NGOs as BOP market entry partners in state-corporatist China

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Abstract

The study evaluates NGOs' suitability as base of the pyramid (BOP) market entry partners in a country-specific context. The current emerging BOP partnerships literature does little to address NGOs and BOP markets heterogeneity in company-NGO partnerships in a BOP market entry. Furthermore, virtually no studies on company-NGO partnerships in entering the Chinese BOP have been conducted. This study therefore contributes to the BOP partnerships literature and to understanding company-NGO partnership opportunities in China by evaluating the suitability of NGOs in China as partners in a BOP market entry, and by evaluating the relevancy of the NGO partners' supporting roles suggested in the BOP literature, in the Chinese context. Furthermore, the study explores how the Chinese state-corporatist system influences NGOs' operating conditions and the BOP partnership opportunities in China.

The study followed a descriptive qualitative methodology. Data was collected primarily through face-to-face interviews with grassroots NGOs and international NGOs in Yunnan province, China. A total 9 interviews were conducted, which constitute the core data in the study. Furthermore, data from background interviews and secondary sources was used.

The results indicate partner suitability among Chinese grassroots NGOs, but the regulatory environment and international NGOs' (INGO) shifting scope of interest may limit INGOs from partnering in an intermediary role against BOP literature suggestions. Therefore, large domestic NGOs could be better suited as the intermediary key partner than INGOs. The study also revealed that the NGO partner's supporting roles suggested in BOP literature could be partially irrelevant in China, and also new supporting roles specific to the Chinese context were discovered. Furthermore, the Chinese state-penetrated corporatist system was found to influence NGOs' operating environment significantly, but yet the NGOs appear to be somewhat independent in their agenda design and activities. Nevertheless, the government plays an important role in China in general, and government collaboration should be taken into account in BOP market entry and in the partnerships.

Keywords  Base of the Pyramid, BOP, Market entry, International business, NGO, INGO, Partnerships, China, Corporatism
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List of acronyms

BOP: Base of Pyramid
NGO: Non-governmental Organization
INGO: International NGO
GONGO: Governmental NGO
PPP: Purchasing power parity


1 Introduction

1.1 Background

The Base of the Pyramid (BOP) refers to a population of roughly 4 billion people living on an annual income of $3000 (PPP-adjusted) globally, dominantly in developing countries (WRI, 2007). The BOP forms a largely untapped market of $5 trillion in terms of sheer revenue potential (London, 2011; WRI, 2007), and has recently been portrayed as a new market expansion opportunity for companies operating in the saturated western markets (Prahalad, 2005). However, since the BOP markets are often poorly functioning or non-existent, as part of the BOP market entry companies should give up their existing offering (Schuster and Holtbrügge, 2012; Viswanathan, 2011), and develop new and unique solutions specifically for the needs at BOP instead (Prahalad, 2005). In the long run, by responding to local needs with an affordable and attractive offering, the company could potentially contribute to poverty eradication, while doing profitable business (Prahalad, 2005).

In addition to having to develop new solutions for the BOP, the company should differentiate the BOP market entry significantly from entering developed markets in general. The company must manage with the often underdeveloped infrastructure and institutional environment at BOP, which complicate marketing and doing business at BOP (Anderson and Billou, 2007; Prahalad, 2012; Reficco and Marquez, 2012; Simanis, 2011). The availability of information on the commonly informal BOP markets is very limited (Prahalad, 2005), but in order to develop new and unique solutions for local consumers, the company should gain an in-depth understanding of the local needs, habits, and living conditions (Hammond, 2011; Krämer and Belz, 2008; Schuster and Holtbrügge, 2012; Viswanathan, 2011). Community-level co-creation is suggested as a response, as it enables the company to gain such in-depth understanding for solution development (London and Hart, 2011a, 2004; Nakata, 2012; Prahalad, 2005), but it also enables embedding the business into the community at early (Simanis and Hart, 2009, 2008).

Overall, the challenges the company faces in the BOP market entry are vast. Partnerships are suggested as a way to overcome part of the challenges in entering BOP markets (Schuster and Holtbrügge, 2014), but stable and reliable partners in
private and public sectors might be of short supply at BOP (London and Hart, 2004). Therefore, partnerships especially with non-traditional partners such as NGOs are suggested in a BOP market entry (Follman, 2012; Gradl and Jenkins, 2011; London and Hart, 2011b; Schuster and Holtbrügge, 2014). Grassroots NGOs can be effective in providing understanding of the conditions and needs at BOP and in providing community access for co-creation due to their long community-level presence (Simanis and Hart, 2008), but NGOs are suggested to take a multitude of roles, for example as intermediaries between the company and different stakeholders, and even as a joint venture partner managing the business (Hahn and Gold, 2014). The company and NGO contribute complementing capabilities into the partnership, but finding suitable grassroots NGOs can be difficult for a company (Simanis and Hart, 2008). Different values (Ählström and Sjöström, 2005), capability insufficiencies, governance methods, and agenda incompatibility (Dahan et al., 2010), for example, can set significant challenges for partner suitability. Understanding potential NGO partner suitability is therefore important in the BOP market entry.

This study examines partnership opportunities with NGOs in China when entering Chinese BOP market. The study was conducted as part of an Aalto University School of Business’ research project on inclusive business co-creation at the BOP, in which NGOs play an important role. In the early stage of the study doubts on Chinese NGOs’ credibility as a public interest organization surfaced, apparently due to the strong government presence in many layers of the society, which triggered the interest to study NGOs in China as BOP market entry partners. Later on in Beijing, while doing background research, multiple interviews suggested that grassroots NGOs in China would not be suitable as BOP market entry partners due to their lacking capacity, skills, and experience, especially in business. Therefore, NGO partnership opportunities, when entering China’s BOP market, was selected as a research topic.

1.2 Research gap and research questions
Several authors suggest that NGOs are important partners in a BOP market entry, but discuss the NGOs’ supporting role on a general level, assuming that the roles and partnership opportunities and challenges are similar in different BOP markets. Furthermore, the authors do little to differentiate different types of NGOs. This study provides insights to the partnership opportunities in a specific BOP market, in this case in China. Studying company-NGO partnership opportunities when entering a
specific BOP market enables to understand the local partnership opportunities, but also contributes to understanding how the NGO partners’ roles can be different in different markets than what is suggested in the BOP literature. The study therefore has both theoretical and managerial implications. Furthermore, this study provides insights to how Chinese state-corporatism influences NGOs, and their credibility as public interest organizations.

Regardless of China’s large BOP market, with 59.9% of the population earning less than $5 a day (PPP-adjusted) in 2011 (World Bank, 2014), research on NGOs in China in the context of BOP business is nearly nonexistent, at least in English. Searching online and in journal archives revealed that very little research has been conducted on BOP business in China in general. Understanding NGO partnership opportunities in entering the Chinese BOP, and studying the relevancy of the roles of the NGO partners suggested in BOP literature therefore form the research gap of this study.

In order to understand the suitability of local grassroots NGOs and international NGOs (INGOs) as BOP market entry partners, BOP literature is studied to map how NGOs can support a company in the BOP market entry, and what are key compatibility factors in the partnership. The literature review therefore aims to answer to the following questions:

- How can NGOs support a company in a BOP market entry?
- What compatibility factors should a company consider when selecting the NGO partner?

In order to collect data for gaining insights on the company-NGO partnership opportunities in entering the BOP in China, the empirical study aims to answer to the following question and sub-questions:

- Could NGOs in China partner with a company and support a company in a BOP market entry?
  - Are the supporting roles and compatibility factors suggested in the literature similarly relevant in the Chinese context?
  - How does Chinese state-corporatism influence the partnership opportunities?
The sub-questions are derived from the main empirical research question in order to gain depth to the context of the subject studied. The reviewed BOP literature does not examine how the significance of the NGO partner’s suggested roles could differ between different BOP market environments. Therefore, the relevancy of the suggested roles and compatibility factors is evaluated in the Chinese context, for example in the light of recent rapid economic development in China, and the strong government presence. Furthermore, due to the seemingly strong government presence throughout the society in China, it is relevant to respond to the doubts on Chinese NGOs’ credibility as independent public interest organizations, which surfaced during the background interviews.

1.3 Study structure, goals, and limitations

The study is divided into seven chapters (as well as the bibliography and appendices chapters). Introduction, discussion, and conclusion contain the big picture of this study, and the literature review (including chapter 3), methodology, and findings provide depth.

The first chapter is the introduction, which brings the reader into the subject of the study, and briefly introduces the literary background behind the subject. The introduction also explains the research gap, justifying the need for the study, and presents the research questions to be answered in the study.

The literature review is the second chapter, and its goal is to answer to the literature research question, and also to map the broader context of a BOP market entry. The literature review goes deeper into the related literature on entering and doing business at the Base of the Pyramid, covers in detail the challenges and needs for different methods in entering the BOP, which explains the need for NGO partnerships. The review directly discusses the NGO partner’s roles, key contributions and key compatibility issues in depth, but it also covers influencing elements in the broader context of a BOP market entry. Furthermore, since the BOP literature (Gradl and Jenkins, 2011; London and Hart, 2011b; Prahalad, 2005; Simanis and Hart, 2009) indicates that developing inclusive business models and engaging in community-level co-creation are integral parts of the BOP market entry, also these processes are studied in detail.
The literature review is followed by a chapter discussing the Chinese state corporatism and its influence on the NGO sector. Next is the methodology chapter, which explains and justifies the methodology used, and explains methodological limitations. The Findings chapter, after Methodology, first covers the background research data, and next describes in detail the interviewed NGOs, and then opens the findings on the regulatory environment and other factors influencing NGOs’ operations in China.

The sixth chapter is the discussion which answers to the empirical research question and its sub-questions mainly by reflecting the findings to the literature review. Finally the conclusions summarize the main findings. The conclusions also cover the theoretical and managerial implications, and suggestions for further research.

The goals of the study are following:

- To map how NGOs can support a company as partners in a BOP market entry, and what are the NGO partner’s key compatibility factors.
- To provide insights to the potential suitability of Chinese and international NGOs operating in China as BOP market entry partners, through empirical research.
- To evaluate the relevancy of the different roles, key contributions and key compatibility issues of a partner NGO suggested in BOP literature, specifically in the Chinese context, by comparing primary and secondary data on the BOP environment in China to the suggestions in literature.
- To evaluate the influence of the strong presence of Chinese government in different levels of the society on the Chinese NGOs in order to understand Chinese NGOs’ credibility as government-independent public interest organizations.

1.4 Definitions

*NGO*

In this study the term non-governmental organization (NGO) refers roughly to “self-governing, private, not-for-profit organizations that are geared to improving the quality of life of disadvantaged people” (Vakil, 1997, p. 2060). Commonly NGOs operate in the fields of “welfare, development, advocacy, development education,
networking and research” (Vakil, 1997, p. 2063). However, in her definition Vakil (1997) excludes government NGOs (GONGOs) from the umbrella of NGOs due to their close ties with the state. This study does not aim to understand the nature of GONGOs in China in depth, but due to the vast numbers of GONGOs in China, and their possibly different background and purpose than the kind of GONGOs assumed by Vakil (1997), in this study also GONGOs are considered to belong to the domain of NGOs in China.

**INGO**

INGO refers to an international NGO, and follows the same definition as an NGO.

**BOP**

The Base of the Pyramid (BOP) is defined in the background part of the introduction. BOP refers to a population of roughly 4 billion people living on an annual income of $3000 (PPP-adjusted) globally, dominantly in developing countries (WRI, 2007). The BOP forms a largely untapped market of $5 trillion in terms of sheer revenue potential (London, 2011; WRI, 2007), and has recently been portrayed as a new market expansion opportunity for companies operating in the saturated western markets, but also offers an opportunity for poverty education through business (Prahalad, 2005).

**Business model**

This study follows Osterwalder's (2010, p. 14) definition of a business model, according to which “a business model describes the rationale of how an organization creates, delivers, and captures value”.

2 Literature review

The literature review maps the central supporting roles and compatibility factors of an NGO partner in a BOP market entry in a company-NGO partnership. The literature review first explains the concept of the Base of the Pyramid (BOP) and the conditions at BOP. These conditions set challenges and requirements for entering a BOP market, which establish the need for partnerships in the BOP market entry, especially with NGOs. Company-NGO partnerships, their benefits, and roles and requirements from
the NGO are discussed next. Then, moving deeper to the outcomes and methods of a BOP market entry, the characteristics of an inclusive business model are discussed, continuing to its co-creation process and community engagement. In the end of the literature review the NGOs’ supporting roles and compatibility factors in a BOP market entry are summarized.

2.1 BOP market entry challenges and need for NGO partnerships

The Base of the Pyramid (BOP) refers to a population of roughly 4 billion people living on an annual income of $3000 (PPP-adjusted) globally, dominantly in developing countries (WRI, 2007). People at BOP are live on a very low daily income, and often lack access to basic utilities and services. These problems have historically been addressed by development aid from developed countries, and multinational companies may have attempted to contribute to the development through CSR (corporate social responsibility) activities, while doing business in the higher income markets.

However, recently BOP has attracted companies’ attention as a new market opportunity. The BOP forms a largely untapped market of $5 trillion in terms of sheer revenue potential (Prahalad, 2005; WRI, 2007). BOP markets are often controlled monopolistically and inefficiently by a local unorganized sector, resulting in poorly functioning markets where products and basic utilities are often expensive or unavailable. (Prahalad, 2005; Schuster and Holtbrügge, 2012; Viswanathan and Sridharan, 2012.) Demand for new solutions and market entrants is therefore evidently high at BOP.

C.K. Prahalad was one of the pioneering scholars promoting the BOP markets, and highlighted especially how BOP opens new business opportunities for companies operating in highly saturated developed markets (Prahalad, 2005). Though, possibly even more Prahalad (2005) underlined that the BOP does not only open companies new business opportunities, but also an opportunity to eradicate poverty while doing business. This could be achieved by tapping into the underserved BOP markets with a unique, affordable offering designed to match with local unmet needs, which potentially have a positive social impact locally at BOP, while yet generating profits for the company (Prahalad, 2005).
However, the initial BOP approach has been criticized for viewing the BOP merely as a mass market opportunity, having limited social impact and lacking true business model innovations (Simanis and Hart, 2008). Therefore, over the past decade the discussion has shifted towards inclusiveness, i.e. from viewing people at BOP only as consumers into including the BOP communities throughout the value chain in the business model, and involving locals in co-creating inclusive business models with the company. London and Hart (2011a) discuss the recent change of perspectives in the BOP approach from fortune finding at the BOP, as introduced by Prahalad (2005), to fortune creation with the BOP, explaining that co-created business models and solutions open opportunities for poverty alleviation. Furthermore, inclusive business models contribute to poverty alleviation by generating local livelihood opportunities by including the BOP communities in the business model as distributors and producers (WBCSD, 2008).

Overall, co-creation is discussed broadly in BOP literature. Co-creation is emphasized especially in product development, since traditional product development methods for developed markets are not suited at BOP (Nakata, 2012). A bottom-up approach involving local communities should be applied in product development at BOP in order to respond to local needs and challenges, and to utilize local opportunities through co-creation (London and Hart, 2004; Nakata, 2012). Whole business models and entry strategies can be co-created (London and Hart, 2004), and co-creation can go as far as building business ecosystems by local capacity development through involving a broad variety of stakeholders in the co-creation (Gradl and Jenkins, 2011). Moreover, markets can be co-created by generating demand for the co-created solutions through locally suited training and awareness building methods (Kennedy and Novogratz, 2011; Ricart et al., 2006; Simanis and Hart, 2008).

The entry to a BOP market commonly requires a company to create an overall BOP market-specific entry strategy in order to overcome the diversity of challenges at BOP. Primarily, the company needs to respond to the unique customer needs, to understand the local extraordinary market conditions, and to manage with the underdeveloped infrastructure and institutional environment at BOP (Schuster and Holtbrügge, 2014). The entrant is required to obtain knowledge on the local needs and conditions in order to develop new and unique solutions specifically for the locals (Schuster and Holtbrügge, 2012; Viswanathan, 2011), but information on the BOP
markets is not readily available to a same extent as in developed markets (Prahalad, 2005). Distribution and communications infrastructures, and the institutional environment are commonly underdeveloped (Anderson and Billou, 2007; Prahalad, 2012; Reficco and Marquez, 2012; Simanis, 2011), and companies must find approaches to overcome the challenges in distribution, marketing, and generally in doing business at BOP (Schuster and Holtbrügge, 2014). Setting further challenges for marketing, individuals may not have consumer skills at all, may be illiterate, and commonly have to survive with low, unreliable and unstable income, possibly received on a daily basis (Anderson and Markides, 2006; Viswanathan, 2011).

Moreover, the market entry strategy should be diversified between BOP markets, since people at BOP live in environments and have backgrounds that differ between countries and regions. The BOP is demographically, culturally and geographically highly diverse, as people at BOP reside both in remote rural and urban conditions. The BOP is highly heterogenic, and people have different cultural and ethнич backgrounds, varying capacity, and also a multitude of different needs between countries, but also between smaller regions (Arora and Romijn, 2009). Therefore, the approach to entering a BOP market must be strongly differentiated market-by-market, requiring a departure from the methods of entering developed markets. (Prahalad, 2012; Schuster and Holtbrügge, 2012). This applies also to entering BOP inside a current country of operation, since companies often have a very limited understanding of the local BOP market even if they are already present in the country’s higher income segment markets (London, 2008; Webb et al., 2010).

Evidently the methods that are utilized to enter developed markets are usually not applicable at BOP due to the significantly different conditions at BOP (Anderson and Billou, 2007; Prahalad, 2012; Sridharan and Viswanathan, 2008). This potentially renders international business theories, such as the Uppsala model, a famous market entry theory by Johanson and Vahlne (1977), partially inapplicable at BOP. Against the assumptions of the Uppsala model, firm- and market-specific knowledge are not transferable between developed and BOP markets, or between different BOP markets either (Schuster and Holtbrügge, 2012). Moreover, against the suggestion of the Uppsala model, the company cannot begin exporting its current offering (aimed at developed markets) as the initial step of the BOP market entry, but should instead develop new products to meet the unique needs and conditions at BOP (Schuster and
Holtbrügge, 2012; Viswanathan, 2011). This is because the products sold in developed markets are commonly not affordable enough, or not suited to the considerably different conditions at BOP.

