from the audiences themselves” (BP’s Jyoti Manual).

¹³³² Mahesh Yagnaraman (1 October 2007)

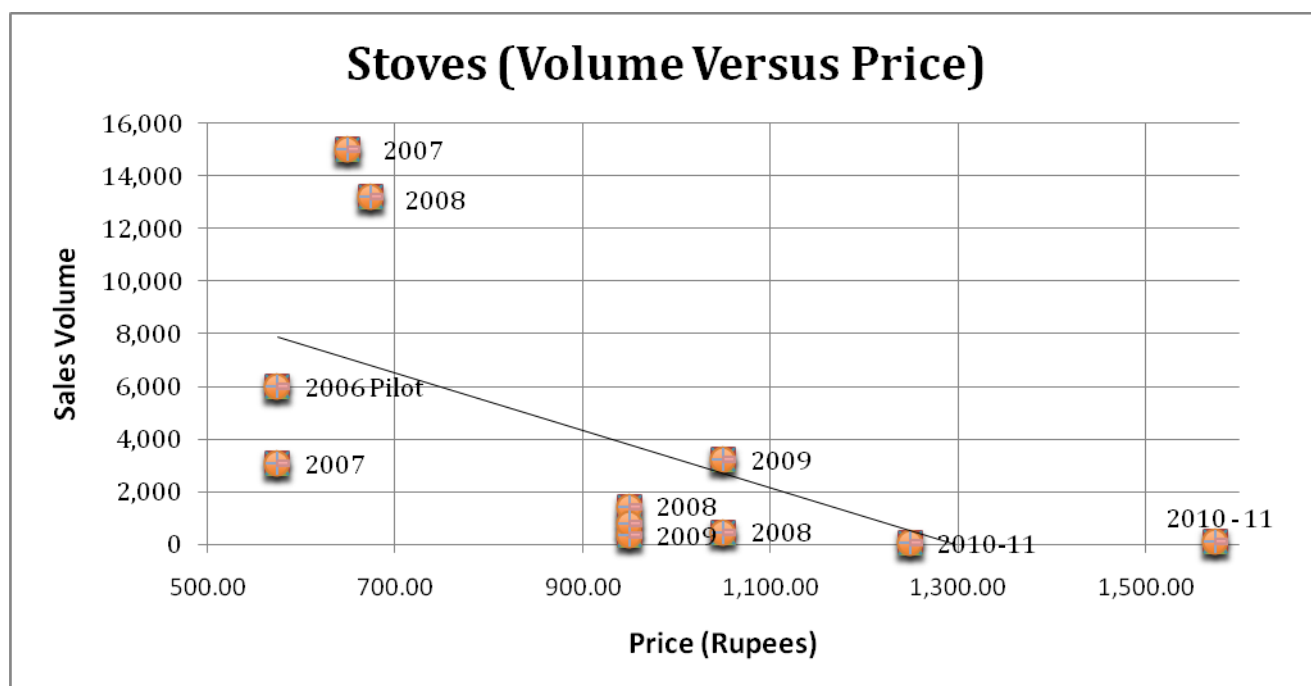


Figure 7.2: Correlation between Sales Volume and Unit Price

3.2.1 Economic (Stove Price and Fuel Savings)

BP rightly recognised that price was a powerful determinant of stove and fuel pellet purchases. As Mukund Deonkagar acknowledged, “This business will only work if our stoves and pellets are affordable to the poor.”¹³³³ BP’s consumers had a high elasticity of demand; price increases curtailed sales of both stoves and pellets. When BP launched its cookstove business in 2006, Oorja was priced at Rs. 575 and pellets at Rs. 20 per five-kilogram bag. *Figure 7.2* (above) compares stove sales volume to unit price; the two variables are inversely correlated (-0.63). BP removed its internal subsidy on stoves in 2008 when pellet sales fell short of expectations. This price hike caused sales to plummet, as the economic logic for purchasing a stove became less clear to prospective customers. By 2010, Oorja had more than doubled to Rs. 1250 and pellets had doubled to Rs. 40. 85 percent of the total stoves delivered through Sakhi Retail’s channel were sold at the subsidised price of Rs. 675 or lower. As *Table 7.1* (below) shows, the economic logic for pellets was initially compelling: they were cheaper to purchase than any other fuel source.

¹³³³ Mukund Deonkagar (1 October 2007)

However, as the price rose, this logic also became less clear. By 2010, BP's pellets were a more expensive fuel option than LPG.

1. Average Monthly Fuel Expenditure (for cooking 2 meals/day) (Rupees) ⁽¹⁾				
Product	Avg Price/Unit	Unit	Unit/Meal	Avg Cost/Month
BP Pellets - 2006	4	kg	½	120
Wood Purchase	1 ½	kg	1 ½	135
Wood Collection ⁽²⁾ (opportunity cost)	7.5 ⁽³⁾	hour	1/3 (approx.)	160
LPG	348 ⁽⁴⁾	14.2 kg (tank)	1/6	232
Kerosene (subsidy)	10	litre	2/5	240
BP Pellets - 2010	8	kg	½	240
Kerosene (black market)	30	litre	2/5	720
Sources: Adharam, village market survey, SSP, BP, and customer interviews, officially regulated LPG and kerosene prices (1) Excludes amortised stove costs (2) Based on average collection time of 2.38 hours and estimated average quantity of firewood collected 10 kg (3) Opportunity cost of collecting wood, based on pro-rated daily minimum wage of Rs. 8/hour. (4) Includes informal delivery charge of Rs. 40 - 50/tank				

Table 7.1: Average Monthly Fuel Expenditure

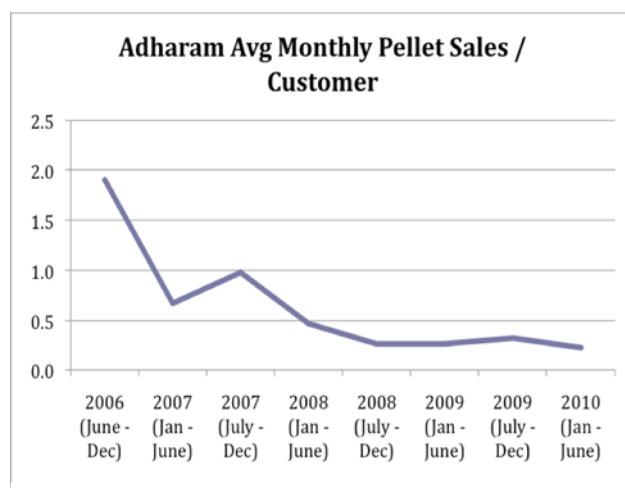


Figure 7.3: Customer Pellet Sales¹³³⁴

Monthly pellet consumption also fell substantially with price hikes. *Figure 7.3* (above) demonstrates a ten-fold decline in monthly customer pellet orders, from two bags to one-fifth of a bag per month. However, disaggregating this trend further reveals that the picture is more complicated than just fuel price elasticity. Initially, pellets were cheaper than other purchased fuels, yet per customer sales were roughly one-third of BP's expectations of five to six bags per month. This gap could be attributed to consumers' 'fuel stacking' strategy (explained below). Then, as the 'Direct Agent' chapter explored further, after the pilot phase in 2006, BP rolled back its support for this sales channel. For instance, BP cut agent training, which caused agents to lose interest or confidence in proactively selling stoves and pellets, and provided inadequate product supply and after-market service, which compelled users to switch back to firewood and hurt agent's reputations. For these reasons, even though pellets were still cheap during this period, sales fell by a further 75 percent. In the final period, pellet prices shot upwards, caused by a spike in sugar cane waste commodity prices.¹³³⁵ This led to pellet sales per customer

¹³³⁴ Author's audit and analysis of Adharam's internal sales records (July 2010).

¹³³⁵ Sugar cane stalk residue ('bhagasse') is the main input in BP's fuel pellets. Bhagasse market dynamics are complex, and have complex political, moral, climatic, and economic dimensions. However, in the simplest terms, farmers used to be happy to have their sugar cane waste trucked off their farms for practically free. Yet price shot up when the private sector and the public electricity board realized this waste could be converted inexpensively to energy. The spike was exacerbated by a regional drought, which

falling by a further 60 percent, to almost zero. After this price hike, only the most affluent or devoted customers continued to use their stoves; the remainder of Oorja stoves fell into disuse or disrepair. The consequences of the pellet price hike were significant. The capital that poor villagers had invested to purchase an Oorja stove had been wasted. Rather than mitigating energy poverty by providing village users with a cheap, reliable, and clean source of cooking fuel, BP had exacerbated the economic vulnerability of its poor customers. As Deonkagar conceded in 2011:

The reason the business has not been sustainable in the village is the relevance of the price-value for the end user. Definitely there is a price point and a sweet spot that we did get when we were doing business two and a half years back [in 2008], which was very critical for the end user in terms of switching to a different type of fuel and the [cookstove] itself. When we kept going away from that, the consumers started going away from us.¹³³⁶

The above data corroborates BP's view that consumers were motivated by an economic logic. Nevertheless, BP failed to account for this logic in the enactment of its model. Instead, spikes in both stove and pellet prices contributed to the venture's failure. Moreover, while this economic logic was a necessary precondition for stove and pellet adoption, it was not sufficient, as the remainder of the chapter will demonstrate.¹³³⁷

3.2.2 Economic (Time Savings)

Rural households had a different concept of time than BP managers perceived. Most villagers did not recognise the time spent collecting firewood as an economic opportunity cost. In general, villagers preferred to hustle to collect wood that was freely available—even if it was time consuming and tiring—rather than paying for fuel. If

led to a lower than expected sugar cane crop yield. As the author conducted fieldwork to understand these market forces, a more complete analysis is available upon request.

¹³³⁶ Mukund Deonkagar (1 September 2011)

¹³³⁷ The limitations on economic rationality demonstrated in this study are corroborated by other recent research. In Bangladesh, Miller and Mobarak (2011) found that over 30 percent of households refused to accept a clean cookstove offered for free. This suggests there are also non-economic barriers to stove adoption. Similarly, Slaski and Thurber (2009) note, "Cooking touches on an entire lifestyle, which can include gathering wood (an activity with a strong social component) as well as cooking (an activity heavily influenced by tradition)."

villagers valued the economic opportunity cost of wood collection as time that could be spent doing daily wage labour, they would be indifferent between collecting 10 kilograms of wood and paying Rs. 18.¹³³⁸ However, when surveyed, 81 percent indicated they would rather collect 10 kilograms of wood than pay Rs. 15; 68 percent would rather spend collect wood than pay Rs. 10. Among BP's customers, most reported time saved since purchasing Oorja (84 percent). Yet only one in ten customers reported primarily allocating this additional time for income-generating work.¹³³⁹ These findings are corroborated by Frederick *et al.* (2009), who argue that consumers may not explicitly value opportunity costs as neo-classical economics hypothesises.¹³⁴⁰

3.2.3 Technical Performance

BP optimised Oorja's fuel efficiency and performance through the top-loaded design and internal fan. However, these features were not consistent with how villagers were accustomed to cooking. While Oorja required fuel pellets to be fed through the top of the stove, villagers in Maharashtra were used to feeding fuel through the side of their traditional chulha. This design change was not simply cosmetic. In a top-loaded device, users cannot cook continuously but have to remove the burning pot to add additional fuel. Moreover, in contrast to a side-fed design, users must let the fuel burn fully; they cannot remove fuel from the fire. Lastly, a top-loaded design makes it more difficult to control the heat of the flame, which users can do in a firewood chulha by moving the wood in and out. As Sulbha Dube, a customer from Barshi explained: "With the wood chulha, if I want to boil water, I make a big flame. If I want to simmer dal [lentils], I

¹³³⁸ On average, women reported spending 2.38 hours collecting fuel, twice a week. They collected on average enough fuel for three days of meals—or about 10 kilograms. The official minimum wage for a daily wage labourer in the districts was Rs. 60. Thus, for the average wage labourer, the economic opportunity cost of biweekly fuel collection would be Rs. 18.

¹³³⁹ More than half reported they mainly devoted their additional time for leisure/relaxation, while one fourth reported using it to spend more time with their children. While both of these uses enhance the household's standard of living, the additional time was not meaningfully valued in economic terms.

¹³⁴⁰ (Frederick, Novemsky *et al.* 2009)

make a small flame. With Oorja [it is harder] to raise or lower the flame.”¹³⁴¹ Additionally, while the internal fan also helped optimise performance, it meant the stove required an external power source. Oorja was designed to use rechargeable batteries, but electricity in villager homes is intermittent. Therefore, if the batteries died while cooking, and there was no electricity, users either had to replace the batteries, switch to another cooking appliance, or cook on a smoky Oorja.¹³⁴²

3.2.4 Health

To be convinced of the health benefits of Oorja, users needed to be persuaded first, that smoke emitted from the firewood chulha causes a range of serious health problems, and second, that Oorja would mitigate these health risks. According to survey data (see *Appendix 7.1*), villagers were unaware of, ambivalent to, or suspicious of these health claims. First, despite BP’s awareness-raising campaign, very few customers or non-customers understood the risk of serious illness caused by open fire cooking. For instance, less than one in six customers or non-customers knew that a smoky chulha could cause fatal lung diseases. This suggests that BP’s social marketing campaign had failed to sensitise villagers to the risk of serious health diseases. Second, there was no meaningful difference between BP customers and non-BP customers in attributing negative health consequences to the firewood chulha.

Perhaps most significantly, it is not clear that persuading users of the health risks would compel a stove purchase. As Slaski and Thurber (2009) explain: “The value that outside observers usually see as paramount [with clean cookstoves]—the improvement of health through elimination of household air pollution—rarely ranks highly in the calculus of purchasers.” Similarly, Bishop *et al.* (2010), who ran a household air pollution awareness

¹³⁴¹ Sulbha Dube (12 April 2010)

¹³⁴² Direct observation (2010)

campaign in Karnataka, India, concludes that “negative health messaging is not enough to convince people to adopt [an ‘improved’ cook stove].”¹³⁴³ There are several possible explanations for why BP’s consumers would not purchase a clean stove, even if they were aware of the negative health effects. First, there is not a clear relationship between action and consequences. For instance, a woman may cook with firewood for thirty years and never develop chronic respiratory illnesses, just as parents may not recognise a child’s pneumonia was caused by smoke emitted by the home’s chulha. As a corollary, the fact that an Oorja customer did not develop health problems is not proof that Oorja mitigated potential health problems. Second, villagers had good reasons to doubt the verity of BP’s health claims. As mentioned, a BP-hired eye doctor had falsely told all villagers that they had eye problems in order to drive stove sales. Third, villagers may exhibit a lack of urgency. A household could continue to delay purchase because of the small likelihood of a health problem occurring immediately. Such procrastination may explain the disconnect between declared and revealed preferences in stove adoption found by Bishop *et al.* (2010). In Shell Foundation’s study, 82 percent of households said they would purchase an ‘improved’ stove, but only 2 percent actually did. Fourth, as will be explored later in this chapter, there was a fundamental tension between the health benefits of a ‘smokeless’ stove and the religious significance of smoke from the firewood chulha. Regardless of the rationale, these findings collectively suggest that the decision to purchase an Oorja stove was made on the basis of considerations other than health.