To summarize, when entering the BOP, a company must differentiate its market entry strategy from developed markets, but also between different BOP markets. Furthermore, it should understand local conditions and needs, and should develop new solutions specifically for a BOP market that include the end users in the development process, and local producers and entrepreneurs in the business model. In order to overcome these challenges, involving local stakeholders in co-creating solutions, inclusive business models and markets is commonly suggested in BOP literature, and co-creation at different levels is an integral part of the market entry process to BOP. These significant differences and challenges in entering BOP markets may, however, seem daunting to a company. A company entering a BOP market should therefore find new ways to overcome these challenges, and, as discussed next, multi-stakeholder partnerships especially with NGOs are suggested as a solution (London and Hart, 2004; Schuster and Holtbrügge, 2014).

2.2 Company-NGO partnerships supporting a BOP market entry

Partnerships with other organizations enable companies to gain strengths and resources that they are lacking (Gradl et al., 2010; Macdonald and Chrisp, 2005). When entering a new market, companies have traditionally partnered with large domestic firms and government organizations in the target market, for example, but at BOP such partners may be underdeveloped, unstable, or non-existent (London and Hart, 2004). Therefore, in order to acquire the necessary strengths and resources feasibly at BOP, and to overcome the challenges described in the previous section, companies need to turn to non-traditional partners such as NGOs, local governments, and local communities (Schuster and Holtbrügge, 2014).

Partnerships across multiple sectors, for example public, private and academia, are suggested to understand the local economic, social, and political context at BOP (Arora and Romijn, 2009; Follman, 2012). Schuster and Holtbrügge (2014) discuss the benefits of three types of partnerships at BOP, with NGOs, private businesses, and government. While private business partnerships support responding to local market conditions, and government partnerships may enable gradual policy changes that help
to overcome institutional limitations in the long run, NGO partnerships are found most important at BOP (Schuster and Holtbrügge, 2014).

Eventually the company should partner with BOP communities at grassroots level to involve the end-users in the business development (Simanis and Hart, 2008). Engaging and partnering with local community and opinion leaders, and fringe stakeholders through co-creation enables the company understanding local needs, opportunities, habits, and behavior patterns in depth for product and business model development (Arora and Romijn, 2009; Hammond, 2011; Krämer and Belz, 2008; London and Hart, 2011b; Schuster and Holtbrügge, 2012; Viswanathan, 2011).

Several authors (e.g. Follman, 2012; Gradl et al., 2010; London and Hart, 2011b; Schuster and Holtbrügge, 2014) highlight the importance of company-NGO partnerships in overcoming the diversity of challenges at BOP. NGO partnerships are crucial in understanding customer needs (Schuster and Holtbrügge, 2014), and responding feasibly to customer needs and to local market conditions are the key reasoning for company-NGO partnerships at BOP in general (Hahn and Gold, 2014). Overall, NGOs play an important role in providing an access to the communities and broader partner networks in the target market, and therefore act as a central partner in enabling grassroots-level co-creation at BOP and in connecting with other relevant stakeholders (Crawford-Mathis et al., 2010; Hahn and Gold, 2014; Simanis and Hart, 2008).

As discussed earlier, grassroots-level co-creation plays an important role in a BOP market entry. NGOs are particularly well-suited as co-creation partners at BOP as they often have been present for long periods of time in the target communities, and therefore can provide community access for the company, and have workers that have an in-depth understanding of the local culture, lives and habits (Schuster and Holtbrügge, 2014). NGOs’ local knowledge, extensive social networks, and the ability to cope with a diversity of stakeholders enable the company to overcome barriers of doing business at BOP (Webb et al., 2010). Since building necessary networks and acquiring local knowledge and social capital are difficult and time-consuming to gather and accumulate at BOP, company-NGO partnerships may in fact be the only feasible approach for companies to enter BOP markets (Hahn and Gold, 2014).
In the grassroots the NGO partner can enable the company to access communities and connect with the locals to engage in co-creating inclusive business models and solutions with the community members (Simanis and Hart, 2008). NGOs’ knowledge of the local conditions and needs fundamentally supports the business model co-creation at BOP, already prior to engaging with the communities at grassroots (Sridharan and Viswanathan, 2008). Company-NGO partnerships’ importance is underlined in product development (Hammond, 2011; Krämer and Belz, 2008), but NGOs also play a broader role in business model development in building business networks and linking the company with local producers and consumers through the NGOs’ social networks (Hammond, 2011). In building inclusive business models, the NGOs’ networks enable to identify and connect with the prospective partners, for example other organizations, and local producers and entrepreneurs (Crawford-Mathis et al., 2010; Gradl et al., 2010; Simanis and Hart, 2008). This provides the company an access to tangible key resources in the business model, and supports increasing the business model’s inclusiveness (Sridharan and Viswanathan, 2008; WBCSD, 2008).

However, authors suggest that NGOs of different size may have different roles in the partnerships. Small grassroots NGOs are the key sources of knowledge and expertise of local consumer needs and market conditions, they can provide access to local communities, and the company can benefit from the NGOs’ networks and social capital in general (Hahn and Gold, 2014). Due to their networks and social capital, the NGO partner can act as an intermediary between the company and broader community-level networks, such as other NGOs, entrepreneurs, suppliers and resources (Dahan et al., 2010; Hahn and Gold, 2014).

The NGOs’ accumulated trust, credibility, and knowledge on the local culture and lifestyles in BOP communities and among various stakeholders enable also the company to build trust, credibility and legitimacy with these stakeholders through the grassroots NGO partner (Brugmann and Prahalad, 2007; Krämer and Belz, 2008; Sridharan and Viswanathan, 2008). In order to engage in the co-creation process in the communities, trust building between the company and locals at BOP is important, since outside organizations might be welcomed with doubt due to negative history for example with development or government organizations (Kennedy and Novogratz, 2011; Viswanathan, 2011). Grassroots NGOs therefore appear to have an important role at grassroots level in a BOP market entry.
However, grassroots NGOs may be difficult to locate and connect with (Hahn and Gold, 2014; Simanis and Hart, 2008). Therefore, larger, possibly international NGOs could help companies to identify grassroots NGOs (Simanis and Hart, 2008), and function as an intermediary between the company and grassroots NGOs, and other stakeholders (Hahn and Gold, 2014). Hahn and Gold (2014) explored cases where INGOs had taken central intermediary roles in BOP ventures in partnerships with multinational firms, organizing the collaboration between the company, grassroots NGOs, and local broader socio-economic networks (Hahn and Gold, 2014). INGOs had also selected local distribution and sales partners for the company, acted as distributors themselves, and even had a 50% stake in a joint venture business, facilitating the business locally. (Hahn and Gold, 2014.) Large international NGOs could therefore be ideal partners for companies in coordinating the overall market entry and business set up, but eventually the company would need an access to grassroots-level organizations in order to gain knowledge of the local needs and conditions, as suggested by Hahn and Gold (2014).

As the previous example illustrates, partnering with NGOs can support doing business at BOP in general, especially in marketing, but also in overcoming institutional limitations that increase the cost of doing business at BOP (Reficco and Marquez, 2012; Webb et al., 2010). NGOs play an important role in setting up distribution networks in the challenging infrastructural conditions at BOP (Dahan et al., 2010; Sridharan and Viswanathan, 2008) through their own distribution networks, or through their local entrepreneur partners. A company could tap into these distribution networks through a NGO partner (Schuster and Holtbrügge, 2014), and by partnering with local entrepreneurs in distribution the company may benefit from the existing customer relationships between entrepreneurs and community members (Viswanathan, 2011). This also enables the company to gain specific knowledge on the local consumers through multiple channels, for example through NGOs and entrepreneurs (Sridharan and Viswanathan, 2008).

NGO partnerships may also enable the company to overcome the challenges in awareness building at BOP. NGOs’ trust and credibility in BOP communities, as well as their experience in utilizing awareness building methods suited to the conditions at BOP could be harnessed into building awareness on the company’s offering in order to build demand for it. At BOP traditional awareness building methods might be
inapplicable due to the unavailability of, or distrust towards traditional marketing methods, and due to illiteracy (Dahan et al., 2010; Kennedy and Novogratz, 2011).

Overall, companies and NGOs contribute complementing capabilities and resources into the partnerships (Dahan et al., 2010; Hahn and Gold, 2014). This enables companies and NGOs to create solutions (and deliver impact) that not one party could create alone, while accomplishing cost and risk minimization (Dahan et al., 2010). As already discussed, NGOs’ key contributions to the partnerships are their local knowledge, access to local communities, their networks and social capital, and these resources utilized in marketing activities. These support the company’s needs to respond to local needs and understand local conditions at BOP, and to connect with new consumer groups and find new supply chain partners (Dahan et al., 2010; Hahn and Gold, 2014.) Overall, NGOs provide vital knowledge and skills that the companies lack, while companies bring in organizational efficiency and robust business, marketing, and production expertise and capacity (Hahn and Gold, 2014).

Table 1: Capabilities and resources provided by company and NGO (Dahan et al., 2010, p. 330-331)

<table>
<thead>
<tr>
<th>Company</th>
<th>NGO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital</td>
<td>Market knowledge and expertise</td>
</tr>
<tr>
<td>Managerial capability</td>
<td>Brand value with own clients</td>
</tr>
<tr>
<td>Large-scale and global production capabilities</td>
<td>Trust of customers and gatekeepers</td>
</tr>
<tr>
<td>Legitimacy with other private-sector players</td>
<td>Legitimacy with civil society players and governments</td>
</tr>
<tr>
<td>Global sourcing</td>
<td>Relationships with global and local suppliers</td>
</tr>
<tr>
<td>Purchasing power</td>
<td>Access to sourcing and distribution</td>
</tr>
<tr>
<td>Brand value with consumers</td>
<td>Access to sourcing and distribution</td>
</tr>
</tbody>
</table>

2.3 NGO partner selection and compatibility
Finding a suitable NGO partner in the BOP market entry may prove difficult for a company for various reasons. For example, a NGO’s attitudes towards corporate collaboration, and the compatibility of the company’s and NGO’s values and agendas are important to consider in partnerships formation. Companies and NGOs have only recently discovered the potential in partnerships after viewing each other with doubt for decades (Webb et al., 2010), and have commonly been perceived as adversaries,
but both parties are increasingly realizing the potential of collaboration (Ählström and Sjöström, 2005; Rondinelli and London, 2003).

Ählström and Sjöström (2005) examine large international NGOs’ approach towards corporate collaboration, concluding that NGOs reluctant towards such partnership are afraid of compromising their independency and sovereignty. However, in successful partnerships at BOP, both the company and NGO should aim for interdependency in the partnership, and drop their ideological biases (London, 2011). The value created in the partnership must be in agreement with the agendas of both of the partners, and therefore the company should thoroughly understand the value its business model delivers, and consider the NGO partner’s agenda in the business model design (London, 2011). The NGO puts its reputation at stake in the partnership, further underlining the need to align the agendas and goals between the partners (Hahn and Gold, 2014). Therefore, the value of company-NGO partnerships is realized when the organizations share common goals creating value for both partners, and for the broader society (Hammond, 2011).

Dahan et al. (2010) suggest summarize strategic factors essential for successful company-NGO partnerships, discussing both the purposes of the partnerships, as well as selection criteria:

1. Inside the partnership the parties should have capabilities that can be combined into the venture, and that are complementary in relation to market research, product development, awareness building, as well as to production, procurement, and distribution. However, it may be challenging for a corporation to identify and access such capabilities of the NGO partner.
2. Trust, and the compatibility of the organizational cultures are critical elements for corporate-NGO partnership success, and the lack of them may deteriorate an otherwise well-matching partnership.
3. In order to overcome the possible limitations in infrastructure, marketing, distribution, and services in the BOP environment, the company should outsource related activities to an NGO. Moreover, the partners should contribute into developing and supporting the local business ecosystem to build further partnerships, and to overcome the local limitations in conducting
business. Local businesses could also be involved in product development, as they possess valuable first-hand knowledge.

Partner networks are especially highlighted as a criteria in NGO partner selection. When selecting a partner, Gradl et al. (2010) highlight especially the importance of the NGO’s networks – how well the partner is connected to local community, distributors, government, or any other entities that are crucial to the BOP market entry, and the possibilities to utilize the resources in the partner’s network. In connection, Hahn and Gold (2014) state that large NGOs’ broad networks and their ability to facilitate collaboration with organizations such as grassroots NGOs is their core competence in partnerships.

However, as already previously mentioned, large and small NGOs may have different roles in the partnerships: large NGOs may be better suited for an overall coordinating role, while small NGOs have deeper community level presence, knowledge and access, making them better suited partners for grassroots co-creation. A company should find participatory development-oriented NGOs that are socially embedded in the BOP communities, as well as entrepreneurial and open towards new capacity learning (Simanis and Hart, 2008) in order to engage in co-creation with the communities. Grassroots NGOs that located in the community, and that have staff from the community are more likely to be socially embedded than other NGOs, and therefore better suitable as co-creation partners. However, as mentioned, such NGOs may be difficult to identify and locate, and larger NGOs operating in the target area could be utilized to track and create connections with them. (Simanis and Hart, 2008.)

Practical challenges may also arise in company-NGO partnerships. Fitting together the different organizational cultures and working methods could prove to be a great challenge, and some companies may have difficulty in understanding the need for NGO partnerships at BOP, and to leave possible arrogance behind (Hahn and Gold, 2014). Different governance mechanisms may set further challenges for company-NGO partnerships, especially when partnering with small grassroots NGOs. Such NGOs are the key partners in enabling co-creation in BOP communities, but in contrast to common corporate governance mechanisms, they often follow informal governance mechanisms, possibly not relying on written contracts, for example. Establishing long-term commitment and capacity building between the foreign
company and grassroots NGO partners is therefore often facilitated by a larger NGO that is familiar and comfortable with the informal governance mechanisms that are utilized with grassroots NGOs. (Hahn and Gold, 2014.) Further supporting the large NGOs intermediary role, knowledge transfer from an NGO to company is more effective with large NGOs that share a somewhat similar mindset and organization with the company, than with small grassroots NGOs (Hahn and Gold, 2014).

Therefore, to summarize, companies may need to partner with different types of NGOs in their BOP market entry. Grassroots NGOs provide community access and knowledge, and have a deep community level presence, making them therefore well suited as co-creation partners. However, they may be difficult to track, and the informal governance mechanisms may complicate a direct partnership between a company and a grassroots NGO. Therefore, a large, possibly international NGO that is networked with grassroots NGOs and is able to manage partnerships with them through informal governance mechanisms may be better suited for a company as the direct NGO partner in a BOP market entry. Since the organizational structure and governance mechanisms of a large international NGO may be somewhat similar to a company, the NGO could even take overall responsibility for coordinating the BOP venture, enabling the company to overcome a multitude of challenges through the partnership and through the networks to which the company gains access through it.

2.4 Inclusive business models in a BOP market entry
As explained earlier, company-NGO partnerships provide the company an access to such stakeholder networks that enable involving communities and other local relevant actors in co-creating new offering and business models, and in including locals in the business throughout the value chain. Due to the somewhat broad coverage in BOP literature (e.g. Gradl and Jenkins, 2011; London and Hart, 2011b; Michelini and Fiorentino, 2012; WBCSD, 2008) it appears that inclusive business models are an integral part of a BOP market entry. A company should not be targeting the BOP merely as a consumer mass, but should focus on inclusiveness by including the community members in the business model as producers and distributors, for example (Gradl and Jenkins, 2011; WBCSD, 2008). Local communities are therefore involved throughout the value chain, which potentially increases local income and improves the availability of products and services. Therefore, overall, inclusive business
contributes to improving living conditions and eradicating poverty in the long run, and supports the profitability of the business. (WBCSD, 2008.)

In order to understand the building blocks of an inclusive business model, authors (Márquez et al., 2010; Michelini and Fiorentino, 2012) have utilized Osterwalder's, (2010) business model canvas. A business model consists of nine building blocks, and “describes the rationale of how an organization creates, delivers, and captures value” (Osterwalder, 2010, p. 14). The nine building blocks are value propositions, channels, customer segment, customer relationships, revenue streams, key resources, key activities, key partnerships, and cost structure (Osterwalder, 2010).

In the light of the BOP market entry and partnership literature reviewed in this study, the value proposition, key partnerships, and channels blocks stand out. In the core of the business model is the value proposition-block that refers to a product or service, delivering specific value to meet the needs of a customer segment (Osterwalder, 2010). In a BOP market entry the value proposition should be co-created with local community members and other stakeholders (London and Hart, 2011b), which is enabled by the community access through company-NGO partnership (Simanis and Hart, 2008; Sridharan and Viswanathan, 2008; WBCSD, 2008). The co-created value propositions should be open-ended, enabling individuals to define the value of the solution from the perspective of their own needs and situation (Simanis, 2011), leaving room for unexpected applications (Viswanathan, 2011; Viswanathan and Sridharan, 2012).

Partnerships are highlighted also in the business model canvas, since it is considered infeasible for a company to attempt to obtain and own all resources, and to perform all activities on its own (Osterwalder, 2010), which is in line with BOP partnership literature (e.g Hahn and Gold, 2014; Schuster and Holtbrügge, 2014). Channels refer to building awareness and distribution networks (Osterwalder, 2010), where NGO partners may play an important role in adapting to local distribution and communication infrastructures (e.g. Dahan et al., 2010; Kennedy and Novogratz, 2011; Viswanathan, 2011).

However, when designing an inclusive business model and planning its implementation in a BOP market entry, companies commonly need to depart from market entry and marketing methods that are commonly utilized in developed
markets. As mentioned before, traditional international business market entry and expansion theories such as the Uppsala model (Johanson and Vahlne, 1977) may not apply at BOP (Schuster and Holtbrügge, 2012), and similarly, several authors suggest that companies should also give up traditional marketing theories, such as the 4Ps, in BOP market entry (Anderson and Billou, 2007; Prahalad, 2012; Sridharan and Viswanathan, 2008). The 4Ps marketing mix stands for product, place, price and promotion, but is criticized for focusing on internal resources management instead of the customer (Sridharan and Viswanathan, 2008). Customer-centric viewpoint is emphasized at BOP since it enables companies to genuinely understand the needs and opportunities at BOP, and to develop an offering that responds to the immediate needs of the people at grassroots accordingly (Follman, 2012). Therefore, instead of the 4Ps, companies should utilize a 4As marketing paradigm. The 4As stand for awareness, affordability, availability/access, and acceptability. (Anderson and Billou, 2007; Prahalad, 2012; Sridharan and Viswanathan, 2008.)

<table>
<thead>
<tr>
<th>Availability/Access</th>
<th>Affordability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Making products available in the challenging distribution conditions at BOP, ensuring an uninterrupted supply that strengthens trust</td>
<td>Matching the price with the very low and unstable income at BOP</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Acceptability</th>
<th>Awareness</th>
</tr>
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<tbody>
<tr>
<td>Adapting products to local needs, considering both customers and distributors, and local cultural or socioeconomic aspects</td>
<td>Building awareness of the availability, purpose, and use of a product among consumers and producers, possibly in the absence of traditional marketing media at BOP</td>
</tr>
</tbody>
</table>

Due to the generally low disposable income of consumers at the BOP, the requirement for affordability sets significant challenges in business model and value proposition design. The value proposition, possibly supported by innovative distribution and payment methods, must match with the low and unstable income that people in the BOP commonly receive on daily, not on weekly or monthly basis (Anderson and Markides, 2006). In the most challenging case the company must be able to set the price point low enough for products to be affordable to even the poorest
at the BOP (Anderson and Billou, 2007). However, it should be kept in mind that the BOP income segments reach to 3000$ (PPP) annual income by definition (Prahalad, 2005), and a company may choose to not target for example those at the subsistence level in a BOP market entry.

Kennedy and Novogratz (2011) argue that cost reductions can be achieved without forgoing quality, using Aravind Eye Care, which relies on scale, paraskilling and resource optimization, as well as progressive pricing, as an example of high quality delivered at affordable prices at the BOP. Gollakota et al. (2010) suggest that in their offering companies intending to serve the BOP should remove any elements that add cost, other than the identified core value in order to achieve affordability. However, Sridharan and Viswanathan (2008) underline that consumers at the BOP are willing to pay higher price for products and services, which cater their needs well, delivering high value, which contradicts with the affordability requirements for a value proposition.

The issue of affordability can, however, be even more complicated at BOP. An affordable and attractive offering may not be enough, since individuals must commonly focus on the immediate survival in their daily lives, and therefore tend to be risk-averse in their purchase decisions (Kennedy and Novogratz, 2011). Having to retain liquidity for unexpected urgent needs such as medicine, therefore possibly being unable to plan ahead, the consumers at BOP could have difficulties to evaluate complex value propositions beyond the price. Value propositions delivering long-term benefits such as time savings, for example, might be difficult to sell at the BOP, and should be communicated very carefully. (Sridharan and Viswanathan, 2008; Viswanathan, 2011.) Moreover, consumers might choose a product with low initial cost over long-term cost savings simply due to the high chance of accidental breakup, or the product not lasting as long as promised, and products with no brand reputation or no track record of reliable long-term performance are received with suspicion (Kennedy and Novogratz, 2011).

Therefore, in order to communicate the value proposition to the end users, building awareness as part of marketing of the offering seems equally critical at BOP as in developed markets. In the 4As paradigm awareness refers to making the product or service known to the consumers at the BOP - what is offered, and how it is used
Awareness building also extends beyond the end-users only, since also suppliers and distributors should be educated well enough on the benefits in order for them to introduce the new offering to clients. Supplier and distributor capacity building through skills training and coaching supports utilizing the new product benefits more effectively, and also strengthens the inclusiveness of the business. (Gradl and Jenkins, 2011.)

Kennedy and Novogratz (2011) explain how in the case of Water Health International (WHI) non-traditional communication methods were utilized in awareness building, since traditional marketing media was not trusted, but ignored by the locals. Village information sessions with product demonstrations, and interaction between the villagers and the company representatives were conducted in educating the locals, communicating the value proposition to, and building trust among the villagers, thus creating demand for the offering and increasing its acceptability. (Kennedy and Novogratz, 2011.) Similarly, in the case of Tetra Pak, awareness was built through educating consumers and children on dairy farming, nutrition, and environment, communicating the product benefits, and contributing to market creation (Ricart et al., 2006). The previous cases illustrate how building awareness is challenging at BOP, where consumers often cannot be reached through conventional marketing media, or do not trust them, and therefore alternative awareness building tools are required (Anderson and Billou, 2007). Since the aim is to introduce new and unique products at BOP, the consumers possibly have no previous experience or knowledge of the type of value and benefits the product or service would deliver, awareness building is crucial in order for consumers at BOP to understand the value proposition, and to justify the cost (Anderson and Markides, 2006; Viswanathan, 2011).

Further complicating the situation, illiteracy and lacking consumer skills hamper awareness building, requiring companies to develop unique and novel awareness building methods at BOP (Viswanathan, 2011). Sridharan and Viswanathan (2008) suggest involving local social networks at the BOP in the awareness building process, arguing that utilizing word-of-mouth and free flow of information is more effective at the BOP than relying on one-way abstract marketing (which is common in developed markets), and the interactive communication also enables feedback to the company. In addition to word of mouth, opinion leader partnerships and community dialogue
should be utilized in the awareness building process, and visualization is an effective way to overcome illiteracy. (Sridharan and Viswanathan, 2008; Viswanathan, 2011.)

The previously mentioned example of WHI demonstrates the challenges in acceptability. Having to pay for basic utilities such as clean water, when not being able to distinguish the difference between clean and dirty water by eye, can be difficult to justify for individuals at BOP (Kennedy and Novogratz, 2011). In the 4As paradigm acceptability signifies the importance of understanding and responding to local unique needs and cultural or socioeconomic characteristics and business practices, when designing the value proposition and business model as part of the BOP market entry (Anderson and Billou, 2007; Anderson and Markides, 2006). All parties in the value chain, and especially the end users, should be taken into consideration when estimating the acceptability of a product or service from consumer, distributor, or seller perspectives (Anderson and Billou, 2007). Overall, the requirement for acceptability underlines the heterogeneity and importance to understand conditions specifically at each BOP market (in different locations and of various sizes) (Arora and Romijn, 2009).

Availability refers to making the products or services available to consumers in the challenging distribution conditions at the BOP, where distribution channels may be underdeveloped or nonexistent. Prahalad (2012) discusses similar challenges under the term access, underlining the difficulty of reaching BOP consumers in rural, and other difficult-to-reach areas cost effectively when distances may be long, and the delivery infrastructure may be underdeveloped. Overall, poor infrastructure, widely and sparsely spread rural population, and fragmented or non-existent markets set great challenges to the delivery of the company’s offering (Anderson and Billou, 2007; Prahalad, 2005; Simanis, 2011). Similarly, as in awareness building, local networks should be utilized in distribution. Viswanathan (2011) gives an example where the venture can benefit from local existing distribution networks and from partnering with existing local shopkeepers, who have developed loyal customer relationships through flexibility in terms of payment, and through side-services that the local consumers value high.

Overall, the 4As appear as relevant and critical factors in shaping business model design and the market entry to BOP. However, the awareness and acceptability
factors raise a possible question of conflict of interests. Overall, the importance of understanding local needs in a BOP market entry is underlined in BOP literature (London and Hart, 2011a; Prahalad, 2005; Schuster and Holtbrügge, 2014; Viswanathan, 2011), but Arora and Romijn (2009) warn that organizations might interpret local needs in ways that are favorable for their current offering. Meanwhile, understanding local cultural and socioeconomic conditions is underlined as part of understanding local needs in shaping the acceptability of an offering (Anderson and Billou, 2007; Anderson and Markides, 2006), but yet previous examples show that through awareness building methods individuals at BOP may be distanced from their traditions towards modern consumerism (Arora and Romijn, 2009). It is therefore questionable if companies are ready to submit to, and if the offering actually serves the true local needs and aspirations, when such significant effort is put into persuading locals at BOP to increasing the acceptability of an offering through non-traditional marketing methods. Nevertheless, the 4As provide a framework to apply in BOP market entries, and NGOs can play an important role in achieving the affordability, acceptability, awareness, availability of an offering targeted at BOP.

2.5 Company-community co-creation approaches in a BOP market entry

As discussed, when entering a BOP market, a company should develop new and unique products and services in order to respond to local needs affordably and effectively (Prahalad, 2005). The company should abandon the idea of importing existing solutions marketed in developed countries, and unlearn pre-existing conceptions that could limit the ability to create an innovative offering that responds to local needs at BOP (Viswanathan, 2011). NGO partnerships provide the company an initial understanding of the local needs and conditions at BOP (Hahn and Gold, 2014; Schuster and Holtbrügge, 2014), but building a deeper understanding through direct community engagement, embeddedness, immersion, and human-centric design approach is necessary to be able to develop solutions that meet with the local needs (Kennedy and Novogratz, 2011; London, 2011; Whitney, 2011). Companies should engage with BOP communities in co-creating products and services and even whole inclusive business models and markets in a BOP market entry (Simanis and Hart, 2008), but for this the company needs a community access. Here NGO partnerships play a crucial role, enabling the company to access BOP communities where the
NGOs have built presence and accumulated trust with locals (Crawford-Mathis et al., 2010; Dahan et al., 2010; Hahn and Gold, 2014; Schuster and Holtbrügge, 2014).

Authors describe the company-community level engagement in detail by discussing embeddedness (London, 2011) and immersion (Kennedy and Novogratz, 2011; Viswanathan, 2011). Community embeddedness and immersion in the co-creation process enable the company to gain detailed understanding of the local social and economic contexts, and to build expertise and personal connections at BOP (London, 2011; Viswanathan, 2011). The company should immerse itself in the community by observing and interacting in everyday life situations with the potential end-users in order to effectively understand the habits, action, and behavior patterns of the people (Kennedy and Novogratz, 2011). While attempting to understand the local context, the company should focus on what the individuals are striving to achieve through their actions instead of observing only the concrete action, observing phenomena broadly. This approach creates room for previously unimaginable and novel innovations, which is necessary in a BOP market entry. (Whitney, 2011.)

Immersion delves into understanding factors directly related to the business model, such as product’s suitability and usage patterns and its social benefits, importance of opinion leaders and word of mouth, as well as social structures and ties at broader level and opportunities for wealth creation (Viswanathan, 2011). In the process mutually beneficial relationships with local stakeholders of various types should be developed, and in interpreting the knowledge gained, the company should focus on leveraging identified opportunities instead of focusing only on the existing limitations and problems. In order to build relationship of trust and mutual respect that enable immersion in the co-creation process, the contribution of the locals at BOP in the dialogue and interaction process should be honored. (London, 2011.)

Supporting embeddedness and immersion, Kennedy and Novogratz (2011, p. 56) emphasize that “human-centric design thinking” is a key component in creating valued, affordable, and efficiently delivered solutions at the BOP. “The point is to better understand the way people think, feel, and live at the BOP before, during, and after designing products or services” (Kennedy and Novogratz, 2011, p. 57). In the case of D.light designers immersed themselves with the village life by spending extensive amounts time in the village in order to understand the needs of the villagers,
and their habits and usage patterns. The D.light staff was constantly present in the village, enabling continuous product development through direct feedback from the users, practically demonstrating the human-centric design thinking approach in co-creating the offering. (Kennedy and Novogratz, 2011.)

During the co-creation process the complexity of the overall partnership network increases, as the company should involve a broad representation parties with expert knowledge of the local conditions in the process. For example, NGOs, community organizations, self-help group leaders, vendors, and local opinion leaders play an important role, but crucially, also local individuals should be involved directly (Arora and Romijn, 2009; Viswanathan, 2011). So-called lead users, who have innovatively and creatively developed makeshift solutions to meet their needs with no available solution in the market, could play a key role in product co-creation at BOP. In such bricogale approach initially the product co-creation begins with a locally suited solution that utilizes simple technology, and the development proceeds based on local feedback. (Viswanathan, 2011.)

However, selecting the co-creation partners presents new challenges for the company. The company should keep local BOP heterogeneity in mind, and ensure equal local community representation, keeping in mind wealth and income disparity, and unequal power distribution. If the goal is to serve the poorest, the most underprivileged and those with greatest constraints in the community should be included in the co-creation. The situation is complicated however, since BOP communities’ power elite often function as the community entry point, and the power elite’s interests might therefore be relatively over-represented in the co-creation process. (Arora and Romijn, 2009.)

Broad local stakeholder involvement, and especially involving local individuals in the co-creation process, underlines the human-centric approach of the co-creation process. Such approach can enable innovations unimaginable to the foreign team, since the consumers at BOP involved in the co-creation process are often experts in reusing and recycling, in finding alternative ways to utilize scarce resources, and in creating makeshift solutions from them. However, while the individuals at BOP know how to survive in the resource-scarce conditions, they may have challenges to think outside their imminent circumstances in the co-creation process. (Viswanathan,
Moreover, co-creation should be conducted with care, since the technical knowledge and expertise of the company might unintentionally guide the needs interpretation and co-creation process to a direction that produces a desired outcome matching with the company’s offering, limiting the emergence of new solutions (Arora and Romijn, 2009).

Regardless, community embeddedness and immersion, and human-centric approach appear as promising methods as part of the co-creation processes in a BOP market entry in developing products, services, inclusive business models, and markets at BOP. However, they also present a diversity of new challenges for a company entering BOP, since such methods are often unknown when entering developed markets. Therefore, in order to understand the process better, the practicalities of community-level co-creation are explored further in following.

2.6 Practicalities of community-level co-creation

Simanis and Hart (2008) have developed the “BOP protocol” that sheds light into the different stages of co-creating business models and products and services in practice. Similarly as in partnership literature (e.g. Dahan et al., 2010), the guide suggests that engaging in co-creation with local communities and NGOs enables the company and other involved parties to exceed their individual capabilities and imagination in creating new concepts that serve the local needs. The BOP protocol provides step-by-step guidelines for developing a business model and an offering as part of it, as well as for scaling up the business at BOP later. However, it should be noted that at the time of publishing the second edition of the guide, it is still based on a very limited number of cases and limited academic research.

The guide splits the processes of entering a BOP market into three stages: Pre-field processes that cover setting up a team, and selecting target site and local community partners; in-field processes that are the core of the protocol and take place in the communities; and finally the processes of scaling out the business. NGO partners play a central role in the protocol, functioning not merely as a bridge between the company and the community, but as a mediating partner sustaining the discussion between them. (Simanis and Hart, 2008.) In order to understand better the community’s and NGOs’ roles in the co-creation process, the in-field processes are explained in detail in following.
In the first phase a company immerses itself into the community, and builds trust and understanding through participatory co-creation workshops with a group of community members of diverse representation, creating a business concept as an outcome. The NGO partner plays an important role in enabling deep dialogue between the company and the community, and in making ethnographic research possible. By utilizing the NGO partner’s social networks, a project team of equal community representation is built, and participatory workshops strengthen the level of understanding, relationship and trust between the company and the community. Finally the community members are engaged in developing a business concept, aiming to develop such a concept that combines the parties’ complementing capabilities and activities. (Simanis and Hart, 2008).

The process continues to the second phase of building an ecosystem and a preliminary business model prototype together with the community members and other partners, through broader community engagement. This increases community involvement in building a new business. The local NGO partner’s role shifts from actively bridging the company and the community to acting as advisor and into guiding the project in the background. Community members bear increasing responsibility over co-creating the business, underlining the importance of having a diverse local project team. Commitment and a shared identity among the involved parties are built through group activities such as role-play. Furthermore, gaps in the company’s skills and knowledge are identified with the local NGO partner, and the process advances to prototyping, where community involvement broadens further. (Simanis and Hart, 2008.)

In the third phase the company team builds a local organization capable of creating a business based on the prototype developed in the second phase. This increases community’s ownership in the business further, and contributes to building a local market base already when setting up the business. The NGO partner’s role shifts further to background, and the company team works increasingly independently with the local community, which requires a high level of trust and understanding between the parties. Both the company and community members’ skills on operating a business are strengthened, and the company develops skills for scaling out the business later. Efforts for market co-creation increase by integrating the business and brand into the minds of the broader community, beyond those involved in co-creating the business. Community involvement also extends to including locals in the supply
chain, to providing resources and services, which creates interdependence between the company and the community, and increases the inclusiveness of the business model. If successful, in following stages the level of sophistication of the business increases, new business and sourcing opportunities are sought, and the business is scaled out further. (Simanis and Hart, 2008.)

However, as mentioned earlier, markets may be non-existent at BOP (Prahalad, 2005; Simanis, 2011), i.e. there is no demand for the company’s offering. Even affordable, innovative new solutions catering the unmet needs at the BOP have failed due to low demand, not because there was no room for the product in the market, but because the consumers at BOP had not understood the value, and purpose of them (Simanis, 2011), and therefore no market for the product existed. Individuals at BOP might completely lack knowledge and experience of the new and unique solutions designed specifically for the BOP market (Anderson and Markides, 2006; Viswanathan, 2011), making it difficult to understand the value of the company’s offering. Markets need therefore to be co-created at BOP as part of the BOP market entry, for example simultaneously with the process of co-creating an offering and a business model (Simanis and Hart, 2008), or through awareness building suited to the local conditions (Kennedy and Novogratz, 2011; Ricart et al., 2006; Simanis, 2011).

Co-creating market base occurs already as part of the phases of the BOP protocol through increasing community involvement (Simanis and Hart, 2008), but Simanis and Hart (2009) take market creation further with the “embedded innovation paradigm”. A whole new community is created around the company during co-creating the business model and offering with locals, and the community development and company strategy go hand in hand. Broad community engagement during the co-creation process aims at shaping and creating new identities, behavior, and habits, thus creating an ecosystem in which the company values are adopted by local individuals and institutions. (Simanis and Hart, 2009.) Deep embedding of the solutions into the lives of people during the co-creation process enables gradual adjustment of lifestyle and behavioral changes (Simanis, 2011), enabling market base to build up while the offering business model are still being developed. However, Arora and Romijn (2009) warn that such transformative process of adjusting thinking and habits of the locals might also lead to destruction of existing value in the community.
To conclude, the BOP protocol partially resonates with BOP partnership literature. In the initial stages of the BOP market entry the NGO partner’s intermediary role (Hahn and Gold, 2014) is evident at community level, and the NGO plays a crucial role in enabling an access to a community and in building trust between the company and the community (Kennedy and Novogratz, 2011; Viswanathan, 2011). However, the intermediary role does not seem to continue to the same as could be assumed by Hahn and Gold’s (2014) suggestions, where a company operates a business at BOP jointly with an NGO. Moreover, the BOP protocol does not discuss NGO partner’s role for example in building awareness in the challenging conditions at BOP, where alternative awareness building methods that the NGOs master may be required (Kennedy and Novogratz, 2011). Overall, the BOP protocol suggests that once the community involvement in the co-creation process increases, the NGO moves to background, and the local company-community team becomes increasingly independent from the NGO in co-creating and scaling out the business (Simanis and Hart, 2008). This suggestion is intriguing, but it is questionable if a company can manage the co-creation process as part of the BOP market entry as independently from the NGO partner as suggested, keeping in mind the challenges involved.