3.2.5 Gender

As mentioned, BP’s marketing campaign was focused on village women. Men typically only came into contact with the campaign if they attended public product

¹³⁴³ (Bishop, Blum *et al.* 2010)

demonstrations or saw advertising murals.¹³⁴⁴ Neither BP nor the jyotis directly attempted to persuade men of Oorja's benefits. Yet according to survey data, the decision to purchase Oorja was almost always made jointly (87 percent), or unilaterally by a husband (9 percent). In only 2 percent of cases did a woman independently make the purchase decision. Furthermore, men often vetoed the purchase. The fourth most cited reason for which villagers decided against purchasing Oorja was "husband was not interested."¹³⁴⁵ BP failed to recognise that intra-household purchasing dynamics in Maharashtra are skewed against women. As such, in practice, the wife does the cooking and suffers the health consequences of open fire cooking, but her husband heavily influences, or outright controls, the cookstove purchase decision. These findings are corroborated by other cookstove field research in India that demonstrates that men almost always participate in a household's decision to purchase a cookstove, and women lack authority to purchase an 'improved' stove, even though they would like one.¹³⁴⁶ As Miller and Mobarak (2011) conclude, in the context of cookstove uptake in Bangladesh: "We find that one important non-price impediment [to stove adoption] is the presence of an intra-household externality: male financial decision-makers do not internalise the costs and benefits of new technology that accrue to their wives."¹³⁴⁷ Similarly, after conducting a large-scale household air pollution awareness campaign in Karnataka, India, Bishop *et al.* (forthcoming) prescribe that "social-marketing must reach both audiences [men and women]." Other studies have demonstrated that husbands and wives have different logics for adopting a cookstove, and that different marketing messaging

¹³⁴⁴ Naseem Shaikh (4 October 2007)

¹³⁴⁵ The three most cited reasons for non-purchase were: 'Too poor', 'Prefers LPG', 'Firewood freely available'.

¹³⁴⁶ According to Dutta (1997), village men in India are highly involved in the decision to purchase kitchen equipment. Similarly, according to a report from Shell Foundation's Room to Breathe campaign in Southern India, "94 percent of households said buying a stove was a joint decision between man and wife" (Bishop *et al.* forthcoming).

¹³⁴⁷ (Miller, Mobarak 2011: 32)

resonates with each gender.¹³⁴⁸ Lastly, there is evidence that ignoring the distinctive role of gender can contribute to a program's failure.¹³⁴⁹ BP's outreach may have been more effective had it understood these intra-household externalities and tailored part of its marketing effort to husbands.

3.2.6 Cooking Practices

BP expected its customers would use Oorja as their exclusive cooking appliance. Indeed, its business model was entirely predicated on generating profits from recurrent pellet sales. Yet had BP understood its consumer's fuel consumption logic, it would have known this model was not viable. Poor villagers adopt a strategy called 'fuel stacking',¹³⁵⁰ in which they used different cooking fuels for different purposes. To cite one example, Nandubai Gurunath Thorat, a BP consumer, indicated: "I use Oorja for meals; firewood chulha for praying, heating bathwater, and making chapatis; kerosene for light and to start the flame in Oorja and the firewood chulha."¹³⁵¹ By not understanding fuel stacking, BP substantially overestimated villagers' pellet consumption. As mentioned, instead of purchasing six bags of pellets per month, as BP projected, the average Oorja consumer initially purchased only two bags.¹³⁵²

¹³⁴⁸ This dissertation did not evaluate the particular marketing triggers that resonate with men. However, other recent scholarship in India has examined male's stove adoption logic. According to (Bishop, Pursnani *et al. forthcoming*), men are persuaded by the economic advantages of a clean stove (i.e. fuel savings) as well as the taste of food prepared. According to Clancy (2008): "Often men and women will also have different selection criteria for a stove, for example, women might want one that is easy to light and gives a cleaner kitchen whereas men may want a stove that gives quicker meals" (55). These studies indicate that men are not persuaded by the arguments related to better health, quicker cooking, or a cleaner kitchen. Therefore, aside from promoting the fuel cost savings of Oorja (which no longer held as fuel pellet costs rose), it can be argued that BP's marketing would not have resonated with male customers.

¹³⁴⁹ See for instance, Fong and Bhushan (1996) and Skutsch (1998).

¹³⁵⁰ (Masera, Saatkamp *et al.* 2000)

¹³⁵¹ Nandubai Gurunath Thorat (31 August 2007)

¹³⁵² As this chapter will later explain, customer pellet usage later fell to approximately 1/3 of a 5-kg bag per month first due to BP's underinvestment in the sales channel and product supply shortages, and second, to pellet price increases.

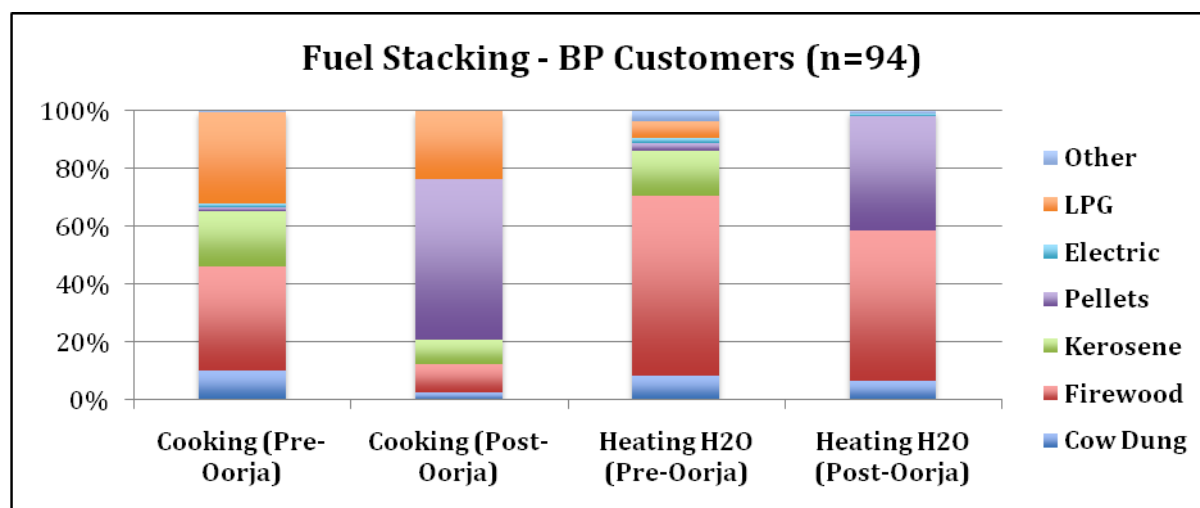


Figure 7.4: Fuel Stacking Strategies

Broadly, villagers adopted a fuel stacking strategy for three reasons: risk-mitigation, convenience, and price. First, the use of multiple fuels is a risk-mitigation strategy, since total dependence on a single fuel source or cooking appliance makes a household susceptible to supply shortages and price shocks.¹³⁵³ For instance, according to Anita Pawar, a jyoti, when BP didn't supply her with enough pellets, her customers switched to kerosene or firewood.¹³⁵⁴ But, during the monsoon season, dry firewood collection was a problem and so customers came back to purchase pellets.¹³⁵⁵ Second, users adopt a stacking strategy because certain fuels are more convenient for particular cooking needs. For example, unlike BP's pellets, kerosene, LPG, and electricity can be turned off. They are therefore more useful for preparing quick items like tea. Nandubai Gurunath Thorat said she often used BP pellets because they were more convenient: "Fuelwood collection takes two hours per day and some landowners won't let me take their firewood."¹³⁵⁶ Third, price differentials between various fuel sources compel a stacking strategy. Villagers with access to expensive modern fuels like LPG tend to use them sparingly and

¹³⁵³ (Birol 2006)

¹³⁵⁴ Anita Pawar (26 September 2007)

¹³⁵⁵ Anita Pawar (26 September 2007)

¹³⁵⁶ Nandubai Gurunath Thorat (31 August 2007)

for specific purposes. By contrast, villagers are more likely to continue to use freely available firewood and cow dung for the most energy-intensive household activities, including cooking and heating water.¹³⁵⁷ Fuel subsidies also alter cooking habits. In Osmanabad, India, poor families can obtain up to five litres of kerosene per month through the Public Distribution System for Rs. 10/litre, or one-third the market rate.¹³⁵⁸ However, the subsidised quantity is not sufficient as a full cooking solution, not the least because kerosene is used also for lighting and resold on the black market at a profit.¹³⁵⁹ Lastly, if one fuel source becomes too expensive—as occurred with BP’s pellets by 2010—customers simply switch to a cheaper cooking fuel. Therefore, adoption of a new stove does not lead to complete substitution, as BP expected, but rather a reallocation among the new and existing fuels. Each stove and fuel is used optimally, depending on cooking needs, market conditions, and supply constraints.

The first part of this chapter explored the relationship in purchasing logics between BP and the villagers. It revealed that BP systematically misunderstood the cooking practices and adoption logics of their prospective customers. As a result, BP enacted a model on the ground that was not only inconsistent with villager’s behaviour and preferences, but also not financially viable. This remainder of this chapter will grapple in-depth with a critical adoption logic that BP overlooked entirely: the religious significance of the firewood chulha in the rural Maharashtrian home. It will first provide background context on the role of religion in the marketplace, and will then differentiate between commodities and sacred objects.

4. Blurring of Religious and Economic Logics in the Context of Exchange

¹³⁵⁷ (Birol 2006)

¹³⁵⁸ NT Jadhav, Osmanabad District Collector (14 April 2010)

¹³⁵⁹ NT Jadhav, Osmanabad District Collector (14 April 2010)

For at least a century, sociologists have explored the relationship between religion and commerce. For instance, Weber (1905; 1915; 1921) famously contended that one's economic orientation was informed by religion, and that capitalism needed to be understood within the particular religious context in which it operated.¹³⁶⁰ His driving question was why capitalism did not originate in religions other than Calvinism. While these early studies have been critiqued,¹³⁶¹ more recent research concludes that religion and economics are mutually reinforcing and overlapping institutions.¹³⁶² For instance, in the Nairobi market studied by Dolan and Johnstone-Louis (2009), "the realm of the spiritual is widely recognised as integral to the practicalities of daily life, which provides a compelling counterpoint to Western conceptualizations of religion and the economy as separate spheres of human existence."¹³⁶³ The authors also describe "the concept of financial blessing as embraced in the materialist ethos of the 'Prosperity Gospel'."¹³⁶⁴ The Hindu mythology explored below has an analogous association linking the worship of specific deities (e.g., Lakshmi, Ganesh) with financial wellbeing.

Religion has also been demonstrated to inform consumer decision-making¹³⁶⁵ and advertising.¹³⁶⁶ For instance, Bailey and Sood (1993) and Scott *et al.* (2009) note the stigmas and taboos against the purchase of feminine hygiene products. Likewise, adherents of many religions buy specific foods as offerings during harvest festivals and

¹³⁶⁰ For instance, as Biggart (2002) explains; "Weber's analysis of capitalism sees interdependence between economic arrangements and social arrangements. He argues that ideas, including religious ideas, might support a particular economic orientation" (4).

¹³⁶¹ For a summary of the Weberian critique, see Green (1973) and Fischhoff (1991). For instance, as Fischhoff explains, RH Tawney attributed economic success to the political and economic conditions in England in the 16th Century rather than to the religious spirit of Calvinism and English Puritanism. Others, such as H. Richard Niebuhr, refute the supposed causal relationship deriving capitalism from Calvinism. Fischhoff (1991), however, argues this critique is based on a misunderstood interpretation of Weber's thesis.

¹³⁶² (Belk, Wallendorf *et al.* 1989); (Arnould, Price *et al.* 1999); (Essoo, Dibb 2004); (Dolan, Johnstone-Louis 2009)

¹³⁶³ (Dolan, Johnstone-Louis 2009: 10)

¹³⁶⁴ (Dolan, Johnstone-Louis 2009: 4)

¹³⁶⁵ (Bailey, Sood 1993); (Essoo, Dibb 2004); (Delener 1994); (Sood, Nasu 1995); (Watts, Loy 1998)

¹³⁶⁶ At the business level, Dolan and Johnstone-Louis (2009) demonstrate that shop names and advertising signs can also be informed or inspired by faith (e.g. 'Blessed Cereals Store'). As their research reveals, the shop owner conceives such a sign not as a signal to other people of faith to patronize his or her store, but rather as a pact with God to bring the business success and good fortune.

other religious ceremonies.¹³⁶⁷ Furthermore, religious devotees avoid food and drink altogether on grounds of impurity during certain holy periods and festival times.¹³⁶⁸ Consumer purchasing behaviour has also been found to differ by religious affiliation and the extent of the adherent's religiosity (i.e. secular versus devout).¹³⁶⁹

4.1 The Secular Symbolism of Brands

Consumption can also be a conduit for spiritual transcendence:¹³⁷⁰ 'iconic' marketing campaigns (e.g., Apple, Coca-Cola, Corona, Volkswagon) offer a secularised but spiritual experience by appealing to the consumer's imagination and idealised identity.¹³⁷¹ Advertising campaigns infuse their products with the "modern secular" equivalent of the ritual, myth, symbolism, and sense of identity evoked by a religious object—which "anthropologists have documented in every human society."¹³⁷² For instance, as "customers drink, drive, or wear the product, they experience a bit of the myth."¹³⁷³ As Belt *et al.* (1989) note, these savvy marketers "attempt to singularize, and occasionally sacralize, [even the most profane] commodity so it becomes a differentiated branded product... (Gardner and Levy 1955; Levitt 1984; Levy 1978)."¹³⁷⁴ As Holt (2004) points out, "brands work as symbols."¹³⁷⁵ In other words, they act as "tangible formulations of notions, abstractions from experience fixed in perceptible forms, concrete embodiments of ideas, attitudes, judgments, longings, or beliefs."¹³⁷⁶ An iconic brand transcends the object's everyday functional utility and embodies something more imaginative and profound.

¹³⁶⁷ (Khare 1976); (Essoo, Dibb 2004)

¹³⁶⁸ (Tamney 1986)

¹³⁶⁹ (Bailey, Sood 1993); (Essoo, Dibb 2004); (Hirschman 1981); (Zaidman, Lowengart 2001)

¹³⁷⁰ (Belk, Wallendorf *et al.* 1989)

¹³⁷¹ (Holt 2004)

¹³⁷² (Holt 2004: 8)

¹³⁷³ (Holt 2004: 8)

¹³⁷⁴ (Belk, Wallendorf *et al.* 1989: 32)

¹³⁷⁵ (Holt 2004: 6)

¹³⁷⁶ (Geertz 1973: 91)

When brands play to consumerist myths through ritual and symbol, they are evoking basic institutional features of religion. Durkheim (1915) defines religion as “a unified set of beliefs and practices relative to sacred things” that also establishes social bonds between people. As Flood (1996) notes in a study of Hinduism, these collected beliefs and rituals form “a system of symbols which acts, to use Peter Berger’s phrase, as a ‘sacred canopy’, instilling individual and social life with meaning.”¹³⁷⁷ Geertz (1973) similarly views religion as consisting of “a cluster of sacred symbols woven into some sort of ordered whole.”¹³⁷⁸ Symbols consist of “anything, in fact, that is disengaged from its mere actuality and used to impose meaning upon experience.”¹³⁷⁹ These can include words, natural objects, body language, noise, and mechanical devices (including commodities), to name a few.¹³⁸⁰ Particularly in its religious context, a symbol “puts a construction upon the events through which [one] lives.”¹³⁸¹ Symbols exist to bridge one’s worldview to their actual state of affairs.¹³⁸² As the next section will explore, religion and symbolism work together to imbue objects with meanings, turning the everyday into the sacred, or mediating between these two worlds. This sacralising aspect of religion is particularly salient within Hinduism, the religion of 80 percent of India’s population,¹³⁸³ and so an important area of investigation in this chapter.