2.7 Summary: NGO partner supporting a BOP market entry

The literature review answers to how a NGO partner can support a company in a BOP market entry, and what are key compatibility factors in the partnership. However, the literature also covered the BOP market environment, and BOP market entry goals, practicalities and particularities, especially the co-creation processes. This helps to understand the context where the partnerships take place, and expands the scope of activities where the NGO partner can support a company.

To summarize, BOP markets provide companies new business opportunities, but also opportunities to create positive social impact through the offering and business model (London and Hart, 2011a; Prahalad, 2005). The need for new market entrants at BOP is evident since BOP markets are often underserved (Kennedy and Novogratz, 2011; London, 2011; Prahalad, 2012; Schuster and Holtbrügge, 2012; Viswanathan and Sridharan, 2012), but the market entry and marketing methods differ from entering developed markets significantly (Anderson and Billou, 2007; Prahalad, 2012; Schuster and Holtbrügge, 2012; Sridharan and Viswanathan, 2008). Due to poor infrastructure, low income, and underdeveloped institutional environment, for
example, the market entrant faces an array of challenges it might not have encountered before. Moreover, when entering a BOP market, the company should engage in co-creation with the end customers and other stakeholders in order to develop new solutions that truly meet local needs, and to build inclusive business models to create livelihood opportunities (London and Hart, 2011a; Nakata, 2012; Prahalad, 2005; Simanis and Hart, 2008).

Overcoming these challenges and requirements may seem like a daunting task for a company, and overcoming the challenges alone would be infeasible or even impossible for the entrant. However, stable and reliable partners of traditional kind, such as local companies, are often of short supply or nonexistent at BOP (London and Hart, 2004). That is why non-traditional partnerships with NGOs are suggested as a solution to overcome the challenges in a BOP market entry (Follman, 2012; Gradl and Jenkins, 2011; London and Hart, 2011a; Schuster and Holtbrügge, 2014).

However, the literature discusses NGOs as a mass of organizations, but contributes little to understanding the different types of NGOs and their potentially different roles. Authors suggest that grassroots NGOs would be the key source of community-level knowledge and access to community-level networks (Schuster and Holtbrügge, 2014; Simanis and Hart, 2008), and that INGOs can function as a business partner and an intermediary (Hahn and Gold, 2014), but do not contribute to further categorization of NGOs. Furthermore, while BOP markets are discussed as heterogeneous inside and between the markets, this heterogeneity perspective does not seem to apply into defining the NGO partners’ roles market-specifically, but similar challenges are expected to exist in every BOP market. Therefore, in the summary below NGOs are categorized into the vague types of grassroots and international NGOs only.
Figure 1 illustrates a situation where an INGO partners with a company as an intermediary in the BOP market entry, managing partnerships with grassroots NGOs, and other stakeholders, such as academia and government. The grassroots NGO then provides an access to community-level stakeholders, and facilitates co-creation at the grassroots. This figure is loosely based on BOP literature, and especially underlines Hahn and Gold's (2014) suggestion that INGO functions as an intermediary and key partner with the company, and that grassroots NGOs provide knowledge on and access to BOP communities (Simanis and Hart, 2008). The figure is a simplified illustration, since in reality the linkages between different stakeholders would probably be more complex, and the stakeholder map would be more diverse.

By mapping how an NGO can support a company in a BOP market entry, and by understanding the key compatibility factors between the partners, it can be understood how the NGO partnership enables a company to overcome the challenges in a BOP market entry, and what determines the suitability of a NGO partner. The following list roughly summarizes the literature review:
Table 3: NGOs' supporting roles and compatibility factors as partners in a BOP market entry (adapted from literature)

<table>
<thead>
<tr>
<th>Grassroots NGOs’ supporting roles</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provide knowledge on community-level needs and local conditions</td>
</tr>
<tr>
<td>Provide a community access for co-creation and deeper immersion to understand local needs and conditions in-depth</td>
</tr>
<tr>
<td>Build trust and credibility between the company and community through its long community presence and accumulated social capital</td>
</tr>
<tr>
<td>Function as a mediator between the company, community, and other relevant stakeholders in co-creation</td>
</tr>
<tr>
<td>Facilitate the community-level co-creation process and ensure broad and equal local representation in the co-creation process</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Large (international) NGOs’ supporting roles</th>
</tr>
</thead>
<tbody>
<tr>
<td>Participate in the business by carrying out central activities, or even by becoming a joint venture partner</td>
</tr>
<tr>
<td>Function as an intermediary between the company and smaller NGOs that are difficult to track and have informal governance mechanisms</td>
</tr>
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</table>

<table>
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<tr>
<th>Roles common for both types of NGOs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Utilize its marketing and distribution networks in supporting the business</td>
</tr>
<tr>
<td>Support a company in overcoming immediate institutional limitations</td>
</tr>
<tr>
<td>Support marketing and distribution to meet with the 4As challenge (affordability, acceptability, awareness, availability) through the NGO’s distribution networks, and by utilizing locally suited awareness building methods in marketing and market creation</td>
</tr>
<tr>
<td>Link the company to local relevant partners through its networks, such as producers and distributors (that could be included in the business model), NGOs, government, academia, or other stakeholders</td>
</tr>
<tr>
<td>Company and NGO provide complementing capabilities that enable both parties to achieve what they could not achieve on their own</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Compatibility factors</th>
</tr>
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<tbody>
<tr>
<td>NGO should be willing to partner with a company, and the NGOs’ values should be compatible with the company’s agenda</td>
</tr>
<tr>
<td>NGO should have such organizational culture and governance mechanisms that the company can manage with, and which enable efficient collaboration.</td>
</tr>
<tr>
<td>NGO should be participatory-oriented with strong community presence</td>
</tr>
</tbody>
</table>
These roles and contributions of a NGO partner support the company’s BOP market entry as a whole. They enable the company to engage in community-level co-creation in order to develop inclusive business models and create markets for their solutions, and to understand local needs, opportunities and challenges in order to develop an offering that responds to them. Overall the NGO partnerships enable the company to depart from traditional international business market entry and marketing methods, and to respond to the challenges of 4As (affordability, awareness, availability, acceptability), for example. The NGO partner’s roles and key contributions fill the gap that is left due to the lack of traditional partners in the BOP market. Moreover, due to the need of deep engagement with and understanding of local needs and conditions, through their long presence and established social capital NGO partners might indeed be the only potential partner to overcome some of the challenges in the BOP market entry.

3 State-corporatism and the Chinese NGO sector

The state corporatist governance system in China strongly influences the Chinese NGOs’ operating environment. In this chapter this relation and its implications are explored deeper in order to build an understanding of the specific operating conditions of Chinese NGOs, and the emergence and development of the NGO sector in China. The following empirical findings chapter then provides actual insights to these issues from the field.

Several authors have described the Chinese governance system in the current era corporatist, although with certain variations and reservations (Kojima et al., 2012). The Chinese governance system shares characteristics with corporatism, with interest representation being organized to a limited number of bodies which are licensed or created by the state, and which have monopoly in their fields of control. The state participates in selection of the leaders of these bodies, and influences their decision-making. (Schmitter, 1974.)

Schmitter (1974) describes this state corporatism, where the society is state-dependent and state-penetrated, and the party-state exercises control throughout the society, and has centralized authority. However, the characteristics of Chinese state corporatism are disputed, and it is argued that China is progressing towards societal corporatism,
which is autonomous and state-penetrating by nature (Kojima et al., 2012). Nevertheless, Holbig (2006) argues that while the formal structures of Chinese state corporatism are fragmenting over time, state corporatism does not disintegrate since institutions and individuals have room to negotiate their interests in the party-state controlled corporatist system.

The Chinese state-penetrated corporatist system may partially explain why the independency and credibility of Chinese NGOs has been viewed with suspicion outside China, as was the case in the early interviews of this study. In relation, Saich (2000) criticizes that viewing China through the lens of state corporatism framework is inadequate and misleading, possibly leading to an oversimplification of the complex state-society interaction, and ignoring NGOs’ potential as change makers. Combined with Holbig's (2006) view that institutions have room to negotiate their interests in the state corporatist system, no generalizations can be done on the independency of Chinese NGOs, but it should be evaluated case by case.

The Chinese NGO sector has its special characteristics. NGOs need to stay careful with political activities, and the government blends with the NGOs to a varying extent. The spectrum of organizations considered to belong under the umbrella of NGOs is broad in China, ranging from GONGOs (government NGO) to unregistered public interest organizations with no legal status. In between are the officially registered NGOs, and for example NGO-like organizations registered as businesses. The GONGOs are established and managed by government officials, but grassroots NGOs established by private individuals with no state connections also exist in vast numbers. In between exist organizations that originated as GONGOs, but have detached themselves from the government over time, and grassroots NGOs that have created a bond with a government institution for the sake of legitimacy, while yet remaining a grassroots organization. However, numerous NGOs are registered as a business or lack any registration status at all due to the complex NGO registration process. (China Development Brief, 2013a.)

The number of public interest NGOs in China is in hundreds of thousands, or in millions, depending on the scope of what type and scale of organizations are included in the count. In general however, the organizations are small, young, and operate on a small budget. (China Development Brief, 2013a.) NGOs began proliferating in
response to the problems resulting partially from economic liberalization starting in 1980s that has created economic development, but also environmental and social problems alongside it (Hsu and Hasmath, 2014). The party-state’s role in social development and public services providing has reduced since 1980s through government downsizing, opening businesses and NGOs space to take over responsibilities in providing related services. The party-state has increasingly shifted from direct control of economic and social areas to exercising control through separate proxies at different government levels, for example, to whom it indirectly provides guiding. (Kojima et al., 2012.) This illustrates the state corporatist system and shapes the circumstances Chinese NGOs operate in.

The NGO sectors emergence has been very recent, however, since in 1980s an independent NGO sector was nonexistent, and in 1990s only few independent NGOs existed in China. Recently NGOs have gained an increasing role in providing services in education, economic development, disaster relief, and social welfare services. Central and provincial government actors have recently been encouraged to engage with NGOs in providing such services, complementing the government efforts. (China Development Brief, 2013a; Hsu and Hasmath, 2014.)

However, the independency of Chinese NGOs is strongly questionable when observing the presence and influence of state corporatism in the operational environment of the NGO sector. A NGO regulatory framework was set up in the aftermath of the Tiananmen Square events in 1989, and the central government exercises power on NGOs through proxies, such as the Ministry of Civil Affairs (MCA), and the state departments and units sponsoring NGO registration. NGOs must register with the MCA, which also has the responsibility of managing the NGO sector, with power to issue warnings and cancel an organization’s registration. However, prior to the registration with MCA, NGOs must find a sponsoring government department. A government unit has little incentive to sponsor an NGO registration since an NGO could become a liability to the sponsoring government unit, and therefore many NGOs fail to find a government sponsor, and might remain unregistered (and therefore illegal), or register as a business, for example. Furthermore, the decision-making of a registered NGO requires the approval of the sponsor, adding to paperwork, and limiting the autonomy of the NGO. (Hsu and Hasmath, 2014.)
Various other limitations have been set on NGO registration in China over the years, and Hsu and Hasmath (2014) suggest this has enabled the central government to maintain the NGO sector small, and to prevent NGOs considered as a threat to the government or to social stability from registering. However, signals of relaxing the registration requirements have surfaced, and in Guangdong province the requirement to find a sponsor prior to MCA registration was abandoned in 2012. Other provinces have been encouraged to follow Guangdong’s example. Regardless, the corporatist tradition still strongly influences NGOs, as the state determines to which fields NGOs should direct their efforts, and selects NGOs that are granted special privileges. (Hsu and Hasmath, 2014.)

4 Research and data collection methods
This chapter describes the empirical research methods utilized to collect empirical data in order to answer to the empirical research question.

4.1 Research approach
The study follows qualitative methods in order to gain depth in the data, in order to provide insights on NGOs’ ability to support a company’s BOP market entry in China. The study is descriptive, and therefore aims to draw a picture of the activities and operating conditions of NGOs in China, among other issues, for comparison to the literature review.

The core empirical data of this study is sourced from interviews with NGOs operating in China, specifically in Yunnan province, but also data from interviews that took place before the NGO interviews is used in this study. This background research was conducted in order to find BOP business cases in China, but also supported understanding the conditions at the Chinese BOP, and the challenges of a BOP market entry in China. Several professors, consultants, and experts from different organizations were interviewed, but were kept anonymous in this study. Later on the empirical study proceeded to the main research, where Chinese and international NGOs operating in Kunming, Yunnan, were interviewed, providing the core data to be analyzed in this study. The steps, progress, and methods of the empirical research are explained in detail in this chapter.
4.2 Sample selection

The study focused especially on the suitability of Chinese NGOs as BOP market entry partners, and therefore grassroots NGOs constituted most of the interviewees. This choice is supported by Hahn and Gold (2014), who suggest that grassroots NGOs are the key sources of knowledge on local needs and market conditions at BOP. However, in order to obtain a broader perspective of the Chinese BOP, and on partnership opportunities, a large Chinese NGO, as well as three large international NGOs were interviewed. These interviews provided perspectives on the possibility of a large NGO acting as an intermediary between the company and grassroots-level NGOs, as is suggested by Hahn and Gold (2014).

Chinese grassroots NGOs specifically in Yunnan province were selected for interviewing mainly due to logistical reasons, but also since Yunnan, at least statistically, represents the BOP, i.e. lower income market, considerably well. Moreover, it was decided that the interviewed NGOs should be from the same province in order to ensure that the interviewed NGOs operate under the same regulatory environment, and possibly address similar social problems, and maybe even have activity among same target populations.

The NGO selection mainly followed the snowball sampling method. In snowball sampling, also known as, chain referral sampling, the sample is built through referrals among people with characteristics of research interest, or know others with the necessary characteristics. Snowball sampling has often been utilized in studies of sensitive and possibly controversial topics, where suitable interviewees were difficult to find and reach. However, the sample does not start building up on its own like a rolling snowball, but in snowball sampling the researcher must control and terminate the sampling process. (Biernacki and Waldorf, 1981.)

Though, before initiating the snowball sampling, the first interviewees were sought online using a criterion sampling method, where cases are selected for study according to a predetermined criteria (Fletcher and Plakoyiannaki, 2011). The criterion was following:
• The NGO’s main focus is in social development or services, not for example environmental protection (this is due to the social impact focus in BOP business)
• The NGO has operated for more than two years (for experience, stability and credibility)
• The NGO operates in Yunnan province (logistical reasons and in order to ensure similar operating conditions)
• The NGO has an office located in Kunming (for access to interview)

By searching China Development Brief’s NGO directory (China Development Brief, 2013b), five Chinese NGOs in Kunming, Yunnan, were contacted via e-mail, of which three replied, and two agreed for interviews. Interviewed Chinese grassroots NGOs reached through the online search were following:

• Yixing Team, reference: (sdNGO#1, 2013)
• Yunnan Development Center for Youth, reference: (sdNGO#2, 2013)

Snowball sampling was initiated in the end of the previous interviews, and the first two interviewed NGOs provided access to three more grassroots NGOs for interviews. Therefore, following Chinese grassroots NGOs were reached through snowball sampling:

• Yunnan NGO support center, reference: (sdNGO#3, 2013)
• Lianxin Heart to Heart, reference: (sdNGO#4, 2013)
• Xieshou, reference: (sdNGO#5, 2013)

After five grassroots NGO interviews the snowball sampling was ceased, mostly due to time constraints, although data saturation was also reached to some extent.

International NGOs (INGO) were sought based on same sampling criteria as Chinese grassroots NGOs. INGOs were searched from various online sources (BirdAbroad, 2010; China Development Brief, 2013b; GoKunming, 2013), and contacted via e-mail. Reaching INGOs proved more difficult and time-consuming than reaching Chinese grassroots NGOs. Seven INGOs were contacted, among which one responded somewhat rapidly and agreed for an interview. Three INGOs did not respond at all regardless of several e-mails sent. One INGO was reluctant for an
interview even after many phone calls. Two INGOs agreed to an interview with a long delay.

Interviewed INGOs reached through criterion sampling:

- A large international NGO focused on health services (wishes to remain anonymous), interviewed in Kunming, reference: (iNGO#1, 2013)
- Concordia Welfare and Education Foundation, interviewed in Kunming, reference: (iNGO#2, 2013)
- A large international NGO focused on improving the lives of children (wishes to remain anonymous), interviewed in Hong Kong, reference: (iNGO#3, 2013)

Furthermore, a large domestic NGO was selected for an interview in Beijing with the same criteria:

- A large domestic NGO (kept anonymous) focused on skills training, education, and capacity building services, reference: (IdNGO, 2013)

4.3 Data Collection

The empirical data was gathered through semi-structured thematic interviews, which were conducted face-to-face. As Patton (2002) suggests, the aim was to create an atmosphere where the interviewees can respond comfortably, honestly, and accurately to the questions. The interviews followed a general interview guide method that enables semi-structured interviews with a moderately systematic approach, allowing openness in answers, but also supporting a structured analysis of the data (Patton, 2002).

In the case of the Chinese grassroots NGOs, the interviews were conducted with an interpreter, except for one interview. When doing interviews with an interpreter, it is not enough to translate questions word-by-word, but the meaning must be retained the same in different cultural contexts. Moreover, when interpreter is used, there is the risk that the interpreter’s perceptions get mixed with the interviewee’s, and the interviewer can no longer be sure whose perceptions the interviewer has. Some words and ideas cannot be translated at all. Certain questions suited well for westerns context might be inappropriate in foreign cultures, and therefore extra sensitivity, and openness and respect for differences are required from the interviewer. (Patton, 2002.)
Therefore, during the interviews it had to be ensured that the interpreter understands what is asked, that the interviewee understands the interpreter, and that the interpreter understands the interviewee and is able to communicate between the two languages, Chinese and English. However, in order to minimize misunderstandings, the discussion mostly covered topics that were familiar to the interviewee, for example the organization’s activities and experience. Constantly during the interviews it had to be ensured that all the parties, the interviewer, interpreter, and interviewee were talking about the same topic, and that the meaning remained the same between the parties. Common understanding was confirmed through further simplification and rewording on specific issues. This increased the reliability of the interviews, but limited the depth of the discussion. Regardless, neither the translation of the meaning, not merely the words, between different cultural contexts, as underlined by Patton (2002), nor the interpreter neutrality could fully be ensured in the interviews.

The interview questions were designed to allow maximum openness for answers, and dichotomous questions are avoided, as they might confuse the interviewee and result in responses with limited extent (Patton, 2002). Probing questions that enable to deepen the response (Patton, 2002) were actively utilized to gain a broader understanding and clarification of the issues at hand. Mostly experience and knowledge questions, but also opinion, and feeling questions were asked. The interviews were recorded, and English translations were transcribed, but also notes are taken during the interviews, as both methods complement each other (Patton, 2002).

A question list was derived from BOP literature, mostly on the roles and key compatibility factors of an NGO partner in BOP market entry, but it also covered the market entry practicalities and BOP market conditions, and the Chinese NGO regulatory environment. However, also the background interviews contributed to shaping the core interview questions, since for example Chinese NGOs’ suitability as BOP market entry partners was questioned in the interviews. The themes were covered through a series of questions, but the flow and order of the questions asked varied between interviews. Often the interviewee would provide data on another theme before moving to the specific questions on the theme the question at hands relates to. This was allowed, since the goal was to enable flexibility and freedom for the interviewee.
More specifically, the questions were built on following themes:

- Understanding and mapping the NGO’s organization, core activities and projects to reflect on the roles and key contributions
- Understanding the NGO’s business experience, and willingness to collaborate with companies, and experience that could support a company’s BOP market entry in general
- Mapping the NGO’s project locations and their understanding of the target populations to understand accessibility to and the length of presence in and experience from the NGOs’ target communities
- Mapping the NGOs’ views and experiences on the regulatory and operational environments of NGOs in China in order to understand the NGOs’ operational capacity in the state-corporatist system
- Mapping conditions at China’s BOP to understand the relevancy of BOP-specific market entry methods and practicalities in the Chinese context

In the beginning of the interviews the BOP concept was introduced in detail to the interviewees, but after first two interviews the introduction was reduced shorter. It was concluded that an extensive introduction to the BOP concept was too time-consuming and confusing for the interviewees, and that the discussed issues were too distant from the daily activities of the NGOs. This also lead to simplifying the overall interviews due to the interviewees’ limited understanding of the strictly BOP business-related topics. After the first two interviews there was a break of ten days before the next three interviews with the grassroots NGOs, and during this break the question structure was simplified and clarified, and a more condensed introduction to the study was created. As a result, the current question structure was built. The purpose of the study was also better clarified to the interviewees in the beginning, and the reasons why the interview is recorded (along with asking a permission to record) were better explained in the last three interviews. The question structure is found in the appendices.

The interviews were conducted in a location of the interviewee’s choice. In all cases except one the interview was conducted in the NGO’s office. Four out of five interviews with the Chinese grassroots NGOs were conducted in Chinese. One grassroots NGO interview was conducted in English. The interviews with
international NGOs were all conducted in English. An interpreter was present in the interviews conducted in Chinese. The interviews were recorded with a sound recorder, and later the English translation was transcribed.

The interviews with the INGOs, and with the large Chinese NGO differed slightly by content from the interviews with Chinese grassroots NGOs in order to gain breadth, and since the larger organizations’ activities differ from the activities of the grassroots organizations. International NGOs are evidently well organized and possess many of the capabilities underlined in BOP literature (Dahan et al., 2010; Hahn and Gold, 2014; Simanis and Hart, 2008), and therefore the focus of the interviews with these larger NGOs was on understanding their operations and experiences better, their views on the NGO sector in China, as well as their partner networks. Also the regulatory environment, and international NGOs’ ability to partner with private companies were discussed in order to understand the INGOs’ ability to function as intermediaries as suggested by Hahn and Gold (2014).

The five interviews with Chinese grassroots NGOs were conducted between 29.8.2013 and 13.9.2013 in Kunming, Yunnan, and the interviews with international NGOs were conducted on 13.9.2014, 17.9.2014 and 2.10.2014, first two in Kunming, and the last one in Hong Kong. The interview with the large Chinese NGO was conducted on 9.7.2013 in Beijing. The interview lengths with the grassroots NGOs varied, with the shortest one lasting approximately 1 hour, two interviews lasting 1,5 hours, and two interviews lasting 2,5 hours (these long interviews included a tour around the NGO facilities). The interview lengths with the large domestic NGO and INGOs varied between 1,5-2 hours.

### 4.4 Analysis and Interpretation

The interviews provided large amounts of data on the NGOs interviewed. However, since the goal of this study is not to study a single NGO’s suitability as a BOP market entry partner, but to understand if NGOs in China could support BOP market entry in general, the data on NGOs is not analyzed in detail, but is analyzed on a more general level to draw a bigger picture of the partnership opportunities.

The empirical data is analyzed based on the NGO partners’ central supporting roles and key compatibility factors in a BOP market entry, as described in the literature review. In the findings section the data was organized in five themes that surfaced in
the analysis. The purpose of the analysis was to find out how the interviewed NGOs compare to BOP literature’s suggestions. However, the data was also used to reflect whether the roles and key compatibility factors are relevant to the same extent in China as suggested in literature. Moreover, the NGOs’ position and situation in the regulatory environment is analyzed in order to evaluate the NGOs’ credibility as a public interest organization, and their ability to partner with a private company.

4.5 Validity and reliability of research
Yin (2014) suggests four tests to evaluate the quality of an empirical research: construct validity, internal validity, external validity, and reliability. Due to the nature of this study, being descriptive and aiming to draw insights on the research topic on a broader level, construct validity, external validity, and reliability are found relevant to evaluate.

The study aims to understand if NGOs in China could support a company in a BOP market entry. In the literature review the ways how NGOs may support a company in the BOP market entry are defined. Furthermore, the data is collected from multiple sources, both several interviews, as well as secondary sources. This supports construct validity, as discussed by Yin (2014).

External validity discusses whether or not the findings can be generalized to a larger population (Yin, 2014). In the case of this study the question is therefore if the conclusions made based on the empirical data are applicable to all NGOs in China or not. Yin (2014) discusses replication as a ways of testing external validity, i.e. replicating the study among another similar sample in different location, for example. In this study the interviewed NGOs were all operating in Yunnan province, except for the INGOs, and therefore the results may not be generalizable outside Yunnan province. Furthermore, another sample of NGOs inside Yunnan could be studied to strengthen the generalizability of the results inside Yunnan. Overall, the number of interviewed NGOs limits the generalizability of the results, although data saturation was reached to some extent, and findings from grassroots NGOs interviews mostly matched with INGO interviews, and secondary sources.

Supporting reliability, sampling and interview methods were based on academic guidelines. Furthermore, the overall data collection methodology was documented
and described in detail in this study. However, using a non-professional interpreter (due to financial constraints) somewhat decreased the reliability of the interview data, although the reliability was increased by confirming mutual understanding, and by simplifying questions during the interviews.

Furthermore, some findings were attempted to cross-confirm between different sources, grassroots NGOs, INGOs, and secondary sources. This was especially the case in understanding the NGOs’ operating conditions, and challenges in the regulatory environment, as well as in mapping NGOs possibilities in partnering with private companies. The different sources were broadly in line between each other, supporting generalizability.

4.6 Limitations

The key methodological limitations were discussed in the previous sections. The sample size limits the generalizability of the results inside Yunnan province, and the focus on NGOs operating in Yunnan limits the generalizability outside Yunnan. Furthermore, the use of non-professional interpreter, and the decision to not transcribe the Chinese interview answers (due to financial constraints) limit the depth of the interview data. However, the previous limitations were partially countered by simplifying the interview discussion, and by confirming common understanding and answers by repeating questions and answers in different ways.

5 Findings

This chapter opens up the empirical data that originates mostly from the interviews with NGOs, but also partially from the background interviews, complemented with some secondary data. The chapter first goes through some central findings from the background interviews that shaped the study in raising important issues that should be covered in the NGO interviews, such as assessing grassroots NGOs’ ability to engage in business-related projects. Next in this chapter is the relevant interview data from the NGO interviews, which form the core of the core empirical data in this study. This is followed by the NGO operational conditions and regulatory environment in China, partnership limitations with INGOs, and descriptions of China’s BOP to understand the broader context of the topic studied.
5.1 Findings from Background interviews

Some of the data from the background interviews is included in this study since it provides breadth to the topic, and insights from non-NGO stakeholders. In the background interviews, in relation to partnerships, it was underlined that government collaboration, especially with local government actors, is necessary in a BOP market entry in China. Local governments in rural China might be receptive towards BOP business ventures in case they are found to support rural development. Local government could also provide financial support to companies through tax deductions.

However, local governments may have difficulty in understanding projects that aim to deliver more than economic value, such as social benefits in the case of BOP business. Moreover, foreign companies going to rural communities, for example, is found sensitive by the government, and foreign companies might be prohibited from engaging in such activity at all. Local partners are therefore crucial.

The suitability of NGOs as BOP co-creation partners was questioned, due to their possible lack of experience and limited knowledge of business, their small size, and limited networks. Local governments, microfinance organizations, social enterprises, as well as private businesses were suggested as co-creation partners instead. Microfinance companies were suggested as partners in order to set up a distribution or production network in rural China, since they have existing networks with local entrepreneurs, for example.

The discussion around BOP business and social business was also criticized in one background interview. These fields were considered so underdeveloped in China by the interviewee that in general the social business-related issues discussed in media and scholarly journals are not presently relevant in China. The interviewee elaborated that while in the western world gradual progress in the field of philanthropy has led to the emergence of modern phenomena such as social enterprise and impact investment, evolving originally from simple charity, in China these phenomena are developing simultaneously with a very short history. Therefore the interviewee considers that China lags some 20 years behind of the western world in such phenomena, which potentially renders also some of the BOP-related discussions irrelevant in China. This
could significantly impact the understanding of the BOP business-related themes among NGOs in China.

The background interviews also shed light to the living conditions and markets at BOP in China. A single interviewee suggested that poverty penalty is not as severe a problem in Chinese BOP market as in other BOP markets, since the central government controls markets broadly. Overall, affordable products are available at BOP markets in China, they may be of low quality and possibly fake-branded. However, the case of Lenovo that surfaced in an interview, demonstrates that companies have interest towards the 3rd and 4th tier cities at Chinese BOP. Lenovo has a strong position in the Chinese countryside and in low tier cities. Lenovo utilizes simple marketing methods such as wall-painted advertisements, and sells its computers (in 2011) even in small towns. The computers are from the cheapest lineup, and come with preinstalled software that help local farmers to run their business (e.g. determine prices) and take care of basic tasks.

Several other BOP-related business cases were also discovered in the background interviews. Low cost healthcare products for BOP are developed by Kangva, Siemens, and GE, and Suzhou city industrial park focuses specifically on low cost healthcare solutions. Tsinghua solar makes low cost solar panel solutions, and Credit Ease is a Grameen bank-style organization. Agriculture-related initiatives such as New hope group and Mengiu were also mentioned. Nokia was discussed regarding their advertising and promotion in rural China, utilizing wall-painted ads and a demo vehicle touring around the countryside villages. Nokia had also collaborated with an NGO in a village education CSR program. P&G also has a large R&D center in China, and the company partially focuses on developing products for the consumers at BOP, for example by utilizing ethnographic research methods in the field.

Therefore, overall, the background interviews indicated that due to the strong government presence, government collaboration may play an important role in a BOP market entry. Furthermore, the background interviews suggested that companies may already have their interest on BOP markets in China, at least to an increasing extent.
5.2 Key findings on the NGOs

Total 9 NGOs were interviewed, out of which 5 were Chinese grassroots NGOs, three were international NGOs (INGO), and one was a large Chinese NGO. The key findings are described in the following.

5.2.1 Yixing team, Kunming (sdNGO#1, 2013)

Yixing team’s manager was interviewed in the NGO’s office in Kunming. The structure and connections of Yixing team were difficult to understand as it turned out that there are six interconnected teams with different activities in the premises of the NGO. Apparently, however, they belong to a single organization that is officially registered as an NGO. Among the six teams Yixing, AA and Bang Bang were discussed most extensively during the interview. Located in the same premises in Kunming, the teams have separate functions, but they partner between each other, and share employees and volunteers to some extent.

First, Yixing Team (YT) specializes in immediate rescue and recovery operations in the event of natural disasters, such as earthquakes and floods. However, YT also does resident training in the rural communities where it operates in, providing emergency preparation and rescue-related skills training, as well as business skills training in order to support local economic development in villages. Second, Bang Bang (BB) is a business unit in the organization, providing a platform for farmers in nearby villages to sell some their produce in the city, and directing the profits back to farmers. Alongside the platform BB also organizes trips to the villages for people in Kunming to see the origin of the food and to understand how to protect the environment and lead a sustainable life.

Third, AA has a special role in focusing on fundraising. It organizes some activities as well, for example the AA Joy Excursion, by taking people in Kunming to rural villages for sports- and outdoor work activities, and donating excess funds to the people in need there. However, in general AA’s fundraising takes place on a smaller scale, and large scale relief funding for Yixing’s rescue operations, for example, would be sourced from larger organizations, such as domestic funds and INGOs.

Fourth team works in Kunming city and its outskirts, providing support for migrant laborers’ children’s education, who are not eligible to enroll in public schools due to

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the Hukou-system, and whose families would therefore need to pay for private schooling of often poor quality for their children’s education. Fifth team is a student team that trains people through social events, discussing how to help people, and providing education support in countryside. The sixth team was not discussed during the interview.

All the teams partner together and have a common goal of sustainable development, and are located in the same physical premises, occupying space in two floors of an office building. In the street floor there is a shop where anyone can buy organic farm products that are grown by farmers whom Bang Bang supports. In the second floor there is a relatively organized office space where the workers and volunteers use computers for their work. Inside the organization each team has a distinctive manager, and inside the teams the staff has distinctive positions and tasks. On the top of the organization there is a management team. Overall, the NGO appears to be relatively well organized.

The interviewee, project manager, appears to be well-experienced about the rural areas in Yunnan province, having visited villages extensively. According to the interviewee’s account, the interviewee has visited over 200 villages. Before working for the organization the interviewee used to work for an American organization focusing on helping people affected by diseases.

In the small shop mostly dry products, such as mushroom and various seeds were for sale, but also live chicken were present. Apparently the dry products are packed in the shop. To supply the store, BB runs a platform that enables farmers in villages close to Kunming to get some of their produce directly for sale in Kunming. Local businessmen in Kunming have set up the store, and the store profits are directed to the farmers in countryside from whom the store products are sourced. The food products are organic, contributing to safe food. The team has sourcing contracts with farmers in villages near Kunming, and BB transports the food to the store. Responsibilities for running the shop, running the countryside trips, and managing the team have been assigned separately inside the BB team.

The organization appears to be relatively broadly networked. Yixing team has an access to a rescue network of hundreds of people that is connected through an online instant messaging system to discuss emergency response-related issues, and natural
emergency rescue situations. In emergency situations phones are also utilized. They are also connected to the villages where they did not have any present activity, but where needs might emerge and they would be needed. Moreover, they are connected to other organizations in Beijing and Hunan, possibly more. With these organizations they exchange experiences. YT also seems to be connected to a rather broad array of BOP communities in the countryside as well as urban suburbs, and to some extent partners with organizations outside Yunnan as well. The relevancy of these networks in the context of BOP market entry partnerships is however questionable.

YT engages in a variety of training activities. They provide first aid training, and teach people how to act in the emergency, for villagers and students. One of the geographical areas of focus of their training efforts is in Xishuanbanna, home to Dai and Yi ethnic minorities, which is affected by floods especially. The training is conducted through a role play, and focuses on the ability to escape the flood, and on building teamwork skills among the villagers in order to conduct the emergency response action. In their training activities only a portion of villagers participate at first, but through the activities participation might increase, and the acceptance of a newly introduced idea increases throughout the whole village eventually.

“When we first step, get some interested people in the community. [There are] one hundred people in the community. [But we] give the training just 20 people. Community could accept the whole idea at last. Need time and some training, one by one”. (sdNGO#1, 2013.)

Overall the NGO, with its separate teams, seems to be involved in a diversity of activities. It has direct business experience through its own (the BB platform), and does skills training, education, and awareness-building, and has projects that extend a very long period of time, even 2-3 years in the case of livelihood development.

However, the NGO also has experience in aiding a company to enter a BOP market. The interviewee introduced a water filtering concept that uses a large water bottle that was introduced in southern Yunnan villages. The extent of the product’s commercialization was unclear, however. Regardless, the organization helped them to find a suitable rural community to introduce the product in, and they also educated people to accept the new product. People need to pay for the bottle and maintain it clean, for which the organization trains people.
“..you should pay money for the bottle and also use it. But the people need the skill how to clean that, how to use that, and why to use that. So we give the education.” (sdNGO#1, 2013.)

The NGO also works in rural business development in the target communities. It helps farmers to map basic business opportunities, what kind of plants, crops, or livestock the farmers could expand to. The farmers may lack business skills and knowledge on how to grow the products, and may have poor education to even to the extent of not knowing how to write one’s name. The organization provides training for animal growing and improving the growing surroundings. The organization helps farmers in raising funds to buy a sheep, for example, if it has been considered feasible in the location, and to develop grass fields in order to provide natural source of food to the sheep. This may increase their income in the long run. The organization helps the farmer to get over the period needed to get over growing the sheep.

“We get people, first step we discussing, what kind of business there will be and also their condition..” (sdNGO#1, 2013.)

When discussing the NGO’s willingness to collaborate with a company in a hypothetical BOP market entry, the interviewee introduced case of a Yi minority village that apparently had environmental problems due to improper plastics disposal into the area. The interviewee suggested an idea of a product that they would gladly bring into the village, explaining a natural product that could enable avoiding further use of plastics in a village. The interviewee stated the company should comply with the NGO’s environmental values, and environmental protection is clearly important to the organization, indicated by their environmental awareness activities, as well as by their own environmental protection efforts, and organic product sourcing.

“..some food, something, destroyed by the plastic bag.. like the river, effect, destroyed by the plastic.. We want a product maybe selling some natural products, from here, could be the sustainable development for the village Yi because they can avoid use more plastic.” (sdNGO#1, 2013.)