4.2 The Sacred and the Profane

One critical lens through which to interpret the role of religion within exchange is the sacred-profane dichotomy. Flood (1996) notes that “[t]he sacred refers to a quality of mysterious [and divine] power which is believed to dwell within certain objects” under

¹³⁷⁷ (Flood 1996: 9)

¹³⁷⁸ (Geertz 1973: 129)

¹³⁷⁹ (Geertz 1973: 45)

¹³⁸⁰ (Geertz 1973)

¹³⁸¹ (Geertz 1973: 45)

¹³⁸² (Geertz 1973: 89-90)

¹³⁸³ (NSSO Census 2009-10)

certain contexts.¹³⁸⁴ In order for an object to become sacred, it must elicit more than obsession and ritualization, it must also be seen as “symbolic of some transcendent truths.”¹³⁸⁵ A sacred object is “more significant, powerful, and extraordinary than the self.”¹³⁸⁶ Moreover, it enables the user to “transcend existence as a mere biological being coping with the everyday world,” which for poor people can be particularly taxing.¹³⁸⁷ In Hinduism, Flood writes, a sacred object is a “not merely [a] representation of the deity, but [has] actually become the deity within the particular, circumscribed, ritual situation...The icon...mediates between the sacred realm and the human community.”¹³⁸⁸ As this chapter will explore, the traditional firewood cookstove undergoes this transformation within the Hindu home.

The opposite of the sacred is the ‘profane’ (or the ‘everyday’).¹³⁸⁹ Instead of being worshipped as an object of devotion, the profane is regarded as ordinary, mundane, and unexceptional. The sacred-profane dichotomy forms the basis of competing end-user impetuses for exchange and consumption: while a sacred object is ritualised and mythologised, a profane object is rationalised, routinized, commercialised, and commoditised.¹³⁹⁰ If an object is seen as sacred or possessing transcendent symbolism, it is perceived not with rationality or ‘common sense’ but rather imbued with wider, deeply-held beliefs linked to religion. However, the *purchase* of an object enshrined in symbolic and ritual value strips that object of much of its imaginative meaning and “brings it into the profane world.”¹³⁹¹ As Flood (1996) argues, conceptions of sacred and profane “are not substantive, as Jonathan Smith has observed, but relational; they change

¹³⁸⁴ (Flood 1996: 9)

¹³⁸⁵ (Geertz 1973: 98)

¹³⁸⁶ (Belk, Wallendorf *et al.* 1989: 13)

¹³⁸⁷ (Belk, Wallendorf *et al.* 1989: 2)

¹³⁸⁸ (Flood 1996: 15)

¹³⁸⁹ (Belk, Wallendorf *et al.* 1989)

¹³⁹⁰ (Belk, Wallendorf *et al.* 1989); (Dolan, Johnstone-Louis 2009)

¹³⁹¹ (Stark 2011)

according to circumstances and situation.”¹³⁹² Therefore, an object may in one context may be sacred and in another profane.

5. The Firewood Chulha as a Sacred Object

The empirical findings that will be discussed later in the chapter explain that religion infuses the firewood chulha with a sacred status that serves as an obstacle for some villagers to adopt BP’s stove. From these villagers’ standpoint, BP was not offering a clean alternative to a noxious stove—it is offering a ‘profane’ alternative to Hindu mythology. This turns the idea of an iconic brand¹³⁹³ on its head—the ‘unbranded’ ancient chulha, which through myth, ritual, and identity connections, formed over millennia, is iconic and inimitable in a way that the MNC’s branded, commercialised, commoditised alternative is not. The firewood chulha has a durable identity, as a purifying object and intermediary between mortals and the heavens, that has been built up and reinforced over thousands and thousands of years of Hindu culture.¹³⁹⁴ Those who pray before the chulha to their domestic deity reaffirm its religious significance on a daily basis. The chulha also has significance more generally, given the mythic symbolism of fire and smoke in most Hindu religious ceremonies.¹³⁹⁵ BP was thus not competing against an ordinary kitchen appliance void of meaning and significance—it was competing in the “myth market”¹³⁹⁶ against a sacred object steeped in symbolism, religious mythology, and ritual—and central to the rural Hindu identity.

As Flood (1996) explains, a fundamental aspect of Hinduism is the mediation and transformation between the sacred and the ‘profane’.¹³⁹⁷ An object may be *transformed* through ritual from profane to sacred; likewise, objects or icons may *mediate* between the

¹³⁹² (Flood 1996: 9)

¹³⁹³ (Holt 2004)

¹³⁹⁴ (Sen 2004); (Khare 1976)

¹³⁹⁵ (Bhalla 2006)

¹³⁹⁶ (Holt 2004: 39)

¹³⁹⁷ (Flood 1996: 14)

sacred and the profane. The chulha is situated at the intersection of the profane and the sacred, for it has both a practical cooking function and a sacred significance. The firewood chulha is not “inherently sacred”—it gains its sanctity through “myths, rituals, and signs,”¹³⁹⁸ and as an intermediary between the worldly and the divine. Just as a “temple image or icon prior to consecration is merely stone, metal, or wood,” so too is the firewood chulha transformed from clay, stone, or metal into an object of devotion and mediation.¹³⁹⁹ When worshippers perform ritual pooja before the stove (i.e. reciting mantras, offering oblations of food or ghee into the flame, or pouring libations onto the ashes), they *transform* the stove from an everyday cooking appliance into a ‘vessel’ for the Gods. Practices such as these have been passed down through generations, and “anchor [Hindus] in a deeper sense of identity and belonging.”¹⁴⁰⁰ The cookstove is a tangible object that also symbolically represents the domestic deity.¹⁴⁰¹ It is as a conduit to the Gods, a “transcendental vehicle...highly infused with significance.”¹⁴⁰² As Khare (1976) writes: “if cooking of food is the central purpose of a Hindu’s domestic hearth...it is only a small, most visible segment of meaning that the Hindu has in mind.”¹⁴⁰³

The chulha cuts across “the Hindu’s concept of the social, the natural, and the divine.”¹⁴⁰⁴ Each aspect of the firewood chulha—the fire and smoke generated, the wood as fuel; the stones as cooking surface—is imbued with symbolism and religious meaning. Within Hinduism, fire is seen to be a purifier, a manifestation of the god, the link between heaven and earth (“Thou art the cord that stretches to the skies, / The bridge that scans the chasm, profound and vast”¹⁴⁰⁵), and the courier that carries offerings to heaven (“a swift-winged messenger, thou callest down / From heaven to crowd our

¹³⁹⁸ (Belk, Wallendorf *et al.* 1989: 11)

¹³⁹⁹ (Flood 1996: 9)

¹⁴⁰⁰ (Flood 1996: 198)

¹⁴⁰¹ (Khare 1976); (Belk, Wallendorf *et al.* 1989); (Sen 2004)

¹⁴⁰² (Belk, Wallendorf *et al.* 1989: 32)

¹⁴⁰³ (Khare 1976: 3)

¹⁴⁰⁴ (Khare 1976: 1)

¹⁴⁰⁵ (Muir 1879: 221); as written in the Vedas, which are ancient Hindu texts.

hearths the race divine, / To taste our food, our hymns to hear, benign, / And all our fondest aspirations crown”¹⁴⁰⁶). Smoke is also seen as a link to the heavens, and the force that chases away all evils, including demons, diseases, and sins.¹⁴⁰⁷ Firewood, which represents Agni’s parents, is referred to in the Vedas as the “mystic pair”:¹⁴⁰⁸ “two pieces of which, which being rubbed together produce fire... a living being... spring[ing] out of dry (dead) wood...the child, as soon as born, begins with unnatural voracity to consume his parents.”¹⁴⁰⁹ By offering wood to Agni, one is making a sacrifice: “Thou, gracious god, wilt my poor gift receive: These few dry sticks I bring; I have no more.”¹⁴¹⁰ The chulha is also a sacrificial altar for the domestic deity. According to the Gita, an important Hindu religious text, the first portion of cooked food is served as an offering to the deity, which may be done as an oblation into the fire.¹⁴¹¹ Similarly, as Sen (2004) explains: “The act of cooking food by using fire is considered equivalent to [making] a sacrifice” to one’s deity.¹⁴¹² The wood as fuel and stones as cooking surface are also treated as sacred because they are part of the natural world.¹⁴¹³ Therefore, the whole cooking apparatus is “revered, feared, worshipped, and treated with the utmost respect.”¹⁴¹⁴

Agni, the fire god, is one of the most significant deities within the Vedas (ancient Hindu texts).¹⁴¹⁵ The Vedas describe Agni as: “Smoke-bannered Agni, god with crackling voice

¹⁴⁰⁶ (Muir 1879: 221); as written in the Vedas.

¹⁴⁰⁷ Smoke from incense would be an inadequate substitute: “The importance of incense is not that it symbolizes ascending smoke of sacrifice, but it is a means of making tolerable the smells of unwashed humanity” (Douglas 1966: 29).

¹⁴⁰⁸ (Muir 1879:221)

¹⁴⁰⁹ (Wilkins 1882: 20); The verses of the Vedas: “Sprung from the mystic pair, by priestly hands / In wedlock joined, forth flashes Agni bright; But, oh ye heavens and earth, I tell you right; The unnatural child devours the parent brands...And yet this orphaned god himself survives: / Although his hapless mother soon expires, and cannot nurse the babe as babe requires, Great Agni, wondrous infant, grows and thrives” (Muir 1879: 221). Since Agni’s parents, firewood, cannot nourish him, he relies for his continued growth on oblations of ghee, “poured into his mouth, and which he consumes” (Wilkins 1882: 20).

¹⁴¹⁰ (Muir 1879:221)

¹⁴¹¹ While most poor people in rural India have not read the Gita, they are familiar with the stories and ritualistic obligations, which have been passed down through oral teachings and traditions.

¹⁴¹² (Sen 2004: 31)

¹⁴¹³ (Khare 1976)

¹⁴¹⁴ (Belk, Wallendorf *et al.* 1989: 2)

¹⁴¹⁵ (Wilkins 1882)

/ And flaming hair, when thou dost pierce the gloom / At early dawn, and all the world
illumine / Both heaven and earth and gods and men rejoice.”¹⁴¹⁶ Agni is a divine high
priest, who comes down from the heavens and is welcomed in every home to accept
offerings of food and satisfy wishes and desires. Those who worship Agni will “prosper,
[become] wealthy, and live long.”¹⁴¹⁷ Those who do not respect Agni risk his wrath act as
a destroyer that “levellest all [he] touches...and all [Agni’s] track is black when [he] hast
past.”¹⁴¹⁸

The significance of the chulha cannot be overstated: combined, hearth and home form
the central institution that guides Hindu culture and identity.¹⁴¹⁹ As Khare (1976) explains,
the cooking area “is obviously the *sine qua non* of the Hindu food area, mirroring most
effectively the social and cultural world surrounding it at any particular moment. It is
literally a structured space *par excellence*, where widely different relationships from myth,
ritual, and kinship, denoting a host of different meanings, are sorted out and arranged in
unambiguous relations.”¹⁴²⁰ For rural Hindus, the chulha is at the epicentre of daily life.
Women and children spend up to six hours per day preparing food on or socialising with
family around the chulha.¹⁴²¹ The chulha sits at “the centre of a dramatic stage” where
relationships unfold, where children are taught the importance of “hospitality, charity
and sharing,” and where the significance of caste as it structures daily life is inculcated.¹⁴²²
Therefore, the firewood chulha is imprinted upon the identity of women and children in
rural India.

¹⁴¹⁶ Muir (1879:221)

¹⁴¹⁷ (Wilkins 1882: 20)

¹⁴¹⁸ (Muir 1879:221); As Wilkins (1882) notes, Agni has several names that correspond to his several roles, including: “Vahni, ‘He who receives the *bom*, or burnt sacrifice’; Vitihotra, ‘He who sanctifies the worshipper’; Dhananjaya, ‘He who conquers (destroys) riches’; Jivalana, ‘He who burns’; Dhumeketu, ‘He whose sign is smoke’” (24).

¹⁴¹⁹ (Khare 1976)

¹⁴²⁰ (Khare 1976: 28)

¹⁴²¹ (Khare 1976: 108)

¹⁴²² (Khare 1976: 116)

In addition to the chulha's socio-cultural (and practical) significance, it is also seen in Hinduism as a moral altar ('vedi') through which the cooker and eater attain moral purity. Since the beginning of Hindu civilization, food, fire, and the stove have been consistently and ubiquitously viewed as moral constructs.¹⁴²³ Food is valued not only as a provider of physical but also spiritual sustenance.¹⁴²⁴ The cooking of food is understood as a process of moral purification, perhaps even more than as a process of altering of the physical state of the ingredients. In this process, fire acts as the purifier. Likewise, the collecting and consuming of food are seen as moral activities, fundamental to the moral order of the universe.¹⁴²⁵

Accordingly, as a sacred object, the chulha needs to be pure. Through the chulha, a pure fire must inflame pure food prepared by pure people. Adherence to ritual purity via the cooking process is seen to be auspicious and to enable the cooker and eater to escape ignorance and achieve moksha (spiritual 'release').¹⁴²⁶ The chulha's sacred status is preserved through ritual poojas, sacrificial offerings, rangoli art, and maintenance (i.e. cleaning the stove of ashes to maintain its purity).¹⁴²⁷ Within the Hindu home, the cooking and prayer areas are ritually ranked as the most pure and sanctified parts. The two areas are also spatially adjacent, to enable the purest transfer of food from the chulha to the domestic deity.¹⁴²⁸

Finally, it deserves mention that the sacred-profane dichotomy maps to purity-pollution and auspicious-inauspicious distinctions.¹⁴²⁹ Thus a sacred chulha is seen as pure and

¹⁴²³ (Khare 1976: 2-3; 273)

¹⁴²⁴ (Sen 2004: 29)

¹⁴²⁵ (Khare 1976: 116)

¹⁴²⁶ (Sen 2004: 29); (Khare 1976: 121f)

¹⁴²⁷ As written about Agni, the fire God, in the verses of the Vedas: "thou rather lov'st to shine / Upon our hearths, with milder flame benign, / And cheer the homes where thou art nursed with care" (Muir 1879:221)

¹⁴²⁸ (Khare 1976: 28)

¹⁴²⁹ (Flood 1996); (Carman, Barglin 1985). For more on the distinctions between sacredness, purity and auspiciousness, see Dumont (1980) and Milner (1994).

auspicious while a ‘profane’ stove—commercialised and commoditised—is viewed as polluted and inauspicious, or at the very least lacking in purity and auspiciousness.¹⁴³⁰ For the firewood chulha, the link between sacredness and auspiciousness is reinforced by the widely held attribution by villagers in Maharashtra that the chulha is Lakshmi, the goddess of wealth and prosperity.

6. Empirical Findings

The author used survey data and participant observation to understand the religious significance of the firewood chulha within BP’s sales areas, explore end-user perceptions of the firewood chulha relative to BP’s Oorja stove, and assess the impact of these perceptions on Oorja sales. These survey findings are detailed in *Appendix 7.1*, from which the following insights emerged:

6.1 Religious Significance of Firewood Chulha v. BP Oorja

(by BP Customer Group/Religion)

- Among non-BP customers, 30 percent noted that the religious sanctity of the firewood chulha had at least some influence on their decision against purchasing an Oorja stove.
- Non-BP customers (73 percent) were more likely than customers (57 percent) to acknowledge the religious significance or sacredness of the firewood chulha.
- Customers (27 percent) were more likely than non-BP customers (13 percent) to attribute religious meaning to the BP Oorja stove.
- More than twice as many BP customers perceived the firewood chulha as sacred (57 percent) compared to those who perceive Oorja as sacred (27 percent). More than

¹⁴³⁰ The purity-pollution distinction was also explored in an earlier chapter that investigates implications of caste on chulha sales by village agents.

five times as many non-BP customers think the chulha is sacred (73 percent) as think Oorja is sacred (13 percent).

- A large constituency of BP customers (33 percent) and non-BP customers (47 percent) (irrespective of religion) are unsure whether Oorja is sacred. This may suggest an ambiguity or ambivalence towards the religious significance of the Oorja stove.
- Hindus (70 percent) are more likely than Muslims (47 percent) to attribute religious significance to the firewood chulha.¹⁴³¹

The chapter will triangulate this survey data with participant observation, as rituals and symbols are better understood through observation. As mentioned in the Methodology chapter, the author observed cooking practices in 18 households: nine BP customers and nine non-BP customers.¹⁴³² This section will provide notes from two case observations (a BP customer and a non-BP customer), while the next section will discuss general insights from participant observations.

6.2 Household Profiles

6.2.1 Household Profile, Kalpana and Sukhesh, Bamaniwadi Village (Solapur District)

Date and Time: 12 March 2010; 7:15 am - 9:30 am

Status: Non BP customer; SSP SHG member

¹⁴³¹Given the small sample size of the Muslim respondent population, further research is required to verify these findings. One shortcoming of the survey is that it did not explore the relationship between the religiosity of customers (i.e. orthodox, secular) versus perceptions of the sacredness of the chulha and Oorja stove.

¹⁴³²The sample size was not sufficient to evaluate the statistical significance of these findings.

Kalpana is a 19-year-old homemaker. She married her husband, Sukhesh, when she was just 14. She was educated through 8th grade, while Sukhesh only studied through 5th grade. They have a four-year old son named Neeraj. Like most families in their village, they are Hindu. Sukhesh, a 26-year old farmer who also rears animals, earns Rs. 2,000 (US \$44) per month selling milk and eggs, and an additional Rs. 1,000 (US \$ 22) during harvest months selling onions. They own their own house, which is ‘pucca’ (made of sturdy materials; in this case cement walls and a corrugated iron roof), and consists of two rooms. They have two small windows in their home, which provide limited ventilation.

On a typical day, Kalpana wakes up at 6:00 am. She washes herself, gets dressed, and then sweeps inside and outside her home. Then, she draws rangoli, an impermanent chalk design, on the floor both just outside and inside the home, and in her kitchen area, specifically encircling the firewood chulha. She then lights the chulha, and does pooja before it, before preparing breakfast by 8:30 am.¹⁴³³ She said, “the flame is a sign that the Gods are in my home.” She coughed several times while preparing the meal, but did not complain or explicitly attribute this to the firewood smoke. Members of the research team who were watching her cook also felt the ill effects of the smoke, coughing, having difficulty breathing, and suffering from burning eyes. After breakfast, she washes dishes and laundry, bathes herself and Neeraj. She then does pooja again in the small prayer area of her living area. She cooks lunch by 1 pm (it takes two hours), after which she washes the dishes, collects water and firewood, takes a nap, supervises her baby while he plays, re-heats the food she prepared for lunch for dinner, eats around 8 pm, and then goes to bed.

Kalpana gathers firewood herself, which takes her approximately two hours several times a week. She goes to the forest with two of her female neighbours, as she appreciates the

¹⁴³³ She said preparing breakfast typically takes 1.5 hours, but today took approximately two hours “because you interrupted me with so many questions!”

company. The wood, which she carries over her head, is very heavy. As a result, she has frequent pain in her neck, shoulders, and back. She also cooks with cow dung, which Sukhesh dries on his field and brings home.

Kalpana learned about the Oorja stove from Anita Pawar, the jyoti in Bamaniwadi village, and a fellow SHG member. Kalpana would not switch from the firewood chulha to an Oorja stove because: “Oorja is too expensive. My husband likes the taste of food prepared on the firewood chulha. And I already also have a kerosene stove, though I only use this for making chai. Also, I pray before the chulha each morning, and it brings me close to Lakshmi.” When this author explained that by switching to Oorja stove, she could avoid the respiratory problems of the open fire and physical pains of firewood collection, she was no more interested: “I have always gathered and cooked with firewood. Why would I change?”

On Kalpana and Sukhesh’s wall hung posters of Lakshmi and Ganesh, their household deities (alongside a poster of Bollywood star Aishwarya Rai). Kalpana pointed to these posters in the context of our discussion about her chulha—explaining that the smoke from the chulha was “Lakshmi enter[ing] my home and bring[ing] auspiciousness to my family.”

6.2.2 Household Profile, Aruna and Anish Talekar, Kategaon Village (Solapur District)

Date and Time: 16 March 2010; 8:00 am - 9:30 am

Status: BP customer; SSP SHG member

Aruna is a mother of four. She and her husband Anish have two sons and two daughters, who range in age from 4 to 12. Their family is Hindu. Sulbha was educated through 10th grade, and would have pursued further education, but her family would not allow it. She

earns an income of Rs. 400/month by selling ready-made clothes. Anish is a sugar cane farmer.

Aruna and Anish jointly made the decision to purchase Oorja. He first saw it at a village product demonstration, and while intrigued by the technology, he did not buy it immediately. A month later, returning from his farm, he met a friend who was selling Oorja on behalf of his wife, the local jyoti (Nilima Gadhave). Anish asked Aruna if she wanted one. Aruna's peer self-help group members had recommended she purchase Oorja, so she and her husband decided to buy one in May 2007.

Aruna uses Oorja in the morning to boil water, and in the evening to cook meals. In morning, she cooks with kerosene, because her husband has to leave for work and kerosene is faster. She and Anish collect firewood and cow dung cakes whenever they have free time. In March and April, the land is too dry for farming, so Anish and Aruna spend this period gathering large stockpiles of wood and preparing cow dung.

Aruna had many complaints with Oorja. First, Oorja is too small for her large family. As she explained: "After two hours of cooking, I have not finished preparing a complete meal. So I have to wait for the ash to cool, and then reload new pellets. I wish Oorja had two burners so I could cook all my dishes at once." Second, the battery charge only lasts two hours (it initially lasted five hours). Therefore, if she needs to cook for more than two hours, she needs to stop to recharge the battery. If there's no electricity at the time, she has to switch over to her kerosene stove. Third, she wants Oorja to have a low flame option, because the high flame often burns her chapatis (flatbreads). Fourth, the pellets were too expensive. For this reason, she often uses firewood in Oorja (since Oorja is optimised for pellet combustion, this both reduces the health benefits and violates the warranty). Fifth, when Oorja's fan stopped working, she took it to the jyoti, and it took approximately three weeks to get repaired. While she prays daily before both the

firewood chulha and Oorja, says that the sacredness of the chulha did not meaningfully her purchase decision.

6.3 General Insights from Participant Observation¹⁴³⁴

“Oh mother of food, you provide good and sufficient amount of food to my family, I will pray to you and make offerings before you always”¹⁴³⁵

Worshippers conducted a range of ritualistic practices before the chulha, which took place either in the morning or at mealtime. While these practices differed across household, each affirmed sanctity of the chulha: the majority of worshippers did pooja before the chulha, including lighting incense sticks and reciting mantras;¹⁴³⁶ several offered libations to the fire in the form of small portions of prepared food during the cooking process or immediately before eating;¹⁴³⁷ some sprinkled water on burning firewood charcoals;¹⁴³⁸ others drew rangoli art around the chulha;¹⁴³⁹ others still observed a moment of silence before eating.¹⁴⁴⁰ In particular, the use of rangoli creates a colourful spatial delineation of, or physical boundary around, the stove to separate it from the profane objects of the home. As Belk *et al.* (1989) write: “There was no evidence that the sacred and the profane can mix with impunity and maintain sacredness. The boundaries are permeable but well guarded.”¹⁴⁴¹

¹⁴³⁴ March 2010

¹⁴³⁵ A customer recited this chant, translated from Marathi, as she was putting white powder chalk on the firewood chulha and on her forehead. She referred to the firewood chulha as ‘Lakshmi’, the goddess of wealth and prosperity (Walsang village).

¹⁴³⁶ Walki, Bamaniwadi, and Barshi villages.

¹⁴³⁷ Walki, Apsinga, Pangri, Bamaniwadi, and Barshi villages. Several respondents explained that their deities needed these offerings of food as sustenance. They noted that their deities needed to be fed in order to have the strength to bring good fortune to the home.

¹⁴³⁸ Walki village.

¹⁴³⁹ Walki, Apsinga, Pangri, Bamaniwadi, and Barshi villages. Often the rangoli designs were observed after they had been completed.

¹⁴⁴⁰ Walki, Apsinga, Pangri, and Bamaniwadi villages.

¹⁴⁴¹ (Belk, Wallendorf *et al.* 1989: 23)

Only one of the four Muslim households (a non-BP customer) perceived the chulha as sacred or ritualistically significant. During this discussion, the wife explained that the firewood chulha is important during wedding ceremonies, as the first ritualistic obligation of the Muslim bride is to prepare food for the family on the chulha. She also said that in the Muslim religion, smoke creates a connection to those who have passed away (in heaven).¹⁴⁴²

Seven of the nine non-BP customers practiced some form of religious ritual around the firewood chulha (including the one Muslim non-BP customer). Three of the nine non-BP customers explicitly indicated that Oorja was inadequate as a cooking appliance because it was neither sacred nor useful for ritual and ceremonial purposes.

All of the BP customers who were Hindu (six of the nine) continued to perform religious and ceremonial rituals around their firewood chulha after purchasing the Oorja stove. Only three of the nine BP customers practiced religious ritual around the Oorja stove—and each of these three also prayed before the firewood chulha. The other three customers were Muslim and did not attach any spiritual significance to either chulha or Oorja.

In 11 of the 18 households, the mother (and sometimes her daughter(s)) did rangoli around the chulha to demonstrate its sanctity and spatial delineation.

Almost all survey respondents who attributed religious significance to the chulha were observed to conduct rituals before the chulha, while the few who in surveys did not attribute significance exhibited little religiously ritualised behaviour. This suggests some commensurability between declared preferences and revealed preferences with regard to the perceived sacredness of the cookstove.

¹⁴⁴² Walsang village.

12 of the 18 women interviewed acknowledged an association between their firewood chulha and their personal deity, who was most often Lakshmi or Ganesh. They either referred to the chulha by the name of their deity, or noted that the smoke or the crackling of the firewood was a signal of the presence of the deity—or was at least auspicious.

Moreover, each family member made sure to eat every last morsel of food on his or her plate. When asked the reason for this meticulous eating habit, most mentioned that they were very hungry or that they did not want to waste food. However, two respondents indicated that leaving crumbs would displease Agni, the fire god.¹⁴⁴³

In each household, the wife did the cooking herself or with the help of her mother-in-law (only one household had a domestic servant). While cooking is almost entirely the purview of women, two husbands self-reported they could cook basic dishes.

In households that cooked on firewood, women reported they spent an average of four hours/day cooking (which approximately matched both the cooking time recorded during direct observation, assuming two meals, as well as the small-N findings).

In households that cooked on the BP Oorja, cooking times averaged just under three hours per day, or thirty minutes less per meal compared to the firewood chulha. This was attributed both to the constraint on the cooking process caused by the fuel source (the pellets burned out in about 1.5 hours) and to the greater efficiency of the Oorja stove.

BP customers cooked meals on Oorja but continued to use the firewood chulha for heating bathwater and sometimes also making chapatis. As mentioned earlier, new technology supplemented rather than displaced existing cooking apparatuses.

¹⁴⁴³ Apsinga village.

7. Implications

These findings from surveys and direct observation demonstrate that the firewood chulha is widely perceived as sacred among villagers in BP's Maharashtra sales territories. The high proportion of both customers and non-BP customers that attribute religious significance to the firewood chulha affirms Khare's (1976) contention that the chulha is an "indispensible" religious object within the rural Hindu home.¹⁴⁴⁴ Moreover, the results show that a modern cooking appliance like Oorja cannot match the symbolic and ritual importance of the firewood chulha. The low proportion of both groups that perceived Oorja as sacred suggests that much of the chulha's religious meaning is specific to its symbolic components (i.e. firewood, smoke, stones) and its non-commoditised nature, rather than general to the stove as a product category. Moreover, a significant proportion of non-BP customers partially attributed their decision against purchasing Oorja to the religious significance they attach to the firewood chulha. Likewise, the differences between customers and non-BP customers in perceptions of the firewood chulha as sacred, and Oorja as not sacred, suggest that religion had some influence on Oorja purchasing decisions. These findings suggest that the Oorja stove is not fully congruent and compatible with local beliefs and practices. They also affirm the need to design and position new BoP technologies to be consistent with local cultural practices and religious structures in order to be adopted.

On the other hand, a large portion of BP customers purchased Oorja even though they perceived the firewood chulha, and not Oorja, as sacred. Therefore, for some customers, the absence of Oorja's symbolic meaning was not a barrier to product purchase. Instead, as participant observation demonstrates, each Hindu Oorja user continued to use the firewood chulha for ceremonial/ritual purposes. This suggests a complex relationship

¹⁴⁴⁴ (Khare 1976: 10)

between tradition and modernity: some households cling to religious ritual even as they embrace or adopt a new technology. This tension is consistent with Geertz's (1974) description of a Javanese village: "the curious mixture of borrowed fragments of modernity and exhausted relics of tradition that characterized the place, the future seemed about as remote as the past."¹⁴⁴⁵ These findings demonstrate the ambiguity between on the one hand needing to market to these 'old' institutions, and on the other hand improving on these institutions with new technology.

7.1 Barriers to Product Adoption: Firewood Chulha Versus Oorja Stove

According to the BoP prescriptive script, MNCs will be successful in retailing to poor people if they radically reengineer their products to improve their price-performance trade-off relative to locally available technologies.¹⁴⁴⁶ BP designed and positioned Oorja as a more efficient, cost-saving device relative to the firewood chulha.