5.2.2 Yunnan Development Center for Youth, Kunming (sdNGO#2, 2013)

The interview on Yunnan Development Center for Youth was conducted with the NGO’s manager outside the office, and there was no opportunity to visit the NGO’s
YDCfY is a registered NGO that has been operating since 2005. The organization focuses on “Youth Citizen Education”, covering topics such as child safety and sexual assault prevention, and disaster aid, providing psychological support for children and their families, including post-disaster psychological support” (China Development Brief, 2013b). They aim for youth development, trying to reduce the gap between rural and urban education, promote equal education, and advocate for sustainable development. The organization provides training in schools and in summer camps, in collaboration with educational institutions and the government.

The core activity of the organization, youth citizen education, or “civilization education”, consists of three parts: Self-control and self-management, social skills and teamwork, and social responsibility towards others. They target children of age 6-18 from three groups: Mainly migrant workers’ children in city, but also ordinary city children who are not necessarily poor, and children in earthquake areas. The content of teaching depends on the age and background of the children, and they are in general responsive to the children’s changing needs. The organization attempts to remain creative in order to adapt the activities over time to the changing needs of the kids of later generations. The activities are mostly for free for the children’s families, except such special activities as summer and winter camps where little fee is charged. Among the three groups the interviewee states that they are best aware of the migrant workers’ children and ordinary city children, and signifies the importance of understanding that the children come from different backgrounds regarding their parents’ income and education, for example.

The organization is divided into two parts, management and service providing, has a staff size of 7, and the staff members have their own focus areas. Aside the NGO they also run a newly-established youth hostel. The profits from the hostel are divided in three and directed to the hostel, its owners, and the NGO. Both the hostel and the NGO share same values, as they contribute to the youth development. The interviewee stated that fundraising is very hard for them, so the hostel was established to generate some extra income for the NGO.

According to the interviewee the organization collaborates with foundations and individuals, as well as the government, and primary schools and universities. In primary school(s) they provide festival activities and some kind of teacher training.
When introduced the idea of company collaboration in an imaginary situation where the company needed to understand the needs of certain group of children at the BOP, the interviewee came up with several ideas of what is needed, referring to toys, study tools and books, food, and clothes. The interviewee continued that their organization could do research, give advice, and provide feedback to the company. If they had more time and people, they could help to promote and sell the products. The interviewee continued that they would like to have more collaboration with a variety of organizations.

“We can do the research for that. We can give some advice. We can provide feedback.” (sdNGO#2, 2013.)

5.2.3 Yunnan NGO support center, Kunming (sdNGO#3, 2013)

The interview was conducted with the project manager of YNGOSC at the NGO’s office who was the main interviewee, and also an assistant and an intern joined the meeting. The fourth member of the NGO staff, operating manager, was not present. Among the interviewed grassroots NOGs Yunnan NGO support center has a different role, since it does not work directly with people in the grassroots, but provides training for other NGOs. The organization is not yet registered, since it is difficult, according to the interviewee. In order to gain legitimacy, at times they cooperate with another (registered) organization, enabling them to run projects under the other organization’s name and license.

The organization provides support for NGOs in order to develop their operations and organization better, including their fundraising and projects. They also provide support for people who want to start a new charity operation, or want to volunteer to help people in the countryside, for example. The organization has been running since 2008, and before that they were operating a famous NGO website in China.

The organization has three different main activities. First, they organize training courses, three different types. Second, they organize an annual meeting where NGOs, also outside Yunnan, gather together to share experiences. Third, they organize project-specific consulting for NGOs. They have also established a library of professional books that support NGO work. They are the only NGO training NGOs in Yunnan, but others exist outside the province, with different focus and breadth of scope.
In the training courses each participating organization is allowed to select only one participant, ensuring a broader variety of organizations presented, and candidates are interviewed and evaluated by YNGOSC prior to selection. Some 30 people annually participate in the courses that stimulate open-mindedness and advocate for equality, and provide project management and organizational management training. The NGO only manages the events, and the training is given by professional teachers from other organizations, some of them very experienced. As an example, an experienced teacher who used to manage a college before, was mentioned by the interviewee. YNGOSC also has connections to private companies who provide them teaching support. They design the courses partially, collaborating with the teachers, choosing specific topics and projects.

YNGOSC does not have a website, but they maintain a Weibo page (Chinese social media). Their office is located in a “NGO home”, an apartment converted into office space, where 6 grassroots NGOs are located (only one of them registered), each paying a small 300RMB monthly rent for a room. The organizations communicate between each other, but are not collaborating. They give each other ‘mental support’, as it can be difficult for the families of the people working in NGOs to understand such choice, as it often results in low income.

The main interviewee has a background as a lawyer, and has worked for a total of 8 years for NGOs. First five years of NGO work the interviewee used to do in north-east of China, working for countryside development. Then the interviewee moved to Yunnan. Other two members of staff present in the interview have both only worked for NGOs, and the younger one started an NGO internship recently right after graduation. The intern has received training in Guangzhou, and is sent to four different NGOs to intern.

Among the courses that YNGOSC gives, the first course focuses on open mindedness, looking at human rights, how to treat women, different sexual orientations, racism, trying to open new views to the society and foster tolerance and acceptance for differences. The course lasts 4,5 days.

The second course is a project management course where small groups of 3-5 people develop a course project that functions as a learning case to develop their own NGO’s operations. In the learning project they do research by themselves to understand the
field conditions, and receive support from a tutor. The teams have the responsibility for the project, and get feedback from it. Some teams go to the field to conduct their project, and for example one team wanted to improve countryside health education, and went to a village to teach about diseases, and their prevention. The course lasts 4.5 days.

Third course is organization management, which focusing on improving each organization’s management with a practical approach, applying the skills and methods learned in the course. The course lasts 3 days.

YNOSC is already connected to companies since the companies are involved in giving training in their courses. According to the interviewee YNSOSC could an NGO they know and a company together. More importantly, they feel very positive about organizing course for NGOs about BOP business and company-NGO partnerships.

The organization receives its funding from a large INGO. They are considering finding another funding organization since depending on a single source is risky. The organization creates their projects themselves, but the INGO gives feedback and suggestions for projects and courses. The INGO also monitors their progress.

The organization does not have other company collaboration experience except for the training courses. According to them it is challenging to have a company to collaborate with, since the results and their work are harder to demonstrate, and more difficult to explain where the money goes, when comparing to NGOs doing health services work, for example.

5.2.4 Lianxin Heart to Heart, Kunming (sdNGO#4, 2013)

Lianxin is a registered grassroots NGO that focuses on migrant labor population, providing services for children as well as adults and the elderly, in six communities around Kunming. The interview was conducted with the communications manager of the organization in Lianxin’s main office. The office is located in a three floor community center that Lianxin operates in the center of one of its target communities.

The community is a “village in a city”, a tightly built and densely populated, somewhat informal urban settlement, in north of Kunming. The area is mostly populated by migrant workers families from elsewhere in Yunnan province, and from
other provinces in China. Lianxin provides services both in the community center and in the district to children, adults, and the elderly. Alongside the NGO Lianxin also operates a youth hostel, but the organizational ties were left unclear.

Among the interviewed grassroots NGOs Lianxin is the largest by the size of operations and amount of staff, and most diverse by the variety of services it provides. In the community center children can for example come to play, and borrow books and toys, as well as learn to use computer. Lianxin also operates a mobile library for children, and does social work in schools (apparently private schools, since migrant labor children do not have access to local public schools). Adult training and employment services in the area are operated from the center, and Lianxin also provides legal services and training, protection from domestic violence, and health services for the elderly. Moreover, Lianxin operates a clothes-recycling service and a related handicraft workshop situated in the community, and migrant labor adults work in both operations. Finally, Lianxin provides training for social work students, and NGO staff, as well as rural community leaders, for example.

Lianxin collaborates with the government, and it appears that the organization is receiving a considerably high amount of financial support from it, at least in supporting child education. Lianxin also offers policy development research support to the government, for example. Moreover, government channels “emergency money” through Lianxin, for example for covering children’s school fees. Lianxin is also affiliated with a large INGO, which indicates credibility and reliability.

The organization has 24 workers in Kunming, including eight full-time social workers. Some of the staff have graduate or doctoral degrees, and some come from company or social enterprise background. Some have extensive NGO experience, having worked for NGOs over 10 years, also mentioning an INGO, but also small NGOs as examples. Some have joined Lianxin directly after graduation.

Lianxin provides different types of training, among them cooking, dancing, computer use, daily financial skills, childcare, taking care of oneself, health education, and mental health. Lianxin offers training for women to use a sewing machine. Some women buy a sewing machine with money sourced often from family, and make and fix clothes for income.
The organization has two focus groups: Children and the broader community. They have children stations in three different locations, similar to the one where the interview was made. They have a bus, mobile children’s center, driving around the target communities, providing books, toys and movies to borrow. The organization also does social work in approximately 10 schools. It was left unclear in what kind of schools they do their work, since migrant labor children generally do not have an access to public schools due to the Chinese Hukou system limitations.

They also provide training for home and family care, as well as for health issues. Training women is especially in the focus of Lianxin, and women also have a chance to get to know each other and make friends, and possibly to help each other. They contribute to employing the women, as providing work to the women provides them some level of financial independence and dignity. This contributes to increasing domestic equality, and potentially reduces the risk of domestic violence towards the women, according to the interviewee.

Another part is the community support for the adults and elderly. They provide legal services for migrant workers, provide “legal common sense education” by professional lawyers, and do parents-children education, for example. They also help with domestic violence, for which there is a special office in another community. A safe house has been established for women and children, in cooperation with women’s union. For elderly they provide health services and entertainment.

Lianxin also gives training to students who study social work, and for people working in NGOs without having received education for that, and between July and October 2013 70 students worked in Lianxin offices or in the communities. University students have come for training also from abroad, for example from Hong Kong and from Chicago, USA. As another example, recently they had also trained Ba-minority leaders in Yunnan, who do government-related work. Currently they are training also 15 people to work in the border regions of Yunnan.

Lianxin operates a variety of activities in and outside the community center. Sewn handicraft products designed and made by the migrant women, toys donated by a company are channeled to kids, and books for different ages are funded by various sources. Lianxin provides also helmets for workers. Lianxin hosts many community events where migrants can meet each other and form bonds. They organize family
days and also host summer camps for children. On the weekend there are open community events so that Kunming locals can become more aware of the issues migrants face.

After introducing the interviewee concepts of BOP business, the interviewee said that Lianxin is open to company collaboration, but no company has suggested collaboration so far. The interviewee began to introduce the business-related operations of Lianxin. They operate a clothes donation and washing center, from where clothes that are still in relatively good conditions are taken to a small local shop, three of them in Kunming, where the clothes are sold with price tags ranging from approximately 1 to 10 Yuan. Donated clothes that are in poor condition and therefore not possible to sell are processed and recycled.

The garments are used to make handicraft products in a local workshop, where migrant women operate sewing machines. The handicraft products are then sold in a shop near Yunnan University. Lianxin has developed a brand, “Green Handicraft”, for the handmade products. The staff in the processing facilities, in handicraft workshops, and in the shops is local migrants.

When introducing the NGOs interviewed before to the interviewee, the interviewee recognized the NGOs. Furthermore, Lianxin collaborates with several INGOs. Lianxin receives funding from multiple sources, such as the government and various funds, and also from an INGO. They receive donations also from the neighborhood, and organize small fundraising events, such as evening parties.

5.2.5 Xieshou, Kunming (sdNGO#5, 2013)

Xieshou is a grassroots NGO established by an INGO, and situated in southern Kunming. Xieshou had recently moved into a newly built apartment building, operating in relatively spacious and modern premises. Xieshou has been operating 12 years, of which 9 years registered.

The organization focuses on migrant workers’ children education to fill in the education gap left by Hukou system limitations. Xieshou does teacher training, improves school conditions, does activities at school, and has set up a school library, providing books, selecting a library keeper among the teachers for the library. They set up an activity room at schools where children can play chess and table tennis, for
example, and they also organize outdoor activities. The children also make a magazine.

Xieshou used to provide microloans. They used to create groups of five individuals to whom loans were granted individually, but who would be collectively responsible for payback. However, this practice was given up when people refused to pay when group member failed payments. Later Xieshou did careful evaluation of business abilities, collateral, personal education, and family education prior to granting a loan. They attempted to ensure payback by sustaining a good relationship and helping in business development. Xieshou did not provide a microloan to cover for the total need of funding, but for example provided half, and the loan taker had to provide the rest by oneself.

Xieshou also provided business services, giving skills training and one-to-one help to individuals running a business. They have also established a support network for entrepreneurs, organizing monthly meetings for them, as well as trips to out to do business.

Xieshou has shifted its focus away from the business support activities when migrant workers became their primary target group instead of locals in Kunming. Moreover, the locals receive support from the government, which also provides microloans. Migrant workers, however, mostly want a stable job, not a microloan, according to the interviewee.

They operate in city villages around Kunming, and also in some villages near the city. Around 5000 people annually arrive in their target communities, and one community, for example, currently has 40 000 residents, of whom most are apparently migrant workers.

The interviewee had worked 10 years for Xieshou. Most of Xieshou’s staff, 9 people, are from countryside, while few are locals. Most have work background outside NGOs, though some began NGO work after graduation. They utilize a broad network of volunteers in their operations, which is essential. According to the interviewee the staff does not have international experience, but it should be noted that Xieshou has originally been established by an INGO.
The activities of Xieshou are divided into two parts: Community services and children services. For communities they organize cultural activities, livelihood improvement relevant to migrant workers, and skills training for income improvement. They hire outside experts to give training.

Xieshou obtains its funding mainly by applying for long-term grants from foundations. At times they receive funding from companies, and they have some fundraising activities.

Xieshou’s key partners are foundations, companies, universities, volunteers, mass media, and the government. In some of their programs they co-work with also other NGOs. Regarding government collaboration, the interviewee mentioned a traffic safety improvement program in a community.

Xieshou has collaborated with private companies who have provided people and funding for a summer camp, for example. They feel positive of company collaboration in BOP business context for as long as the purpose is to serve the poor people, especially if the migrants were involved.

5.2.6 Large Chinese NGO, Beijing

The interviewed large Chinese NGO is a registered non-profit organization that specializes in poverty alleviation and sustainable development promotion. It is based in Beijing and operates in various fields, including education and migrant worker training. The organization is a pioneer in China’s NGO sector, since its history reaches back to early 1990s.

In a semi-rural village it operates a model kindergarten that provides high quality education with low teacher-student ratio at affordable cost mainly for children of migrant workers. Its training services focus on domestic and community work training services for women from poor provinces coming to Beijing, and for over 10 years they have provided training to 20 000 women. They help the women to find work as domestic helper in Beijing, which enables the workers then to send back a share of their income to their families in their home provinces. On top of training the women and aiding finding a job, they also do follow-ups to ensure the women’s rights. Local government provides some financial support for the services, and when finding a job, the trained women pay back a small sum over 6 months in increments.
The organization has a clear organizational structure with staff members in specific roles in the office and in the field. The organization is directed by an extensive board of directors with members from reputable and influential academic and corporate organizations. Furthermore, in contrast to the grassroots NGOs, they operate a well-developed website with an English version that is similar to the Chinese one.

5.2.7 INGO#1, Kunming (INGO#1, 2013)

The country director of a large international NGO was interviewed in Kunming. The organization focuses in health services, and has been present in China for a decade, but were about to close their operations. They are registered with the provincial department of civil affairs, and supervised by the provincial health bureau in Yunnan. The presence of their organization in China will remain through two separately registered local organizations, in Yunnan and Guangxi provinces respectively.

Their organization is generally relatively business-oriented, with strong partnerships with the private sector. In many countries they engage in social franchising, developing standardized quality-monitored product-service concepts spread around the country. In China they have implemented the social franchising elements with Chinese public sector health providers through providing standardized services for internal drug users.

In some other countries where they operate, they also do social marketing, selling disease prevention and treatment products. They could do this in Yunnan until 2010, when the provincial government required them to sign a more restrictive registration status that specifically prohibited social marketing activities, limiting their ability to partner with private sector in distribution. The interviewee suspects that this may have triggered the departure of 5 other foreign NGOs operating in Yunnan.

“In China we are so much more restricted. And one of the restrictions which I haven’t really mentioned under our registration is that we are not allowed to engage in profit-making activities.” (INGO#1, 2013.)

They have overcome the restrictions on social marketing by partnering with a local condom distributor, who specifically targets at-risk groups. The INGO provides the company marketing support and some funding to their sales teams, and that way claim health impact through involving in condom sales to the problem groups. The
organization monitors the use and health impact of the products it sells by measuring how many HIV cases are averted due to their interventions, for example.

“.They’ve adopted like an Avon-lady approach, you know what I mean. Ding-dong, so you are a madam in a brothel and you got 10 girls working for you, or you’re a KTV owner, and you got girls working there and clients are coming and you need condoms, and you just call. They say within 30 minutes a mobile salesman will turn up on his motorbike and you can get five boxes of condoms or something.” (iNGO#1, 2013.)

5.2.8 INGO#2: CWEF, Kunming (iNGO#2, 2013)

The second INGO interview was conducted with Concordia Welfare and Education Foundation (CWEF) in their office in Kunming. CWEF helps to improve basic living conditions in Yunnanese rural villages. They work in education, health, and service learning. As major projects they build drinking water systems, but also give training on personal hygiene, and train locals to train others. CWEF originally operated as a society in China, CWES, from 2001, working mostly in the Lincang area, close to Myanmar. In 2006 they became a foundation, as that gave them more credibility, and made their work easier. Their headquarters are in Hong Kong, and they operate in Yunnan, Guangdong, and Shanghai in China, in Cambodia, and to some extent in Philippines as well.

In their water projects CWEF partners closely with government, especially at county and local levels. They have established close relationship with some county-level officials who they trust, and therefore tend to do several water projects in several villages in the same county. Villagers communicate with their local government, who contacts county government for the need for a water system. County level officials, who know and/or have previously collaborated with CWEF, contact them about the potential water project site.

CWEF takes the site under observation and conducts a survey of the conditions. They go to the village together with the government partner to do a participatory needs assessment, and after that decide if the village conditions match CWEF’s mission and values. They underline the importance of a government partner, since “in China, if [there is] no government partner, it’s difficult to do any work in local area” (iNGO#2, 2013).
The organization emphasizes sustainability by focusing in development instead of relief, aiming at making themselves obsolete eventually in the region. CWEF is close with the communities, and utilizes service learning, learning about the people and the area they work in while providing services. They train villagers to become teachers in their communities, commonly selecting the village leader and some elders, generally individuals that carry credibility through their age and wealth, often men. They are listened since they are respected. These individuals may continue training outside their community borders, spreading knowledge to other village leaders.