In contrast to the BoP script's claim that consumers value objects according to price-performance criteria,¹⁴⁴⁷ economic sociologists such as Stark (2011) argue that in appraising objects, "*value* is almost always bound up with *values*." Beckert (2011) proposes that in the eyes of a user, an object has three dimensions of value: physical, positional, and imaginative. This section will apply these three criteria to evaluate, from the perspective of a stylised rural Indian household, the relative merits of the firewood chulha compared to Oorja.

The *physical* performance of a product consists of both the product's features and the consumer's "knowledge of how to use it." On the one hand, Oorja is more technologically sophisticated and efficient than the firewood chulha in converting fuel to

¹⁴⁴⁵ (Geertz 1974: 32)

¹⁴⁴⁶ Prahalad (2010: 49) considers this his first principle for innovation; see also Hammond and Prahalad (2002); Inmelt *et al.* (2009).

¹⁴⁴⁷ (Prahalad 2010)

heat. On the other hand, rural people are more familiar with using a firewood chulha, as they have cooked on it for generations. Oorja requires a lifestyle change (e.g. purchasing pellets rather than gathering firewood) and consumer education (e.g. about how to operate and repair the appliance). Furthermore, despite consumer education there are still cases of product misuse (e.g. BP consumers using firewood instead of pellets in Oorja).

The second dimension of a good's value, its *positional* performance, signals the owner's socioeconomic status, identity, or group membership. According to survey data, Oorja is aspirational relative to the firewood chulha as it is viewed as a modern technology.¹⁴⁴⁸

However, shifting away from a firewood chulha is a secularising experience for the devout Hindu—it pulls her or him away from one aspect of the religious identity that the firewood chulha symbolises. Thus, the devout may derive status from continued use of a chulha instead of a foreign technology. This suggests that whatever increase in social status is gained from buying a new technology may, for the devout, be cancelled out by the loss of spiritual connectivity to the object. This observation is corroborated by the empirical findings presented earlier.

An object's *imaginative* performance either provides a sense of escape from everyday life or conveys to the owner a transcendent experience, “evok[ing] a sense of amazement...[and] allowing the owner to be in touch with intangible values or aesthetic ideals.” For a rural Hindu household, the firewood chulha connects the home to the domestic deity and is said to bring auspiciousness to the household. Cooking with, and making offerings before, a firewood chulha is a ritualised, transcendent experience. The firewood stove as iconic brand also provides a form of escapism—just as Corona's brand

¹⁴⁴⁸ BP argued in its sales pitch that since the Oorja stove is “more refined...and technologically advanced, [its] users are considered progressive and thereby respected in their society” (BP Jyoti Guide: 31). Villagers share this view: 94 percent of BP customers and 86 percent of non-BP customers described the Oorja stove as a ‘status symbol.’

success could be attributed to the myth of escaping to the beach,¹⁴⁴⁹ so does praying to one's deity before the chulha enable the believer to escape the struggles of everyday life. BP's marketing campaign emphasised Oorja's functional superiority and benefits in terms of quality of life (i.e. fewer health problems, less time cooking and cleaning), but not this transcendent experience.

According to the empirical findings, the chulha's imaginative performance trumps its physical performance; in other words, for most households, the spiritual-cum-religious experience of cooking with a firewood stove is more valued than the rational/'common-sense' health and environmental dangers that Oorja claims to mitigate. This presents an obstacle to product adoption, and suggests that a product solution in rural India must not only be technologically advanced, but also consistent with local beliefs and practices.

7.2 How BP's Market Logic Desacralised the Stove

BP, instead of trying to 'compete' with the firewood chulha on its symbolic terms, rolled out a conventional product launch and sales strategy. Yet BP faced the paradox that by designing and branding its product as 'smokeless'—making a rational-scientific case for the advantages of Oorja—and simply selling the stove, it undermined any attempt to appeal to prospective rural consumers' deeply-held spiritual beliefs. The remainder of the section explores how BP's largely well-intentioned efforts backfired, and provides empirical grist for Ferguson's (1994) argument that resilient social structures may thwart even a powerful MNC from successfully projecting its logic.

BP described its product as a "breakthrough smokeless, efficient biomass stove called Oorja."¹⁴⁵⁰ However, even though a 'smokeless' stove is indeed healthier for users and better for the environment, Hindu villagers did not find it more desirable where spiritual

¹⁴⁴⁹ (Holt 2004)

¹⁴⁵⁰ (Jyoti Training Guide)

beliefs—many of which centre around the smoke itself—trumped rational-scientific evidence. As the non-customer survey concluded, religious beliefs and practices held greater sway than facts about health risks. Despite exposure to BP’s social marketing campaign, more villagers viewed the firewood chulha as sacred than believed it caused serious health risks. This is a revealing example of Douglas’ (1966) argument that notions of purity and pollution are sometimes reversed: what science may deem ‘jutha’ (polluted/contaminated), religion may perceive as ‘sucha’ (pure/untouched), and vice versa. On the one hand, the noxious smoke from firewood stoves is one of the biggest killers of poor people in developing countries, and a major cause of climate change.¹⁴⁵¹ On the other hand, smoke emanating from the burning hearth is seen to be a sign of the household’s prosperity, a messenger between the worshipper and to the heavens—auspicious to be exposed to directly, and the divine force that chases away all evils. Similarly, cow dung, the second most widely used fuel input in rural India after firewood,¹⁴⁵² is “intrinsically impure and can cause defilement.”¹⁴⁵³ When handled alongside food during the cooking process, cow dung leads to the transmission of harmful parasites to humans, and is a major cause of diarrhoea.¹⁴⁵⁴ However, as Douglas explains, cows are sacred and sometimes even viewed as deities; their dung is seen by Hindus to be less polluted than are human beings.¹⁴⁵⁵ Indeed, a mixture of cow dung and water is used by Hindus as a cleaning agent for highly ‘polluted’ objects, while water alone is used to clean less ‘polluted’ items.¹⁴⁵⁶ The same dichotomy between purity and pollution is explored in the Direct Agent chapter in the context of caste.¹⁴⁵⁷

¹⁴⁵¹ (Baron, Montgomery *et al.* (2009)

¹⁴⁵² (Venkataraman, Sagar *et al.* 2010)

¹⁴⁵³ (Douglas 1966: 7)

¹⁴⁵⁴ (Simmons *et al.* 1978)

¹⁴⁵⁵ (Douglas 1966: 9)

¹⁴⁵⁶ (Harper 1964: 183).

¹⁴⁵⁷ Flipped notions of purity and pollution are not at all unique to Hinduism. Douglas (1966) explores these constructs at length across religions and societies.

BP's sales campaign combined conventional product marketing with health-focused marketing to elicit a behavioural change in cooking practices. Yet this awareness-raising campaign may have worked to desacralise the chulha: "to bring rational arguments to bear on the sacred is to rob it of its essential mystery and hierophanous power."¹⁴⁵⁸ Uniquely among household appliances, the cookstove embodies a fundamental tension between 'smoke as dangerous for the user's health' and 'smoke as essential for the object's religious sanctity'. Furthermore, the very act of BP selling its Oorja cookstove may have undermined any effort to sacralise it. As Belk *et al.* (1989) write, "the most general way the sacred is desacralized is to turn it into a salable commodity, and thus desingularise it."¹⁴⁵⁹ Stark (2011) also notes that the purchase or sale of a sacred object works to make that object profane. By contrast, following Kopytoff (1986), the sanctity of the firewood chulha is reaffirmed because it cannot be bought or sold, or subject to the dictates of commerce and commodization. The chulha is comprised of materials collected from nature (i.e. stones and clay), and does not have transferrable economic value. It is imbued with the sanctity of nature and the uniqueness a commercialised, mass-produced stove lacks.

Given the sacred place of the chulha within the rural Indian household, BP's task was to market a stove that was not only cleaner and more efficient but also appealed to these wider religious dimensions. BP managers seemed to not understand this task. What BP managers understood as a "primitive" or "functional" everyday appliance,¹⁴⁶⁰ two-thirds of its prospective customers understood as a sacred object. BP failed to engage the chulha's essential religious, moral, ritualistic, sacral, social, or natural dimensions in any manner. Oorja, even if it efficiently satisfied daily cooking needs, lacked transcendental 'utility'. As such, Oorja could never fully displace the firewood chulha because it was

¹⁴⁵⁸ (Belk, Wallendorf *et al.* 1989: 27)

¹⁴⁵⁹ (Belk, Wallendorf *et al.* 1989: 23)

¹⁴⁶⁰ Mahesh Yagnaraman (1 October 2007)

deemed inappropriate for ritual, festival, and ceremonial purposes. BP tried to convince villagers who used a sacred cooking object, ritualised through prayer and imbued with myth, to switch to a profane one. They discounted the non-economic logics through which rural households also assign value to the stove. Their attempt to impose this spiritual and lifestyle change upon a conservative, religious consumer base proved an insurmountable challenge—one that contributed to the venture's eventual failure.

8. Conclusion

BP projected a technical-market logic abroad that was overly simplistic and glossed over the complex factors that inform villager purchasing behaviour. It designed a technologically sophisticated stove, backed by a conventional product launch and marketing campaign, predicated on prospective consumers abiding by an economic/health decision-making logic. BP framed Oorja stove to prospective customers as a technical solution to the adverse health and economic consequences caused by firewood stoves. Yet the logics and norms emphasised by the venture did not match those expressed by the villagers. It did not understand, let alone attempt to engage directly, several community/household logics, which kept a large proportion of households from adopting the Oorja stove. BP misunderstood the consumer behavioural logics (e.g. cooking and fuel use practices, intra-household dynamics, religion) that were salient in rural India. This tension between BP's market logic and the local operating environment's complex socio-cultural logics contributed to the venture's failure. This chapter has shown how BP committed a classic development failure: it dropped a product into a developing country market without bothering to understand the local institutional structures or villager adoption logics.¹⁴⁶¹ Inevitably, the product fell into disuse and disrepair.

¹⁴⁶¹ (Czarniawska and Joerges 1996); (Kamat 2002); (Ferguson 1994)

This chapter has grappled with the dichotomy of sacred and profane. As Belk *et al.* (1989) note, a sacred object is ritualised, while a profane object is commoditised and commercialised. One fundamental disconnect between BP and its prospective customers is that villagers saw the open fire stove as a sacred object while BP positioned the Oorja stove as a commercial commodity. BP could not compete by offering a secular alternative to the chulha—it needed to symbolically¹⁴⁶² build upon the chulha’s ideology and myth¹⁴⁶³—for instance, by rebranding Oorja ‘Lakshmi’. At a minimum, BP needed to appeal to its prospective consumers’ imagination¹⁴⁶⁴ or frame the stove as an escape from the drudgery of daily village life.¹⁴⁶⁵

This chapter has demonstrated that the symbolic value of the chulha was an overlooked obstacle to its adoption. In designing and distributing the technology, there is no indication that BP recognised the chulha’s symbolic and spiritual cultural significance. BP chose to market a product that challenged these institutionalised divisions. Yet BP could not impose its technology on the local market; religious beliefs were durable and did not change much, if at all. Accordingly, villagers were reluctant to adopt the ‘smokeless’ Oorja stove because it lacked the religious significance of the firewood chulha. This contributed to the venture falling short of expectations.

Organisational theory has long explored the relationship between organisations and their environment (i.e. resource dependency, structural contingency, population ecology). However, these ‘external constraint’ paradigms viewed the operating environment as an efficient and competitive market setting. By contrast, neo-institutional scholars view the environmental context as “comprised of broader cultural rules and meaning systems as

¹⁴⁶² (Geertz 1973)

¹⁴⁶³ (Khare 1976)

¹⁴⁶⁴ (Stark 2011)

¹⁴⁶⁵ (Holt 2004)

well as material resources—revealing the subtleties of both overt and covert power.”¹⁴⁶⁶

Building on the previous chapter’s findings, this chapter has demonstrated that markets are embedded in, and governed by, a complex set of micro-level social structures and relations. These forms of social authority (i.e. caste, religion) are imprinted on the marketplace, and configure the terms of trade. In rural India, exchange is complex, gritty, and informed by the participants’ diverse cultures, tastes, lifestyles, and religions.¹⁴⁶⁷

Following Stark (2011), this chapter has demonstrated that consumers make purchasing decisions through a range of evaluative lenses. While economic rationality is important, particularly for price-sensitive poor consumers, “economic rationality is only one of several social rationalities at work in the economy.”¹⁴⁶⁸ As this chapter has shown, there are myriad, sometimes competing, logics that motivate exchange.

¹⁴⁶⁶ (Lounsbury, Ventresca 2003: 457)

¹⁴⁶⁷ (Crow 2001); (Harriss-White 2003)

¹⁴⁶⁸ (Harriss-White 2003: 240)

Chapter 8: Conclusion

This dissertation has described and explained the manner by which an MNC enacts a market-based logic with a locally embedded NGO partner in a complex and unfamiliar operating setting to fulfil both business and social objectives. It has drawn on NIOT and RMT to examine the process by which logics are aligned across partners and projected and translated into the rural Indian operating setting. It has constructed a four-actor model (MNC, NGO, agent, customer) to explore the exchange relationships between the actors in the ecosystem at the meso- and micro-levels. It has explained the MNC and NGO's positioning in terms of the development of a non-communicative logic and explores how mismatched logics and operating practices contribute to the venture's failure. Using gritty ethnographic data, it has highlighted a challenge that large, foreign companies face when entering BoP markets, namely the inconsistency between the MNC's market logic and the wider associational logics that motivate agents and customers.

1. Synopsis of Theory and Methodology

This dissertation has employed NIOT to illuminate how hybrid organisations and MNCs actually operate. In particular, it has examined tensions of institutional pluralism, dynamics of power, and formation of trust. According to some neo-institutionalist scholars, hybrid partnerships face manifold structural and operational challenges. First, MNC-NGO hybrids struggle because of tensions between market and non-market logics.¹⁴⁶⁹ While some social and business objectives are mutually reinforcing, conflicts within the joint entity inevitably occur. Second, hybrid partners are often unable to form a common identity,¹⁴⁷⁰ or forge mutual trust, because they lack shared domain knowledge,

¹⁴⁶⁹ (Mars, Lounsbury 2009); (Friedland, Alford 1991); (Washington, Ventresca 2004)

¹⁴⁷⁰ (Battilana, Dorado 2010)

common material practices, and collective understandings.¹⁴⁷¹ Third, hybrid partnerships are particularly unstable and imbalanced during their initial phases (pre-partnership and contracting), as the organisations behave opportunistically and are not transparent.¹⁴⁷² Fourth, the stronger actor often furthers its interests by co-opting the weaker.¹⁴⁷³ The empirical evidence presented in this dissertation supports each of these neo-institutionalist propositions.

NIOT contends that for organisations to gain legitimacy, they must align their logics and practices with the institutional expectations of the contexts in which they are operating. Consistent with NIOT, BP's venture lacked legitimacy because it did not conform to the local sociocultural context.¹⁴⁷⁴ The findings of this research are consistent with the strand of NIOT that treats the environment as constituted by "powerful, obdurate structures."¹⁴⁷⁵ While BP tried to exhibit some influence on the local exchange setting, for instance, by structuring a sales channel that encouraged women to leave their homes, the logics that governed the village exchange setting proved stronger than those this large MNC projected. This contradicts Perrow's (1986) view that a powerful organisation can "determine the material and cultural environments surrounding them."¹⁴⁷⁶

RMT complements NIOT by suggesting that actual markets are rooted in distinct socio-cultural settings. It refutes entirely the notion of a market as consisting of "an abstract realm of impersonal economic exchange."¹⁴⁷⁷ RMT acknowledges and explains the institutional diversity and complexity of specific operating contexts through detailed analysis of actual exchange practices. It applies economic sociology and cultural anthropology to uncover the logics that motivate actors in a given economic setting, and

¹⁴⁷¹ (Borys, Jemison 1989)

¹⁴⁷² (Scott, Meyer 1991); (Borys, Jemison 1989)

¹⁴⁷³ (Hardy, Phillips 2003); (Selznick 1949)

¹⁴⁷⁴ (Scott 2001); (Meyer, Rowan 1977); (Pfeffer, Salancik 1978)

¹⁴⁷⁵ (Lounsbury, Ventresca 2002: 14)

¹⁴⁷⁶ Paraphrased by (Hirsch, Lounsbury 1997: 415)

¹⁴⁷⁷ (Harriss-White 1995: 87)

explores how actors' logics are embedded within complex social structures and networks. It recognises that real markets are often influenced by associational or communal rather than individual interests. In rural Maharashtra, RMT is used to explain that the dynamics of power, class, caste, and religion dictate who can leave their home to engage in trade, who can transact with whom, and in what setting. RMT reveals that context is not separated from markets. Context defines markets.

The author drew on a wide range of research methods to corroborate and triangulate findings across stakeholders, levels of analysis, and exchange settings. In particular, the author used interviews, questionnaires, process tracing, document review, participant observation, and secondary ethnographic data. These mixed methods shed light on the actors' discourses and logics within each exchange relationship. The longitudinal nature of the study enabled an assessment of the evolution of the partnership and its impact on village stakeholders. The empirical research tested by this methodology is divided into two levels of analysis: organisational and village.

2. Organisational-Level

2.1 Synthesis

At the partnership level, the MNC and NGO came from different organisational fields, and adhered initially to distinct logics of action.¹⁴⁷⁸ While both actors wanted to achieve positive social and business returns, they differed fundamentally in their prioritization of these objectives, with the MNC giving precedence to profits and the NGO to beneficiary impact. The organisations initially decided to partner because their capabilities and resources were complementary: the MNC brought financial capital and business acumen, while the NGO brought village relationships, trust, knowledge, and a

¹⁴⁷⁸ (Borys, Jemison 1989)

self-help group network that could be leveraged as a distribution channel. However, the actors initially lacked mutual trust, which, combined with the MNC's non-transparent business practices, and the presence of a third-party mediator-consultant (The Next Practice), contributed to the formation of a non-communicative logic.

During negotiations, the partners framed meso- and micro-level institutions in consensual terms, but the actualization of these institutions had different meanings and impacts. In short, the partners had such rigid frames at each level that they talked past each other, and never arrived at a consistent and consensual operational logic between themselves or with their stakeholders. Each actor had a pre-existing mindset or logic that set up its negotiating position, and that prohibited it from coming to a common understanding with the other party. Accordingly, the terms of negotiation were incomplete and open-ended.

Once the hybrid partnership was operational, tensions heightened. While the partners' rhetoric initially suggested that social and business objectives could be jointly achieved, the enactment of the partnership on the ground brought their entrenched differences to the surface. For instance, the NGO framed concepts like 'network' and 'community' as channel opportunities when they were also key social and cultural obstacles to agent sales. The partners' divergent discursive perspectives on implementation of the venture, presented in the empirical chapters, were a reflection of this disquiet. The partners realised they had not arrived at consensus in approach, logic, or implementation, and so blamed each other for the venture's failures.

2.2 Implications

The BoP script argues that MNCs and NGOs can engage BoP markets most effectively through hybrid partnership. According to Brugmann and Prahalad's (2007) 'co-creation'

thesis, partners would synthesise conflicting interests, reorient their material practices, and align their organisational identities to balance social and business objectives.¹⁴⁷⁹

Brugmann and Prahalad also argued that the partners would develop mutual trust by sharing risk and information equitably, communicating candidly, solving problems collectively, and making commitments credibly.¹⁴⁸⁰ Accordingly, by aligning their capabilities, the partners could advance the objectives of both organisations and the BoP stakeholders. Yet this research found that a major challenge in operationalising a venture at the BoP is that commercial firms are not used to working with NGOs in these situations. The partners misunderstand, misinterpret, and miss cues from one another and from the local market. The dissertation revealed the difficulty in translating logics, models, and layers of meaning across actors that have their own perception filters and normative expectations, and are used to operating under different institutional settings.

In the case of BP-SSP, co-creation was in principle an optimal organisational partnership structure, as the two organisations' weaknesses and strengths were complementary. Yet in practice, the partners were trying to advance potentially objectives, which led first to tension and mutual mistrust within the partnership, and then an identity crisis within the NGO. Lord Browne, BP-Global's CEO and a proponent of the BP-SSP venture, said that partnership "works best when there is a genuine mutual understanding of the objectives and aspirations of both parties, and when the work, which is being done, is founded on the principle of mutual advantage, not just a transaction, but a combined effort with a common benefit."¹⁴⁸¹ While there was common effort to build a new business, the venture failed because it did not work to mutual advantage. Instead of balancing economic returns and social impact, there was tension in the logics of the actors, with the MNC imposing its view onto the NGO.

¹⁴⁷⁹ (Brugmann, Prahalad 2007:82)

¹⁴⁸⁰ (Brugmann, Prahalad 2009: 89)

¹⁴⁸¹ (Browne 2007)

The MNC leveraged disproportionate operational capabilities and financial resources to dictate the activities and strategic direction of the partnership.¹⁴⁸² However, the MNC had no experience collaborating on a core business with an NGO, or operating in the latter's village context, and lacked the bridging skills and reflexive approach required to engage the NGO's stakeholders as customers and agents. The MNC also did not fully understand, or was not concerned with, how the NGO could help it interpret the local context. While BP was initially interested in having social impact, its operational decisions prioritised shareholder interests—first expanding so quickly that it could neither support agent needs nor understand the diversity of consumer adoption logics, then shutting down the business in the face of low financial returns. Ultimately, the logic of capital trumped the logic of local stakeholders.¹⁴⁸³

The NGO, for its part, was so determined to succeed as a professional, market-driven, channel partner that it shed part of its identity as a civil advocacy organisation and adopted mainstream commercial practices that were not sensitive to the needs and interests of its local stakeholders.¹⁴⁸⁴ Over time, the NGO's mission drifted towards a commercial path of no return. Under the banner of solvency, it prioritised corporate objectives over the needs of its village stakeholders. Specifically, it stopped exercising discursive authority over social impact, the one realm in which BP expressed a willingness to defer, and failed in its role to interpret the local environment on behalf of the MNC.¹⁴⁸⁵ The NGO delegitimised non-profit lexicon like 'donations' and 'hand-outs', redefined its beneficiaries as customers, and adopted private sector concepts such as efficiency, profitability, revenue, and competition.¹⁴⁸⁶ By 2009, it even abandoned its core cookstove stakeholders: it opened retail shops for the urban middle class, cut agents out

¹⁴⁸² (Hardy, Phillips *et al.* 2003)

¹⁴⁸³ (Morgan, Kristensen 2006)

¹⁴⁸⁴ (Forssell, Jansson 1996)

¹⁴⁸⁵ (Dart 2004a)

¹⁴⁸⁶ (Sahlin-Andersson 1996: 82); (Forssell, Jansson 1996: 113)

of the distribution model, rationalised selling products without social impact, and fully stopped raising what BP-India's CEO called the "social consciousness flag."¹⁴⁸⁷ This process of corporatisation¹⁴⁸⁸ was triggered by a range of factors: donor encouragement to adopt a financially-sustainable operating model, informal business training from MNC managers, an eagerness to imitate BP's operational professionalism, and an interest in replicating the market-based poverty alleviation 'success stories' advanced by Prahalad and his consulting team. Partnership with BP may have professionalised SSP's culture, but it distorted and perverted the NGO's mission.¹⁴⁸⁹ For the BP-SSP partnership to be successful, the MNC needed to assimilate its logic to that of the local NGO and the local community. Yet the opposite happened: under the banner of professionalisation and financial sustainability, the NGO partner adopted the MNC's logic, leaving the NGO's stakeholders worse off.

3. Village Level

3.1 Synthesis

At the village level, the MNC appointed rural women from the NGO's SHG networks as sales agents. The MNC applied a market-driven logic focused entirely on orientating the agents to the business side of retailing stoves and pellets. BP did not come to a common understanding with the women with regard to the challenges they faced marketing the stove within the cultural and religious structures of their local communities. Consistent with RMT, tensions in caste, gender, and religion emerged once the model was in operation: for instance, high-caste agents felt it was beneath their dignity to visit to low-caste customers' homes; Muslim agents faced religious restrictions against leaving the home; (relatively) non-poor agents faced the stigma that only poor women engage in

¹⁴⁸⁷ Mahesh Yagnaraman (1 October 2007)

¹⁴⁸⁸ (Forssell, Jansson 1996)

¹⁴⁸⁹ (Dart 2004a)

business outside the home. For each of these reasons, the agents were reluctant to leave their homes to make door-to-door sales. Furthermore, agents indicated that much of their exchange occurred within their associational networks. This ventures planned to empower women—to provide them a sustainable wage, to give them greater confidence. Yet the reality bore more resemblance to the sporadic wages and lack of social protections in the informal jobs they left behind. BP's model failed because it was not aware of the significance of the micro-institutions in rural India that preclude sales across caste and religion and stifle women as village entrepreneurs.

BP projected a technical-market logic that focused on the economic savings and health impact of the stove—even though these benefits did not resonate with end-users. BP tried to convince low-income villagers to purchase 'smokeless' cookstoves by highlighting the health consequences of household air pollution—even though customers had been collecting and cooking with firewood for generations, preferred the taste of meals cooked over firewood, and believed the firewood stove to be imbued with divine significance. The marketing strategy glossed over the multi-layered social relationships, and culinary, behavioural, and religious practices that also needed to be translated for the technology to meet the needs of end users. For many villagers, the stove was not just an appliance, but the spiritual centre of their home. They saw this fire in their kitchen as a domestic deity, and the smoke as a spiritual messenger between them and heaven. They prayed before their stove every day, and they created rangoli—artwork they drew around the stove with coloured chalk—to make it a sacred object. Yet these traditional signs and symbols were not understood by an organisation set up to meet a consumerist marketplace.¹⁴⁹⁰

3.2 Implications

¹⁴⁹⁰ (Bailey, Sood 1993); (Essoo, Dibb 2004); (Zaidman, Lowengart 2001)

Unlike at the partnership level, where the MNC's imposition of a conventional market logic was met without much resistance, at the village level, the existing social structures proved durable. The village environment was much more powerful and its institutions more resilient than the MNC realised. As Ferguson (1994) learned from studying a top-down development intervention in Lesotho: "Power may not be embodied in the powerful, as such—the power may be in the durable social structures and other institutions that preclude the powerful actor from achieving its stated objectives, or from exercising its power to achieve the ends it expects."¹⁴⁹¹ These complex social structures, unrecognizable to the MNC's centralised planners, were the intervening variable between strategy and implementation. As Ferguson writes: "Whatever interests may be at work, and whatever [the foreign entity] may think they are doing, they can only operate through a complex set of social and cultural structures so deeply embedded and ill-perceived that the outcome may be only a baroque and unrecognisable transformation of the original intention."¹⁴⁹² Instead of a convergence of logics, with the powerful foreign entity imposing its logic on people in rural India, or shaping and dominating 'traditional' institutions, the local operating environment resisted the imposition of an external intervention. The enactment of the venture failed *because* these logics remain distinct.

The MNC overemphasised 'getting right' the technical aspects of the program—sales and marketing, distribution, etc. Success was understood in terms of the commoditised indicators of price, quantity, and performance.¹⁴⁹³ They imposed a business model that, while superficially sensitive to rural India (e.g. by appointing village-level agents from SHG networks), was inconsistent with the communal institutions that govern the local exchange context. BP's undoing may be its incapacity to understand the complexity of the culture in which it was operating and, worse, its false sense of understanding the

¹⁴⁹¹ (Ferguson 1994: 20)

¹⁴⁹² (Ferguson 1994: 17)

¹⁴⁹³ (Kamat 2002)

market they were trying to serve, which kept BP from deferring to the NGO's insight into it. Due to a combination of power dynamics and self-assurance, the MNC managers ignored the NGO's local knowledge and interpretive role. They continued to gloss over the powerful social structures and entrenched spiritual beliefs that interpenetrated the rural Indian context and were the real obstacles to success.

4. The BoP Script – Can Markets Solve Social Problems?

The irony of BP's missteps is that they are similar to the top-down, 'technocratic' strategies the BoP script aimed to replace. As mentioned in the dissertation's Introduction, the oft-cited critique of foreign aid interventions is that implementing agencies 'drop in' a technology or technical solution without understanding or accounting for the complexities of the local context.¹⁴⁹⁴ The BoP script fashions market-based partnerships as a "contrast to the top-down structured plans of multilateral institutions and aid agencies."¹⁴⁹⁵ However, as the BP-SSP venture commits many of the same 'sins' as the development interventions it portends to replace, it appears to be what Lounsbury and Strang (2009) call "'old wine in a new bottle'."¹⁴⁹⁶

For instance, there are striking parallels in the projection of logics between BP-India's cookstove venture and a major, India-based top-down development program. In the 1970s, the Indian government, with support from foreign governments, multilateral institutions, and donor agencies, launched the National Dairy Development Board (NDDB).¹⁴⁹⁷

¹⁴⁹⁴ (Moyo 2009); (Easterly 2007); (Kamat 2002); (Ferguson 1994); (Czarniawska, Joerges 1996)

¹⁴⁹⁵ (Prahalad 2009: 363); Similarly, Lounsbury and Strang (2009) note that the social entrepreneurship discourse fashions itself as a market-based alternative to "conventional...top-down...social welfare logics" (71).