A village project begins with assessing the need for water system construction. After a possible piping and water filter project that provides water to each house through the year nears completion, CWEF engages in hygiene training village leaders, and children leaders and class leaders at school. They visit a village every two months to train new skills to the selected teachers, and check their progress. In schools they utilize activities and diagrams to teach the children. In the training they try to activate people to ask questions and participate, not only listening and memorizing. The local teachers that are trained do not receive a financial compensation. Therefore it is crucial to select teachers that are committed, and understand the need for training, and individuals with higher than average level of education, or city life background, are often selected. Training is conducted by experts hired from outside. CWEF trains people for example to wash vegetable before eating, and boil water before drinking, proper hand washing, tooth brushing, and later first aid, and action in natural emergencies.

“They recognize the importance of having this water, and how much time and energy it frees up to do other things, but they don’t have the funding.. They live year to year, living paycheck to paycheck, they don’t have 40 000 RMB or more to buy this piping. That’s more than they’re making a year.. They’ll maybe contact their local government official, and somewhere along the line they’ll contact us.” (iNGO#2, 2013.)

CWEF’s water projects were extensively discussed in the interview. Villages have water sources, but they are often in appalling condition: “Some villages have a pool, it’s usually open, brownish green, I wouldn’t want to wash my clothes in it, let alone cook and eat with it” (iNGO#2, 2013). Many water sources also dry up soon after the
rainy season. Some villages may have a water system that has been funded by a coffee or tea company decades ago, but the metal piping used has often rusted due to bad installation or wrong materials, and the water is not usable. CWEF builds a collection system with filter, and a piping to each house to enable year around water supply to houses. They work with an engineer that helps in building the most efficient system, and then channel donated money into funding supplies to build the system.

CWEF collaborates closely with a high school in Shanghai, where service learning is part of their curriculum, and fundraisers are organized to fund the water projects. Students from the school travel to a village, work there for the project, and also fund it partially – villagers also save money for the system. Village leader and an engineer oversee the project, and locals work in building the system. The project can be completed in two weeks with little CWEF involvement. The villagers are expected to maintain the water system after completion.

Since the government relationship plays a crucial role in their operations, they collaborate with government officials that they’ve developed a good relationship, guanxi, and therefore tend to do projects in villages in the same county. CWEF receives funding from a US church, covering its administrative costs, and overseeing their operations. They also collaborate with private companies who grant funds to scholarship funds for middle- and high school students, for example.

5.2.9 INGO#3, Hong Kong (INGO#3, 2013)

The third INGO interview was conducted in Hong Kong, although the INGO has an office in Kunming as well. The organization focuses on improving children’s living conditions and rights through long-term commitment in their target areas, aiming at 10-15 years presence. They collaborate with various stakeholders at county closely, bringing the organization, government, and the community together. They create a framework with the government, and build an annual plan, fostering transparency. Agreement on action is made in township level.

INGO#3 collaborates at all government levels. When building new projects, they might start with provincial level poverty alleviation office or charity federation, who point out potential counties for them. Next, county level government backs them up, and indicates possible villages, and the organization reports half-yearly to them. Local
government collaboration takes place when initiating activities, and if problems arise, higher government levels support aids in problem solving.

The interviewee suggested a business model that would include local farmers, buying their produce at a better price than currently averages, while contributing to developing farming technology and local refinement, and also supporting organizing local farmers. Finally the company would phase out and leave behind independent sustainable marketing. An NGO could assist in organizing the farmers.

**Table 4: Interviewed NGOs summarized**

<table>
<thead>
<tr>
<th>NGO</th>
<th>Type</th>
<th>Target areas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yixing team (+Bang Bang etc.)</td>
<td>Grassroots NGO consisting of six teams with emergency rescue services and training, organic farming sourcing and sales platform, and other training services</td>
<td>Mainly rural communities near Kunming, and in Xishuanbanna, Yunnan</td>
</tr>
<tr>
<td>Yunnan Development Center for Youth</td>
<td>Grassroots NGO offering youth education services mainly for migrant labor families’ children</td>
<td>Urban/semi-urban migrant labor communities in Kunming, Yunnan</td>
</tr>
<tr>
<td>Yunnan NGO support center</td>
<td>Grassroots NGO offering training and networking services for NGOs</td>
<td>NGOs from around Yunnan and outside</td>
</tr>
<tr>
<td>Lianxin</td>
<td>Grassroots NGO offering a large variety of mainly training and education services for migrant labor families</td>
<td>Migrant labor neighborhoods in Kunming, Yunnan</td>
</tr>
<tr>
<td>Xieshou</td>
<td>Grassroots NGO doing teacher training, and developing education and school activities in schools where migrant families’ children go</td>
<td>Migrant labor neighborhoods in Kunming, Yunnan</td>
</tr>
<tr>
<td>Large Chinese NGO</td>
<td>Foundation with social enterprise, education, training activities, and agricultural activities</td>
<td>Multiple urban and rural target areas in different provinces</td>
</tr>
<tr>
<td>INGO#1</td>
<td>Large international NGO focused on health services and products provision</td>
<td>Yunnan and Guangxi provinces, mainly urban</td>
</tr>
<tr>
<td>Concordia Welfare and Education Foundation</td>
<td>International NGO focused on water infrastructure development and hygiene and other related training services</td>
<td>Rural villages in Yunnan</td>
</tr>
<tr>
<td>INGO#3</td>
<td>Large international NGO focused on Children’s lives</td>
<td>Multiple provinces in China</td>
</tr>
</tbody>
</table>

5.3 **NGO sector in China – operating conditions and attitudes**

One of the driving forces behind this study was the question whether NGOs exist in China or not. When inquiring on the amount of NGOs in Yunnan, sdNGO#3 (2013)
evaluated that approximately 200 active organizations exist, while the government states the number at 2400. INGO#1 (2013) provided views on the numbers of NGOs, as well as the nature of the Chinese civil society in general, quoted in following.

“However, there are many, many hundreds of thousands of organizations that do operate under the radar with one or none of those registrations. Back in Finland you heard there’s no civil society, there is a civil society here. There is a vibrant civil society here, there’s varying degrees of shades of civil society: You’ve got the GONGOs, which are kind of like very affiliated with the government, and somewhat implement the agenda with the government, and on the other side you’ve got real grassroots community level organizations. where we’ve been trying to support over the years. There are huge variations in capacity of organizations. to your point earlier about resource mobilization, do they have the funds to do what they want to do – vast majority get by on a shoestring budget.” (INGO#1, 2013.)

Supporting China Development Brief's report (2013a) discussed in chapter 3, according to INGO#1 (2013), the civil society has traditionally been welcomed with suspicion by the central government, who is not used to the third sector. Recently the government has, however, become more welcoming towards NGOs that fill in the gaps in welfare services provision, and the government at central and provincial levels has begun to channel funding for the Chinese civil society. In the meantime, though, some international donors that have been important funders of Chinese NGOs are leaving the country, which could jeopardize the operations of Chinese NGOs. Though, with possible direct funding to NGOs by the central and provincial governments, and the social services outsourcing initiative could open opportunities for Chinese NGOs to gain domestic funding, but certainly the funding landscape of many NGOs will change. (INGO#1, 2013.)

According to INGO#1 (2013), several international donor organizations are leaving China and quitting funding, among them major donors such as USAID, Global Fund, KfW from Germany, and DFID from the UK. Reasons are in the changing attitudes towards granting international development aid to China, and recent scandals in development aid misuse in China. In the US, for example, congress has questioned development aid to China due to its economic growth, and USAID cut its funding to China. Moreover, few years ago wrongdoings had taken place in the Chinese
government regarding funds from the Global Fund, and it was also questioned in general whether the money given to the Chinese government reaches the civil society or not, as the money goes through government departments. Global Fund eventually demanded changes in how the Chinese government handles the funds in order to continue funding, and eventually a program of the interviewed organization managed to receive Global Fund funding after the Chinese government made appropriate changes. However, GF funding is to be ceased partially by the end of 2013, apparently due to China being classified as a middle to high income country, while low to middle income is the requirement in order to access GF funding. (INGO#1, 2013.)

Moreover, according to the interviewee of INGO#1 (2013), large German and British donors have also cut or ceased funding. Apparently there have been corruption-related issues with SWAP-donations. In the interviewee’s opinion, while the receiving government might like SWAP-donations more than discreet donations, it will not stop discreet donations as long as they contribute to filling the gaps in social services gaps, for example. (INGO#1, 2013.)

Other interviewees also discuss the government’s increasingly supportive attitudes towards NGOs. According to INGO#3 (2013) the central government has become increasingly supportive to the civil society, and is outsourcing services to NGOs. However, final approval of projects takes place at local level, as the local decision-makers are accountable. (INGO#3, 2013.) InGO#2 (2013) interviewees see that government attitudes, but also common people’s reception towards local and foreign NGOs’ projects have become more positive in the past 10-20 years. However, more rules to supervise NGOs have been set by the Yunnanese government in recent years, though, it is seen beneficial that NGOs have a more clear framework to function in. (INGO#2, 2013.)

“.But looking at trends now they are becoming more prominent. Just the idea of NGOs and their work is becoming more accepted, which I think was probably kind of a weird idea to a lot of people here when we started.. Especially if we worked in an area before, when I walked into a project to assess, it doesn’t throw them as much.. Maybe some of the elderly have never seen a westerner, but they understand why I am there and why we are there as a company, as opposed to probably 15 years ago,
we’ll let you help us but still don’t understand why, whereas now they understand. I think that’s opened a lot of doors for local NGOs.” (INGO#2, 2013.)

5.4 Impact of registration difficulty and regulation on NGOs in China

NGO registration status, the process, and its consequences became a central topic in the interviews. In the Chinese context understanding NGO registration complexities is important, since a) in China the registering can be complicated, b) partnering with an unregistered organization with no legal status is not recommendable (INGO#3, 2013), and c) according to the interviewees (INGO#1, 2013; INGO#2, 2013), registration imposes limitations on the NGOs’ scope of work and allowed sources of funding, which could limit NGOs’ partnership opportunities dramatically. These statements confirmed and further complemented similar statements in China Development Brief’s (2013a, 2012) reports.

The interviews with INGOs provided insights especially on the registration process of international NGOs in China. First, apparently the registration of international NGOs has been very limited in mainland China, and the INGOs have operated from Hong Kong, with satellite offices in China. INGO#2 (2013) described its registration status and process in-depth, explaining that they were able to register finally in Yunnan, at provincial level, apparently due to a governmental pilot program. They must report monthly to government offices, and also their bank account is visible to the government. As a foundation they must report and justify their spending, and the accounts are audited monthly in their Hong Kong office. The pilot program might make Yunnan a special case allowing INGO registration. (INGO#2, 2013)

“In October 2011 they started this process. You can register in the country, not just have an office operating, but we are registered in China, not just in HK but in mainland as well. We are some of the guinea pigs of about 30-34 different NGOs they invited to be the first round. That is taking quite a long time, we just finished setting up our official office in Shanghai for this registration. So it’s taking about two years”. (INGO#2, 2013.)

As already explained in China Development Brief’s (2013a) report, NGO registration depends on finding a ministry with whom to register, and finding a governmental management supervisory agency (MSA) to sponsor the registration. Without these the registration cannot take place. Government officials apparently also have difficulties
in knowing and interpreting the legislation governing NGO registration, especially in
the cases of INGOs (INGO#2, 2013.). According to INGO#3 (2013) the NGO law is
under-developed, and NGOs therefore operate widely in a gray area.

“There was nothing representing our specific situation, so they were like we have
laws about this but they don’t know how to do this” (INGO#2, 2013).

In the registration process the NGO agrees on a scope of work with the MSA, which
is usually a government department relevant to the field of the NGO, which “speaks a
little bit to the lack of trust and historic lack of trust and suspicion”. The breadth of
the agreed scope could possibly be influenced by the negotiating power of the
organization. (INGO#1, 2013.)

The views on the difficulty of registering a Chinese NGO varied. INGO#2 (2013) did
not see registration, but fundraising as the greatest challenge for local NGOs.
INGO#3’s (2013) views on registration difficulties went furthers, suggesting that local
NGOs cannot register as NGOs, but register as a business instead. INGO#1 (2013)
explained that finding a MSA could be the greatest challenge limiting local NGO
registration. The MSA is held responsible for the actions of the NGO, and tend to be
risk-averse. Little NGOs or CBOs have difficulties in finding a MSA since they do
not want to be held accountable for the organization’s activities. The number of
registrations is not limited by the government as such, but due to being time-
consuming and the difficulty of finding an MSA, the number of applicants willing to
attempt registration is limited in practice. (INGO#1, 2013.)

“.in reality they [the number of registered NGOs] are restricted because so many of
them can’t be bothered to register [due to the complicated process].” (INGO#1, 2013)

INGO#1 (2013) had agreed on a relatively broad scope of work with the MSA. They
do however work outside their agreed scope of work to a certain extent, but have
never been challenged on it by the government. Regular reporting is essential, as is to
maintain good relationship to the MSA. (INGO#1, 2013.)

According to (INGO#3, 2013), registration might ease, starting at provincial level,
which is in line with the experiences of INGO#2 (2013), and corresponds with the
CDB reports (China Development Brief, 2013a, 2012) on new rules in Guangdong
and Yunnan. INGO#1 (2013) elaborated further, explaining that for the past couple of
years ministry-level talks have been going on to drop the requirement for a management supervisory agency, easing the registration of NGOs. The registration process is a long, time-consuming, bureaucratic, and generally onerous, and many (Chinese grassroots) NGOs and CBOs (community-based organizations) have therefore chosen to operate under the radar without registration, and “by and large they get away with it” (INGO#1, 2013.). A US-originating NGO called RTI has successfully helped several local NGOs through the registration process. (INGO#1, 2013.)

INGO#1 was closing its operations in China, but their work continues. They had separated a health program as a separate registered entity, but chose to not register it as an NGO, but as a business. This enables them to avoid needing a MSA, and a more lax scope of work, and apparently no MSA wanted to take the risk to be its supervisor. (INGO#1, 2013.)

“.A bit of a choice I took to go with a business registration, easier, broad scope of work, able to get money internationally and domestically, but maybe not from businesses, CSR. Or go with a local registration, and may not even get it ever, because there’s no MSA. You see what I mean..” (INGO#1, 2013.)

On top of registration and the regulation that comes with it, other challenges that the domestic NGOs face in China were also discussed in the interviews. As an operational challenge, it is challenging for local NGOs to do management and marketing simultaneously with field operations (INGO#3, 2013). However, according to both INGO#2 (2013) and INGO#3 (2013) the greatest challenge for local NGOs is funding. From the perspective of funding, in order to obtain international or domestic funding, registration with the MCA is essential. It enables the organization to issue a donation certificate to the donor, which in turn enables the donor, for example a company, to receive tax relief. Companies would probably not be able to get the tax relief when donating to a NGO registered as a business. (INGO#1, 2013.) Correspondingly, sdNGO#3 (2013) assumed that large companies would not donate to them since the company would not receive tax benefits. INGOs have different restrictions in receiving funding from domestic private organizations, however (INGO#1, 2013).
5.5 Partnership limitations with INGOs and grassroots NGOs in China

International NGOs position in the Chinese regulatory environment seems to differ from the domestic organizations. INGOs still remain illegal or quasi-legal in China, though they have been allowed to register since 2004, and provinces like Yunnan have begun to develop their own INGO legislation. Historically INGOs have found ways to overcome the lack of regulatory framework by registering through industry development government body, for example. In year 2000 regulations for banning illegal NGOs were issued, declaring INGOs and many domestic NGOs illegal. However, the Chinese central government chose to widely tolerate illegal INGOs (as well as illegal domestic NGOs) for as long as the INGOs do not threaten state security or social stability, since the resources, knowledge and technology INGOs brought with them were found beneficial. Moreover, by not granting a legal status to INGOs, the government can easily close the INGO operations when they wish. This forces the INGOs to keep a low profile and remain very careful with their activities. (China Development Brief, 2012.) This may also be the reason why two out of three INGOs chose to remain anonymous in the interviews in this study.

The 2004 regulations that allow INGOs to register with the Ministry of Civil Affairs require the INGOs to find a governmental management supervisory agency (MSA), similarly to domestic NGOs, which is difficult especially for INGOs with a diverse scope of work. By 2012 18 INGOs had managed to register (apparently excluding Yunnan province), most with a somewhat narrow scope of work, making it easier to find a supervisory agency. In Yunnan, under the recently established regulations for INGOs, 29 NGOs had registered by 2012. It is estimated, however, that these registered INGOs constitute only few percent of the total number of INGOs in China, and therefore a great majority of INGOs would operate illegally in China. (China Development Brief, 2012.)

In the past years regulations on foreign donations coming into China have been tightened, and Chinese authorities monitor more closely the activities supported by INGOs’ overseas funding. The new NGO regulatory framework introduced in Yunnan by the provincial government, which is first of its kind in China, is clarifying the INGOs’ regulatory environment. Some see the Yunnanese regulations as foundations for new national INGO regulations in China. These regulations are utilized to monitor especially the collaboration between INGOs and local NGOs.
INGOs that are registered under these regulations can collaborate only with properly registered local partners, ruling out grassroots NGOs that are unregistered or registered as a business. Although, regardless of their own registration status, INGOs might be discouraged to collaborate with illegal local NGOs in general, and little of the foreign aid money flows into these grassroots organizations. Nevertheless, international donor organizations have found ways to support the grassroots NGOs by channeling the money through well-established local organizations. (China Development Brief, 2012.)

Meanwhile local (environmental) NGOs feel to be in disadvantaged competition for foreign aid money with INGOs since they oftentimes do not have the capacity, resources, knowledge and experience to run such large scale projects as INGOs do. This potentially discourages INGOs from partnering with or funding local NGOs due to their limited capacity. Finally, many INGOs see China as a middle-income country, and have shifted their scope of work from development work increasingly towards developing Chinese NGOs’ and companies’ capabilities to work sustainably abroad, for example. Furthermore, international development organizations and funds are cutting funding or pulling out of China. (China Development Brief, 2012.) This is in line with the statements of the interviewee from INGO#1 (2013).

It appears that INGOs’ role in China might be changing. “There’s still space for INGOs.. Government will say they welcome INGOs, and technical assistance. But I think two, five, ten years it’s local organizations which are gonna be the main drivers for third sector development, as they should be, if they got funding, capacity, etc.” (INGO#1, 2013.) The changing role of INGOs in China will also probably have an impact to the potential roles of INGOs as BOP market entry partners.