¹⁴⁹⁶ (Lounsbury, Strang 2009: 89)

¹⁴⁹⁷ NDDB is "said to be the largest development programme in the world in terms of scale" (Kamat 2002: 85)

While many today laud NDDB as a success,¹⁴⁹⁸ the program committed early missteps in rural Maharashtra's Thane district. In this setting, it focused on addressing the technical and economic aspects of the business yet failed to properly account for the on-the-ground cultural complexities. The program offered poor tribal farmers access to loans to purchase milk-producing hybrid cows from the government. Akin to the BP venture, the urban, middle class professionals who implemented NDDB were far away from their 'market' both physically and culturally. Additionally, they treated the cow as a technical solution to the tribal farmers' poverty, with "success or failure assessed solely in terms of elements that signify [the cow's] commodity nature – quality, quantity, price."¹⁴⁹⁹ While the tribal community traditionally relied on white bulls for their livelihoods, this program attempted to change their preferences, and fetishised the hybrid cow as having the "power to radically alter the fate of the beneficiaries...[serve as a] generator of wealth, acquiring a sacred goddess-like quality."¹⁵⁰⁰ NDDB managers ignored the "historical, ideological, and social factors of production" that ultimately undermined the program. For instance, program managers tried to convince tribals to participate in the scheme by emphasising the "goodness of [cow] milk" – even though the tribals did not drink cow milk.¹⁵⁰¹ The program likewise justified its social value by highlighting to prospective donors the health benefits to tribals of cow milk – "a minor indication of how 'basic needs' are constructed to coincide with the commodification of a product."¹⁵⁰² NDDB ultimately had several adverse consequences in rural Maharashtra. First, tribal farmers, who had no experience selling milk, "were harassed and abused by Hindu middle-caste milk sellers," who convinced prospective customers that milk purchased from tribals is

¹⁴⁹⁸ (Prahalad 2004); (Cunningham 2009); (Chawla 2007)

¹⁴⁹⁹ (Kamat 2002: 99)

¹⁵⁰⁰ (Kamat 2002: 98)

¹⁵⁰¹ (Kamat 2002: 99)

¹⁵⁰² (Kamat 2002: 99)

contaminated¹⁵⁰³— just like BP’s agents who were unable to sell stoves because of cultural obstacles including caste. As Kamat (2002) writes, “The idealized construct of the market as an impartial and objective terrain was sufficiently undermined in the eyes of the tribals that they... returned, unable to make any sales.”¹⁵⁰⁴ Second, tribals were offered hybrid cows that required an “elaborate administrative network of ‘experts’ and ‘technical supervisors’ to manage the care of the cattle”—thus generating economic opportunity only for “non-tribal, rural elite”...and “no economic gain for the beneficiaries.”¹⁵⁰⁵ Similarly, BP was so focused on expanding its business to satisfy its shareholders that it underinvested in agent training, causing agents to earn less than one-tenth their expected income. Third, akin to BP’s model, which provided families a subsidised stove and then confined them to purchase expensive pellets, the tribal farmers only received enough money from the loan to buy a cow. They could not afford the fodder, injections, and medicines required to keep the cow alive and healthy.

While the BoP script fashions commercial ventures as a solution to these oft-repeated state or para-state pathologies, the BP-SSP partnership, which prominent BoP proponents including Prahalad helped launch, commits many of the same errors. BP, like the NDDDB Thane program, dropped a technical solution to household air pollution into a culturally complex operating environment. BP thought selling a stove with increased fuel efficiency and reduced emissions would help eliminate rural poverty and disease. NDDDB thought selling hybrid cows to tribal farmers would help lift them out of poverty. Yet both ventures ultimately faced resistance from the durable social relations, cultural norms, and villager preferences that were inimical to adoption and exchange. Neither venture was committed to adapting to, or learning from, the local community. These parallels make evident that BoP ventures are no panacea; they must address and

¹⁵⁰³ (Kamat 2002: 99f)

¹⁵⁰⁴ (Kamat 2002: 99f)

¹⁵⁰⁵ (Kamat 2002: 94)

overcome many of the same challenges that have historically plagued top-down aid programs.

This dissertation has demonstrated that enacting a new market effectively at the BoP is much more complex than just ‘getting right’ the business’ technical aspects (e.g. developing a new product or setting up a distribution channel). The value chain needs to be congruent with the local cultural practices in which they operate. Yet the complexity and diversity of these market settings presents challenges for big companies that are accustomed to designing and implementing standardised models. MNCs may not be operationally structured to interpret accurately the complex and nuanced religious, behavioural, and ritualistic practices that inform villager purchasing decisions.

While there may be a huge untapped market opportunity at the BoP, it is much harder to capture this opportunity than the script suggests. Moreover, even if these ventures are well intentioned, if the corporation does not sensitise its value chain to cultural complexities of the village exchange setting, the venture will not achieve its intended business or social impact. For a product like a cookstove that is seen to be the spiritual centre of the home, it is not enough to just maximise the price-performance trade-off, or shrink the unit size so that its affordable (i.e. shampoo sachets). Furthermore, it is not enough to appoint a local NGO, if that NGO is not given the operational latitude to structure the model so it is consistent with the logics of the local population.

The BoP script has generated considerable excitement among corporations and NGOs because it is seen to resolve the seeming incongruity in organisational objectives between profitability and social impact. By applying the capabilities and resources of the private sector to challenges of international development, giving people living in poverty access to essential goods and services, and treating poor people as consumers and entrepreneurs rather than as victims, the script is now seen as a remedy to basic material deprivations of

the poor. As a result, it has diverted resources and attention away from more conventional donor-based models of international development and compelled companies to aspire to being positive transformative agents of social change by selling things to poor people.

The BoP script has gained internal validation by highlighting successful case examples of private sector led approaches to poverty. For instance, in *Fortune at the Bottom of the Pyramid* (2004), all of the included case studies are purported success stories. However, the book crucially disregards the negative aspects of these cases and ignored failures. As Walsh *et al.* (2005) write in their critique of Prahalad (2004): “We especially need to learn from the many that go wrong. We need to discover the features that distinguish the successes from the failures; looking at the successes alone leaves those key features still to be revealed.”¹⁵⁰⁶ Similarly, Prahalad and Bruggmann (2007) celebrate the success of the BP-SSP partnership that, at the time of publication, was already showing cracks. This practice of revering success and glossing over failure is similarly evident within the social entrepreneurship and international development discourses.¹⁵⁰⁷ For instance, Czarniawska and Joerges (1996) note that development projects “too obviously replete with difficulties and uncertainties...are presented as unproblematic” success stories and then replicated in other contexts.¹⁵⁰⁸ Sahlin-Andersson (1996) socially deconstructs this practice: “Western society celebrates its winners. It is the successes which draw attention and which are referred to.”¹⁵⁰⁹ In each instance, success stories are separated from the context in which they emerged, reshaped as coherent and logical narratives, and stripped of their more discouraging aspects.¹⁵¹⁰ While these examples may inspire organisations to join the cause of poverty alleviation, the danger is that either failure gets replicated—or

¹⁵⁰⁶ (Walsh, Kress *et al.* 2005: 477)

¹⁵⁰⁷ (Lounsbury, Strang 2009)

¹⁵⁰⁸ (Czarniawska, Joerges 1996: 19)

¹⁵⁰⁹ (Sahlin-Andersson 1996: 79)

¹⁵¹⁰ (Sahlin-Andersson 1996)

that success stories are falsely assumed to be easily “imitated and implemented anywhere.”¹⁵¹¹

Moreover, the BoP script fails to recognise the degree to which it has to be translated across a range of culturally complex market settings. As anthropologists like Geertz (1983), and economic sociologists like Granovetter (1985) explain, concepts like caste, the market, and family cannot be abstracted or universalised—their meaning comes from the particular context in which they are located, and from the particular actors and their social relations that constitute them. As Crow (2001), quoting Stretton (1999: 840), notes in his analysis of the Bangladeshi grain markets: “to understand markets properly you need to understand them one by one, with at least as much attention to local market practice as to general market theory.”¹⁵¹² Similarly, the ‘rural poor’ are not a monolithic group, but rather immensely varied in their culture, tastes, lifestyles, and religion.¹⁵¹³ Yet for the most part, the BoP script glosses over such distinctions and particularities.

The BoP prescriptive script argues that a large corporation’s sales and marketing capabilities can cure many of the structural problems related to poverty. However, this dissertation has demonstrated the difficulty of reorienting a commercial organisation’s internal culture and capabilities and overcoming the micro-level, structural problems and social restrictions that generate, and reinforce, poverty. MNCs are designed to create mass markets, not to restructure whole cultures. They lack the cultural bridging and translational skills and practices to work with the local communities. Enacting a market at the BoP is not just about transferring insights from a different marketplace that has highly socialised consumers and agents. The findings suggest that the BoP script is

¹⁵¹¹ (Sahlin-Anderson 1996: 79)

¹⁵¹² (Crow 2001: 7)

¹⁵¹³ (Crow 2001); (Harriss-White 2003)

superficial in this regard, in that it does not take into account the strategic cost of re-gearing the MNC towards these social ends.

5. Contributions

This dissertation makes a range of theoretical, empirical, and methodological contributions. The contributions range from using gritty ethnographic data to explore larger neo-institutional issues to highlighting the challenges for MNCs of projecting market logics into BoP settings.

This dissertation developed a generalizable theoretical framework that is a contribution to institutional theory because it integrates two theories (NIOT and RMT) that span meso- and micro-institutional boundaries. This framework applies institutional texts in a multilevel analysis to explore the role of organisations within a heterogeneous institutional setting. In this manner, this framework contributes to institutional literature by extending the theory to a culturally complex village setting.

Most of the multilevel literature is about institutions being projected upwards through intermediaries.¹⁵¹⁴ This dissertation, by comparison, examines the projection of institutional logics downwards—onto an intermediary (NGO) and beneficiaries—and whether these logics are adopted or resisted. The author developed a four-actor model to test the relationship in logics between an MNC, NGO, village agents, and village customers, and the manner by which these logics are projected, translated, and aligned across stakeholders. This framework is also a contribution because it can be used to test case studies that operate across sectors, borders, and levels of analysis, including other MNC-NGO BoP case studies.

¹⁵¹⁴ (Schneiberg, Soule 2005); (Schneiberg, Lounsbury 2008)

The grounded research in the methodology is a contribution because it explores complex associational structures and actor logics. In these settings, organisations need to understand not only formal structures, but also the wider associational structures (e.g. relationships, caste, religion) and communal logics that govern the marketplace. For instance, this methodology revealed that while product adoption in non-BoP exchange settings may be motivated primarily by ‘marketing myths’, in BoP settings, centuries-old myths and rituals may be much deeper than brand. The research shows how close participant observation and thick description can unearth religious practices and symbolic meaning that inform actor logics, and by extension, product adoption.

In this research, participant observation, in addition to generating rich empirical findings, played perhaps an even more valuable role: it demonstrated the difficulty of interpreting locally embedded symbols and logics, and the challenge faced by foreign organisations like BP to develop a deep and nuanced understanding of the operating context. As Geertz (1983) says, there is a risk that in trying to somewhat understand a culture, but failing to do so fully, a twitch gets interpreted as a wink—things may not be as they seem. An MNC’s inadequate attempt to understand the purchasing logics of the rural consumer, or her spiritual traditions, may end up muddling more than it clarifies. In other words, a superficial effort to understand the complexities and nuances of a specific market context is counterproductive.

The research builds on neo-institutional scholarship¹⁵¹⁵ to highlight the challenge to hybrid partnerships in general, and revenue-seeking NGOs in particular, of aligning conflicting objectives. The research concludes that combining business and social goals can be messy and complex. For instance, the partners have different yardsticks to measure social impact, profitability, and scale. These findings may have implications for

¹⁵¹⁵ (Dees, Elias 1994); (Weisbrod 2004); (Foster, Bradach 2005)

future hybrid ventures; they present cautionary words that hybrid BoP partnerships are more difficult to structure than the BoP script suggests.

Most of the criticism of the BoP script is directed at the MNC. Yet it is not as simple as saying this failure is entirely the MNC's fault. Attributing some of the responsibility to the NGO is something that is rarely mentioned by BoP critics. This dissertation reveals that hybridising an NGO is likely to lead to distortions as it takes up the business logic as a substitute for its social logic. In this case study, the NGO's mission drifted, which had adverse consequences on the NGO's beneficiaries.

The literature on translation and transportation of logics assumes the local intermediary can "appropriate global norms and endow them with local meaning and local agency."¹⁵¹⁶ However, the empirical findings of this research suggest otherwise. The NGO is rendered useless because it cannot carry the burden of two-way communications. Caught between a desire to commercialise and a desire to serve its beneficiaries, the role of the NGO is compromised in myriad ways. As a result, it is incapable of fulfilling its responsibility of translating between the villagers and the MNC.

The research suggests a BoP model may only be effective under certain micro-institutional conditions, and when implemented by a workforce that is locally embedded, sensitive to these institutional dynamics, and has the requisite resources and agency to provide agents sufficient support.¹⁵¹⁷ The MNC lacked the institutional mechanisms to account for cultural complexity, or implement micro-policies targeted to specific agent and consumer groups, and refused to give the NGO the latitude or resources to do so on the MNC's behalf. Ultimately, the MNC enacted its model in a manner that was

¹⁵¹⁶ (Hammack, Heydemann 2009: 7)

¹⁵¹⁷ (Dörrenbächer, Geppert 2006; 2009); (Fligstein 2001)

insensitive to the complexities of the local exchange setting and antithetical to the needs and interests of their local agents.

In this case, the MNC's operational managers used their conventional marketing logic and were not sufficiently embedded in the local market. The MNC's staff had been trained to sell a standardised product through a whole range of mass marketing techniques that did not apply in this context. This dissertation has demonstrated that for MNCs to succeed at the BoP, they have to do more than make cosmetic changes to sales techniques. Managers need to understand the structural context in which village markets are enacted, the underlying institutions that are being translated, and the position of the village agent with whom they are co-creating this model, and the challenges she faces. The glocalisation literature implies that it is easy for an MNC to adapt its model to different contexts. This dissertation suggests—at least at the BoP—that changing their strategic frame is extremely difficult.

This dissertation makes several contributions to the BoP debate. In contrast to the BoP script, which advocates the door-to-door direct agent model as an optimal 'last mile' distribution channel, the empirical findings demonstrate that the model's expected benefits do not always materialise. In this case, the agent's perceived role in the marketplace did not match that which the MNC envisaged for them. Due to cultural and gender obstacles, and lack of support from the MNC (e.g. negligible training to socialise agents to the obstacles they faced), agents stayed at home waiting for customers instead of proactively making sales. This demonstrates the challenge of an MNC aiming to upend deeply entrenched social structures and restrictions by projecting a conventional market logic that does not understand, much less address, these complexities.

The findings also make a contribution to the BoP literature by highlighting the risks of implementing the so-called 'Gillette Razor model', in which customers purchase a

subsidised product (Oorja) and are then locked in to purchasing an expensive, recurring product (fuel pellets). Prahalad, who encouraged BP to adopt the Gillette Razor model, argues as part of the BoP script that giving poor people access to new products will enhance their choice and reduce their vulnerabilities.¹⁵¹⁸ Yet this model ran contrary to the villagers' desire to use different fuels for different cooking purposes, and forced villagers to purchase a volatile fuel commodity. Therefore, this sales strategy actually reduced villagers' choice and exacerbated their economic vulnerability. It also ultimately contributed to the failure of BP's business: customers could not afford the fuel pellets required to continue using the stove, and so returned to cooking over the open fire.

This research may have important implications beyond the case study it examines. It makes a thorough critique of market-based poverty alleviation as a basis for developing a better theoretical and practical approach to extending corporate channels into poor regions of India. Since this hybrid partnership aims to address a longstanding developing country problem (household air pollution), the findings may also have consequences for the quality of life of rural poor people in India. Moreover, insofar as this inquiry is illustrative of a broader—potentially global—shift in MNC-NGO relations, this research may have larger significance to an understanding of how hybrid institutions function and change.

6. Avenues for Further Research

There are several areas of research that could build upon the contributions of this dissertation. Scholars could conduct comparative studies of hybrid BoP partnerships to evaluate whether other ventures have been more effective in aligning logics, balancing power, and forming trust (e.g. Battilana and Dorado 2010). Similarly, scholars could examine other direct agent models (e.g. HLL's Project Shakti) to assess whether agents

¹⁵¹⁸ (Prahalad 2004)

faced the same community-level obstacles to village exchange, and also whether with better training and on-going support agents could overcome these obstacles.

Moreover, in the context of product adoption, field anthropologists could examine, from the rural household's standpoint, the point at which economic or health considerations begin to override the seemingly rigid, centuries-old structures of caste, gender, religion and symbolism. More generally, building on Harriss-White's (2003) scholarship, anthropologists could study the extent to which these social structures are dissolving in contemporary Indian society.

The fieldwork findings raise complex cultural questions in the context of commercialising a product at the BoP. They affirm the need to develop and market products that are consistent with local cultural and religious practices. Further scholarship could assess whether other consumer durables, such as solar lanterns and water purifiers, or fast-moving consumer goods, also face non-economic constraints to villager adoption.

In the cookstove context, academics could study the efficacy of other BoP distribution and marketing models, as well as test new hypotheses for stove adoption. For instance, Miller and Mobarak (2011) hypothesise that BoP households would be more likely to purchase a stove when bundled with a technology that is valued by husbands. Similarly, the cookstove sector would benefit from richer insight into what marketing messaging resonates most effectively with prospective BoP customers.

Lastly, management researchers could explore the institutional changes required for an MNC to learn from, and sensitise its policies to, culturally complex consumer settings. If MNCs are not the best agents to engage the BoP, researchers could assess whether local start-up organisations or other actors hold more promise.

Appendices

Appendix 4.1: Summary of Empirical Data Sources

Glossary:

Swayam Shikshan Prayog (SSP) – NGO

Adharam Energy Private Limited (Adharam) – SSP’s for-profit stove/pellet distribution channel (2005 – 2009)

Sakhi Retail Private Limited (SRPL) – SSP’s for-profit distribution channel (2009-present)

M. Phil. Research (2007-8)

Interviews

‘Elite’ Interviews – 22 (BP-India, SSP, Adharam, Consultants)

Village-Level Questionnaires

- Venture Impact Survey – 94 customers, 96 non-customers, 99 agents (Aug.-Sept. 2007)
- BP-commissioned 3rd Party Proprietary Reports:
 - Impact evaluation, entitled “Social Value Assessment of the Business Model of Energy Efficient Smokeless Stoves” (May 2008)
 - Consumer Feedback/Product Testing Survey (2005)
- Jyoti and customer feedback reports (conducted regularly from product inception – present)
- The author’s field notes documenting needs and concerns of consumers and agents with regard to the BP-SSP venture and their cooking need

Project documentation

- Partnership contracts (from 2005 to 2009) –4+ legal agreements (and negotiation notes) between BP and Adharam; 1 between SSP and CCD (another NGO); and 1 between BP and agents
- Operational/strategic files¹⁵¹⁹ (extensive)
- Key E-mail correspondence between SSP and BP Management
- BP-NGO Meeting Agendas, Memos and Minutes of Meetings
- The author's detailed documentation of Adharam initiative
- Adharam 2007 Report (conducted by SSP intern, covers agent selection and training, sales/promotion, and consumer feedback)
- SSP and Adharam presentations documenting the venture (thru March 2007)
- Adharam company profile

Financials

- Adharam Financials (Projected by consultants and Actuals)

Texts/Discourse (Published Articles on BP-SSP Venture)

- Brugmann, J and Prahalad, CK “Co-Creating Business’ New Social Compact” *Harvard Business Review* (2007)
- Ibarra, H and Hunter, M. “Vivienne Cox at BP Alternative Energy” *Insead Business School Case Study* (2007)
- Smith, A. “Growth and Innovation Lights Up India” *BP Magazine* (2007)

¹⁵¹⁹ Includes, for instance, operational protocols, monthly progress reports, village distribution maps, expansion plans, codes of conduct (health, safety and environment), plans for village agent professional development, training materials, BP presentation on product testing.

D. Phil. Research

Interviews

- ‘Elite’ Interviews – 8 (BP management, SSP director, SRPL CEO, TNP consultant, sugar cane factory manager, PDS government official)

Impact Evaluation/Participant Observation of Cooking Process

- Field Interviews – 22 (Rural/urban agents, customers, sugar cane farmers)
- Direct Observation of Cooking Practices – 18 Customers

Documentation

- MIT L-Lab Report and Senge/Jay Case Study – Both offer valuable insights for empirical chapters
- Access to all Adharam e-mail correspondence (inception - thru Jan 2009)
- Presentation on SSP’s Social Businesses to McKinsey Alumni Development Network (P. Gopalan Oct 2007)

Operating Environment

- Survey of sugar cane waste commodity prices (2005-present) in rural Maharashtra
- Shop pricing survey of Dharavi and Warden Road to challenge poverty penalty (2010)
- Documentation of Shell Foundation’s BreathingSpace program, which is focused on addressing two major stove business model challenges, household air pollution awareness-raising and consumer financing
- Documentation of Indian Government’s new National Biomass Cookstove Initiative

Financials

- SRPL/Adharam Financials – Monthly stove and pellet sales figures, balance sheets and income statements (have personally audited these files), village agent data

Texts/Discourse

Published Articles on BP-SSP Venture (“the discourse”)

- Bocca, R and Gopalan, P. “Serving the Underserved: Progressive Energy Solutions Through a Sustainable Business Model” *Society for Organizational Learning Journal* (2009)
- Cohen, M. “A Small Stove With Big Ambitions: A \$17 stove could reduce carbon emissions and improve women’s health in India” *Yale Global* (2008)
- Karunakaran, N. “Rural Sales Force” *Outlook Business* (2009)
- Karunakaran *et al.* “India’s New Retailers” *Outlook Business* (2009)
- Mansur, S. “Profiting from the rubble” *Management Next* (2009)
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Appendix 4.2: Research Timeline

<u>Data Collection</u>	<u>2007</u>		<u>2009</u>				<u>2010</u>				<u>2011</u>			
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Partnership Document Collection						Regularly Throughout Research Process								
Elite Interviews		Sep - Oct-07					Nov-09		Apr-10		Nov - Dec-10			Aug - Sep-10
Org. Participant Observation									Apr - May-10					
Village-Level Surveys		Aug - Sep-07							Apr-10					
Village Participant Observation								Mar-10						
Agent Income Data									Apr-10					Jul - Sep-11
Sugar Cane Pricing Data									Apr-10					

Appendix 4.3: Relationship between Data Collection Methods, Data Sets, and Levels of Analysis

Data Types and Inputs

<u>Data Type</u>	<u>Level of Analysis</u>	<u>Data Inputs</u>		
Categorised Discursive Statements	Org. (Primary) and Village	Elite Interview Transcripts	BoP Texts	
Process Tracing	Org. (Primary) and Village	Partnership Documents	Elite Interview Transcripts	
Descriptive Statistics	Village	Village Surveys	Village Focus Groups	
Quantitative Statistics	Village	Agent Income Study	Village-Level Surveys	Sugar Cane Pricing Data
Observational Data	Village	Village Participant Observation	Secondary Ethnographic Data	

Main Methods Used for Each Unit of Analysis

<u>Unit of Analysis</u>	<u>Methods</u>			
Hybrid Partnership	Elite Interviews	Discourse Analysis	Process Tracing	
Sales Agents	Questionnaire	Income Analysis	Focus Groups	
Customers	Questionnaire	Participant Observation	Focus Groups	Sugar Cane Survey

<u>Unit of Analysis</u>	<u>Indicator</u>	<u>Method</u>
Partnership	Logic	Elite Interviews, Discourse Analysis, and Archival Document Review
	Trust	Elite Interviews, Discourse Analysis, and Archival Document Review

	Power Dynamics	Elite Interviews, Discourse Analysis, and Archival Document Review
Consumers	Consumers' Logics	Questionnaires
		Participant Observation
		Secondary Research (Ethnographic Research and Hindu Religious Texts)
		Sugar Cane Survey
Agents	Agents' Logics	Questionnaires
		Income Analysis

Appendix 4.4: Elite Interviews

<u>Elite Interviews</u>	<u>Title</u>	<u>Organisation</u>	<u>Date</u>
Mahesh Yagnaraman	Chief Executive Officer	BP Energy India Ltd (BPEIL)	1 October 2007
Mukund Deogaonkar	National Expansion Manager	BPEIL	1 October 2007
Ravikumar Dhulipala	General Manager - Business Development	BPEIL	1 October 2007
S. Deepashree	Social and Environmental Impact Assessor	BPEIL	1 October 2007
Arkajit Mandal	Business Manager for Osmanabad	BPEIL	26 September 2007
Nitin Udmale	Business Manager for Ahmednagar	BPEIL	27 September 2007
Prema Gopalan	Director	SSP	21, 22, 24 September, and 6 October 2007
Laxmikand Malvadkar	Business Development Services Coordinator	SSP	25 September 2007
Naseem Shaikh	Sahki Health Coordinator	SSP	4 October 2007
Vikas Kamble	Business Development Services Associate	SSP	25 September 2007
Upmanyu Patil	Operations Manager/Chief Executive Officer	Adharam-Maharashtra	25 - 6 September and 3 October 2007
Vinay Murhar	Operations Manager	Adharam-Maharashtra	25 September and 3 October 2007
Kishor Kanthe	Operations and Logistics Manager	Adharam-Maharashtra	25 September 2007
Kaka	Jyoti Selection and Training Manager	Adharam-Maharashtra	25 September 2007

Kiran	Sales Manager	Adharam-Maharashtra	25 September 2007
Nikam Gupta	Administrative and Accounting Officer	Adharam-Maharashtra	25 September 2007
Jeb Brugmann	Partner	TNP	3 – 4 October 2007
Avik Roy	Consultant	TNP	3 – 4 October 2007
N. Muthu Velayutham	Director	CCD	2 October 2007
S. Sadanand	Director	IDPMS	2 October 2007
Dnyandeo Waphare	Director	Sampada Cooperative Credit Society	27 September 2007
Utkarsh Ghate	Director	Aharam Traditional Crop Producer Co.	2 October 2007

<u>Elite Interviews</u>	<u>Title</u>	<u>Organisation</u>	<u>Date</u>
Mahesh Yagnaraman	Chief Executive Officer	FirstEnergy Pvt Ltd (FE)	24 December 2010
Mukund Deogaonkar	National Expansion Manager	FE	24 December 2010 1 September 2011
Prema Gopalan	Director	SSP	7 November 2010 3 December 2010
Upmanyu Patil	Chief Executive Officer	Sakhi Retail Pvt Ltd (SRPL)	30 November 2009 13-14 April 2010 18 December 2010 4 March 2011

			20 August 2011
Avik Roy	Consultant	TNP	4 March 2011
Anonymous	BP-Global Senior Official	BP-Global	7 October 2009
N. T. Yadav	Senior Collector, Public Distribution System	Government of Maharashtra	13 April 2010
Pavan Rajenimbalkar	Director	Terna Sugar Factory	13 April 2010
Shri Sidramappa Alure	Chairman	Shri Tulja Bhavan Shetkar S.S.K.	13 April 2011

Appendix 7.1: Selected Survey Questions

Economic

<i>Would you rather collect a 10-kg bundle of wood or pay Rs. 15 to purchase it?</i>	Collect	Purchase	Unsure / Indifferent
BP Customers (n = 94)	71%	24%	5%
Non-BP Customers (n = 96)	91%	7%	2%
Total (n = 190)	81%	15.5%	3.5%
<i>Would you rather collect a 10-kg bundle of wood or pay Rs. 10 to purchase it?</i>	Collect	Purchase	Unsure / Indifferent
BP Customers (n = 94)	59%	37%	4%
Non-BP Customers (n = 96)	77%	21%	2%
Total (n = 190)	68%	29%	3%

<i>Do you have more, less, or the same amount of free time compared to before you purchased Oorja?</i>		More	Less	Same
BP Customers (n = 94)		84%	6%	10%
<i>If you have additional free time from less wood collection, how do you mainly spend it?</i>	Leisure / Relaxation	Child Raising	Work	Other
BP Customers (n = 94)	56%	25%	10%	9%

Gender

<i>Which member of your household made the decision to purchase Oorja?</i>	Self	Husband	Joint	Other
BP Customers (n = 94)	2%	9%	87%	2%

Health

<i>Does the firewood chulha cause the following health problems:</i>			
<i>Difficulty Breathing?</i>	Yes	No	Unsure
BP Customers (n = 94)	24%	61%	15%
Non-BP customers (n = 96)	24%	63%	14%
Total (n = 190)	24%	62%	14%
<i>Headaches?</i>	Yes	No	Unsure
BP Customers (n = 94)	43%	48%	10%
Non-BP customers (n = 96)	48%	41%	11%
Total (n = 190)	45%	44%	11%
<i>Cataracts / Chronic Eye Irritation?</i>	Yes	No	Unsure
BP Customers (n = 94)	62%	23%	15%
Non-BP customers (n = 96)	54%	35%	10%
Total (n = 190)	58%	29%	13%

<i>Death?</i>			
BP Customers (n = 94)	14%	84%	2%
Non-BP customers (n = 96)	9%	80%	10%
Total (n = 190)	12%	82%	6%
<i>Lung disease (i.e. pneumonia, lung cancer)?</i>			
BP Customers (n = 94)	16%	80%	4%
Non-BP customers (n = 96)	15%	75%	10%
Total (n = 190)	15%	77%	7%

<i>Does the Oorja cookstove reduce household smoke?</i>	Yes	No	Unsure
BP Customers (n = 94)	100%	0%	0%
Non-BP customers (n = 96)	47%	7%	46%
Total (n = 190)	74%	4%	23%
<i>Do you experience the following health problems cooking with Oorja?</i>	Yes	No	Unsure
BP Customers (n = 94)			
Eye Irritation	2%	97%	1%
Difficulty Breathing	2%	98%	0%
Headaches	0%	100%	0%

Religion

<i>Is the firewood chulha 'sacred', 'holy', 'auspicious'?</i>	Yes	No	Unsure
BP Customers (n = 94)	57%	32%	11%
Hindu (n = 74)	64%	28%	8%
Muslim (n = 20)	35%	45%	20%
Non-BP customers (n = 96)	73%	18%	9%
Hindu (n = 78)	76%	17%	8%
Muslim (n = 18)	61%	22%	17%
Total (n = 190)	65%	25%	10%

<i>Is the Oorja stove 'sacred', 'holy', 'auspicious'?</i>	Yes	No	Unsure
BP Customers (n = 94)	27%	40%	33%
Hindu (n = 74)	28%	42%	30%
Muslim (n = 20)	20%	35%	45%
Non-BP customers (n = 96)	13%	41%	47%
Hindu (n = 78)	13%	36%	51%
Muslim (n = 18)	11%	56%	33%
Total (n = 190)	19%	41%	40%

<i>If you perceived the firewood chulha as 'sacred', etc. did the</i>	Yes	No	Unsure
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¹ If the customer was initially unsure of how to answer, the following follow-up questions were asked: (1) "Do you do pray before the chulha?" (2) "Do you think that the chulha, its smoke or fire, is a god(ess) or symbolizes a god(ess)."

<i>religious significance of the chulha <u>influence</u> your decision to not buy an Oorja stove?</i>			
<i>Non-BP customers (n = 70)</i>	41%	53%	6%

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