CWEF interviewees provided further information on INGOs’ limitations partnering with local NGOs or private companies. International NGOs in China have significant restrictions in receiving donations from private companies, and CWEF would not be allowed to receive money from private companies. Furthermore, CWEF’s registration status partially dictates with whom they can collaborate, and might not be allowed to collaborate with some civil society organizations, for example. Presently their closest partners are government-tied bureaus and non-profit organizations, and according to the interviewee, they can only collaborate with non-profit organizations connected to
the government. However, in case another organization approached them for collaboration, it might be possible for as long as the project would be registered, and the project would fit into and was operated according to CWEF’s registration guidelines. (INGO#2, 2013.)

“I’m not sure how often we have actually done that, but it is possible. Just as a foreign NGO we do have different restrictions than local NGOs. Working together, I’m under the impression we would need to follow our regulations, not theirs. Sometimes it can make their work harder. But yeah if a local NGO said we would like to partner with you, I can’t imagine we would say no. We would have to assess their mission, values, goals, their beliefs as well. If those are lined up, I don’t see any reason why we wouldn’t be able to partner with them.” (INGO#2, 2013.)

CSR funding is another opportunity landscape for local NGOs, though restricted for INGOs. INGO#1 had hired a CSR manager to understand the opportunities better, and had agreed on funding with an MNC for a project, but could not accept the funding due to regulatory limitations. (INGO#1, 2013.) Local organizations registered as an NGO might have similar limitations to engage with private companies, but they might yet do it. “The government, it’s all about relationships, if they got a protector in the government they can do it”. NGOs registered as a business could probably overcome this limitation. (INGO#1, 2013.)

The interviewee also pointed out that it is unlikely that a large discreet donor, such as USAID, would fund local grassroots organizations directly, but would do the funding through larger organizations with whom they already have a relationship, such as INGOs, and who are connected to the local grassroots organizations already. The withdrawal of large donors might negatively impact the situation of local grassroots organizations. (INGO#1, 2013.)

5.6 Understanding China’s Base of Pyramid

The final section of the findings chapter explores the conditions at China’s BOP. (World Bank's (2009) report “From poor areas to poor people: China’s evolving poverty reduction agenda” presents insights to poverty and inequality in China. Between years 1981 and 2004 China accounted nearly entirely for the poverty reduction globally with half billion people brought up from poverty during the period (simultaneously global poverty figures fell from 1.5 billion to 1.0 billion). In 1981
85% of the Chinese stood below the $1.25 PPP daily income poverty line, while in 2004 the figure stood at 27%, further decreasing to 11.8% in 2011. (World Bank, 2014, 2009). However, poverty eradication is becoming increasingly challenging in China, since the remaining poor are increasingly dispersed and remotely located, and meanwhile income gap and inequality between the richest and the poorest is growing, even though the government is taking action to slow down this development. (BBC News, 2013; World Bank, 2009).

Several statistical indicators were selected for analysis in order to understand to what extent the conditions at Chinese BOP might differ from the conditions in developed markets, as suggested by BOP literature. To begin with, literacy rate in China stood at 94.3% in 2010 (World Bank, 2013). When observing illiteracy rates between provinces (2011 figures), with the exception of Tibet (literacy rate at 70.5%), average literacy rates appear to be relatively high, ranging between 87.8% and 93.7% on average in the bottom nine provinces, ranked by literacy rate (NBS China, 2012). However, average literacy rate of women is considerably lower than men, ranging between 81% and 91% in the bottom nine provinces (NBS China, 2012). Inside provinces, rural literacy rates could be assumed to be lower than urban literacy rates, however.

<table>
<thead>
<tr>
<th>Table 5: Bottom 10 rural provinces household net income 2011 (CNY)</th>
<th>Table 6: Bottom 10 literacy rates in provinces (including both rural and urban population)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Province</strong></td>
<td><strong>Income</strong></td>
</tr>
<tr>
<td>Gansu</td>
<td>3909,37</td>
</tr>
<tr>
<td>Guizhou</td>
<td>4145,35</td>
</tr>
<tr>
<td>Qinghai</td>
<td>4608,46</td>
</tr>
<tr>
<td>Yunnan</td>
<td>4721,99</td>
</tr>
<tr>
<td>Tibet</td>
<td>4904,28</td>
</tr>
<tr>
<td>Shaanxi</td>
<td>5027,87</td>
</tr>
<tr>
<td>Guangxi</td>
<td>5231,33</td>
</tr>
<tr>
<td>Ningxia</td>
<td>5409,95</td>
</tr>
<tr>
<td>Xinjiang</td>
<td>5442,15</td>
</tr>
<tr>
<td>Shanxi</td>
<td>5601,40</td>
</tr>
</tbody>
</table>

Infrastructural development in China has been rapid in the past decades. In regard to the telecommunications infrastructure, rural China’s television penetration rate in 2011 ranged from 94 to 107 sets per 100 households in the bottom-ten provinces.
ranked by TV penetration rate (NBS China, 2012). Moreover, mobile phone
ownership rate per 100 households in rural China stood at 142 to 182 in 2011 in the
bottom-ten provinces ranked by mobile phone penetration rate (NBS China, 2012).
Furthermore, China’s transport infrastructure has seen rapid development over the
past decade (NBS China, 2013), resulting in one of the largest road and rail networks
in the world.

Table 7: Color TV sets / 100 rural households (bottom 10 provinces)

<table>
<thead>
<tr>
<th>Province</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guizhou</td>
<td>93,93</td>
</tr>
<tr>
<td>Hainan</td>
<td>97,50</td>
</tr>
<tr>
<td>Xinjiang</td>
<td>99,03</td>
</tr>
<tr>
<td>Yunnan</td>
<td>101,13</td>
</tr>
<tr>
<td>Qinghai</td>
<td>104,17</td>
</tr>
<tr>
<td>Gansu</td>
<td>104,44</td>
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<tr>
<td>Tibet</td>
<td>104,73</td>
</tr>
<tr>
<td>Sichuan</td>
<td>105,13</td>
</tr>
<tr>
<td>Chongqing</td>
<td>106,50</td>
</tr>
<tr>
<td>Inner Mongolia</td>
<td>106,84</td>
</tr>
</tbody>
</table>

Table 8: Mobile phones / 100 rural households (bottom 10 provinces)

<table>
<thead>
<tr>
<th>Province</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tibet</td>
<td>121,35</td>
</tr>
<tr>
<td>Xinjiang</td>
<td>141,87</td>
</tr>
<tr>
<td>Liaoning</td>
<td>150,60</td>
</tr>
<tr>
<td>Guizhou</td>
<td>156,96</td>
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<tr>
<td>Anhui</td>
<td>163,71</td>
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<tr>
<td>Sichuan</td>
<td>168,75</td>
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<tr>
<td>Shanxi</td>
<td>172,81</td>
</tr>
<tr>
<td>Chongqing</td>
<td>175,78</td>
</tr>
<tr>
<td>Gansu</td>
<td>177,44</td>
</tr>
<tr>
<td>Heilongjiang</td>
<td>182,14</td>
</tr>
</tbody>
</table>

In 2010 65% of the rural population had a mobile internet access (72.7% among urban
population) (Nanjing Marketing Group, 2011). The national Internet penetration rate
reached 42.1% in 2012, up from 38.3% in 2011 (World Bank, 2013), and the increase
was driven mainly by new mobile Internet users (ZDNet, 2013). In 2014 some 857
million Chinese are estimated to use internet through a mobile device, half of them in
second or third tier cities. In the meantime mobile payments are growing in popularity
in the countryside. (Quartz, 2013.) Computer ownership (in 2011) among rural
households in the poorest provinces was generally low, standing at 10% +/-6% (NBS
China, 2012), indicating that mobile phones are commonly utilized for Internet
access.

In addition to statistics, all the interviewed NGOs (domestic and international)
provided insights to the realities at BOP in China. The living conditions of migrant
workers received the most attention.
Lianxin (sdNGO#4, 2013) described the conditions in the “village in a city” in northern Kunming where they operate a community center. The community is mostly occupied by migrant workers to whom locals have rented their apartments. However, in the process of urban development these districts are often demolished, forcing the migrant workers out, but compensation is paid only to the residents who have the right to the apartments by residence permit (Hukou). Living conditions were not discussed extensively, but according to the interviewee, people commonly have toilet and shower facilities in the apartments. The interviewee estimates that some 20 000-30 000 migrants live in the city village, with 7000-8000 locals. Government does not organize schooling to the migrant labor children, but the locals do. Medicine for healthcare is provided by non-local businessmen. (sdNGO#4, 2013.)

sdNGO#5 (2013) described especially the education conditions of migrant labor families’ children. The children cannot be enrolled in public schools, and since the parents cannot afford expensive education, the children get poor quality education in low quality schools. In such schools the premises are of low standard, and teachers come and go. The teacher/student ratio is lower than in public schools, and teachers have more responsibilities. Teachers may be loaded with so many subjects to teach, that some of them are left untaught. Moreover, the parents work hard and long days, and children get little time from parents. (sdNGO#5, 2013.)

One of the issues discussed in the interviews related to the economic development in China was whether rural China’s BOP markets would be feasible since especially the younger adults tend to move away from the countryside after work. An interviewee explained that “I think what you just said is the surface, because you know their desire to live better is the most motivation to them”, and according to the interviewee the migrant labor are very driven for increased income, even if it came from collecting bottles from streets (sdNGO#2, 2013). The interviewee referred to the challenges farmers face, with little land to farm, and life in subsistence conditions, with no surplus crops to sell. When inquired if the focus of development efforts should remain on both the countryside and the migrant workers, or should it be shifted more towards the migrants, the interviewee responds that migrants as a group are easier to grasp on since the farmers in the countryside live in more complex settings. However, since year 2012 the government has encouraged the farmers that have
migrated away to move back to the countryside, and some are returning. (sdNGO#2, 2013.)

“Of course they (young, working people) don’t want to live in rural village because the income is lower.” (sdNGO#2, 2013)

“They often, so many times, maybe a husband will be in the city working, and come home on the weekends, and his wife still is farming, because that’s the most efficient economic solution.” (iNGO#2, 2013)

INGO#3 (2013) interviewee suggested that if livelihood conditions were better, migrants would rather stay in the countryside. iNGO#2 (2013) interviewees also suggested that if local livelihood opportunities in the Chinese countryside were developed, people would be less likely to migrate. With hard work and day-to-day survival people might lack the ability to imagine and dream beyond the current situation, but through their projects they aim to allow people to dream by providing them new opportunities. (iNGO#2, 2013.)

“One gentleman we asked this, the interviewee had two daughters, one in 7th grade, one in kindergarten. They were doing their homework because we asked some questions and the interviewee said how will this water project change your life, what are your dreams for the future, what do you think will happen? And the interviewee said this water project will help me grow more corn because I will have access to water I can grow more corn, I plan buying a big, the more corn for myself the more animals I can have, and pigs are easy to raise, they don’t take up much room, they get big really fast, and if you can sell it that’s a major boost to your income. The interviewee said with this extra money I’m gonna save it and I want my daughter to go to high school, because you have to pay for high school in China”. (iNGO#2, 2013.)

BOP markets were also discussed. The interviewee from the large domestic NGO (ldNGO, 2013) introduced a case of migrant labor in industrial parks in Suzhou, where a company developed a mobile-software with which the workers can get discount inside the park, and the software also functions as a communications channel to the workers. Migrant labor’s spending on mobile phone services is relatively high
monthly, since it can be their only source of entertainment, for watching movies, for example. (IdNGO, 2013.)

Continuing, in rural areas companies often sell products of very low quality, especially food, but also products such as toothbrushes. In supermarkets cheap copycat products that look like famous products are often for sale. Food security and quality are also questionable. Actual BOP business cases that contribute to sustainability and social wellbeing are difficult to find since companies tend to sell products that are cheap and of inferior quality, but yet attractive, instead. (IdNGO, 2013.)

6 Discussion

The discussion chapter discusses in depth the issues around the empirical research question and its sub-questions. In the literature review the central supporting roles and contributions, as well as compatibility factors of a NGO partner were mapped. The discussion chapter reflects the findings to the literature review, but also discusses the study background, and the relevancy of the roles and compatibility factors mapped in the literature in the Chinese context.

6.1 Study background: State-corporatism and NGOs’ partner suitability

As mentioned earlier, the doubts on Chinese NGO sector’s existence that surfaced during early discussions in Helsinki in the initial stage of the study, and the doubts on Chinese NGOs’ suitability as BOP market entry partners that surfaced later in the interviews in Beijing strongly influenced the course of this study. Moreover, China’s rapid economic development in the past decades raised doubts on the necessity of poverty eradication through BOP business in China, and on the existence of BOP markets in China as a whole. The curiosity to understand if these doubts were correct or not, and where these doubts originated from, resulted in going possibly deeper than necessary (from the strict perspective of company-NGO partnerships in a BOP market entry) in studying the situation of the Chinese NGO sector, Chinese BOP market, and the need for poverty alleviation in China, in the empirical research.

This study confirms that NGOs potentially suitable as partners in a BOP market entry exist in China, but the broader context of BOP market entry and NGOs’ operating realities in China is also relevant to explore. NGOs’ first-hand testimonies on their
work, enthusiasm, and capacity to support the disadvantaged in China, and on their ability to cope with the regulatory environment, are highly valuable. They provide a direct response to the doubts on Chinese NGOs’ existence and on their credibility as BOP market entry partners, which surfaced along the course of the study. Empirical data obtained face to face in the NGO premises with NGO staff instead of secondary sources provides concrete proof responding to the doubts, proving that NGOs should not be ignored as partner candidates in a BOP market entry in China. The findings provide insights to the local NGOs’ realities directly from those running the NGOs at China’s grassroots, demonstrating that regardless of the seemingly difficult conditions, creative individuals manage to run an NGO and deliver results on a shoestring budget in the complex regulatory environment. The findings also prove, however, that the regulatory environment and government presence should not be interpreted black and white, but room for the NGOs to negotiate their situation in the “grey area” exists in China.

There is a vibrant civil society here, there’s varying degrees of shades of civil society: You’ve got the GONGOs, which are kind of like very affiliated with the government, and somewhat implement the agenda with the government, and on the other side you’ve got real grassroots community level organizations (INGO#1, 2013).

However, it is beneficial to clarify how, based on the findings, Chinese NGOs fit into the definition of an NGO. Due to the restrictions and control exercised by the Chinese government in NGO registration process, it is questionable if Chinese NGOs are self-governing and private, as Vakil (1997) defines NGOs. Further contradicting with Vakil's (1997) definition is the fact that some Chinese NGOs seek to build close ties to the government for reasons of legitimacy and practicality (China Development Brief, 2013a). Regardless, NGOs “that are geared to improving the quality of life of disadvantaged people” (Vakil, 1997, p. 2060) clearly exist in China, in large numbers, judging by the findings. Therefore, whether or not being self-governing and private (Vakil, 1997) to the same extent of their western counterparts due to regulation, the interviews proved that well-organized NGOs motivated to work for the well-being of the disadvantaged, exist in China.
The Chinese state-corporatist system, where the government is strongly present in different layers of the society, is probably behind the assumptions that some individuals make outside China on China’s NGO sector. As an example, in the initial stage of this study, the representative of the original case company was doubtful on the existence of NGOs in China at all. Such doubts could be driven by an assumption that independence from government defines the credibility of a non-government organization as a public interest organization.

In order to understand the validity of this assumption, NGOs’ independency from government was lifted in this study as a significant issue, but possibly to an unnecessarily great extent. While government connections could jeopardize the independency of an NGO as a public interest organization, the core and background interviews, and secondary sources indicate that government collaboration is crucial in China, in doing business and in running an NGO, for example. Therefore some level of government-dependency that could seem exceptional from western perspective is probably inevitable for an NGO in China to operate. The credibility of an NGO should therefore not be automatically judged by its government-connectedness, but the connection should be evaluated by studying the nature of the government collaboration, and the NGO’s activities. Moreover, a NGO’s government connections could potentially be leveraged to deliver results more effectively in the Chinese state-corporatist system in the BOP market, since government collaboration will with high probability be necessary in the market entry process.

6.2 Relevancy of alternative market entry and marketing methods

Partnerships with especially NGOs are suggested in BOP literature to overcome a multitude of challenges in a BOP market entry. The empirical study, however, indicates that the challenges might differ in China, and therefore the roles, key contributions, and key compatibility factors of NGOs in an entry to China’s BOP market could differ from the suggestions in BOP literature as well. Partnerships with non-traditional partners, especially with NGOs, are suggested in BOP literature primarily in order for a company to understand local consumer needs, in order to understand and overcome the challenging conditions at BOP, and in order to overcome the institutional limitations at BOP (Schuster and Holtbrügge, 2014; Webb et al., 2010). Moreover, due to the challenges in the market environment at BOP that differ from developed markets, methods that companies utilize in entering developed
markets are not considered applicable at BOP (Anderson and Billou, 2007; Prahalad, 2012; Sridharan and Viswanathan, 2008).

However, the background interviews indicate that Chinese BOP markets may not be functioning poorly to the same extent as assumed in the BOP literature. Formal markets exist, and local companies are already present at the Chinese BOP market, and affordable products are available. The products are, however, often of poor quality, may pose a safety hazard for the consumers, and do not necessarily meet the local needs well. Background interviews also suggested that local consumers at BOP in China may not suffer from poverty penalty to the same extent as assumed in BOP literature (Prahalad, 2012) due to active government regulation. Yet, overall the background and core interviews indicated that the BOP markets in rural China, as well as in the lower tier cities are underserved, although a market entrant could possibly benefit from the existing distribution channels.

Moreover, due to the rapid economic development in China, it is relevant to evaluate if the market environment conditions at Chinese BOP are as challenging for companies as suggested in the BOP literature. Relying mainly on the statistical data, following can be interpreted:

- Chinese land transportation network has developed rapidly in the past decade across the country, also in rural areas, into one of the largest systems in the world (NBS China, 2013)
- TV penetration rate at BOP is somewhat high (NBS China, 2012)
- Rural (and urban) mobile phone penetration rates at BOP are high (NBS China, 2012)
- Internet usage, especially through mobile phones, has become remarkably common even in rural China
- Rural literacy rate seems considerably high (around 90%, urban literacy rate is higher) (NBS China, 2012)
- The BOP already broadly belongs to the domain of formal markets, being served by local companies and entrepreneurs, even if with products of poor quality, according to the background interviews
Thus, it is questionable if companies need to depart from traditional market entry methods when entering Chinese BOP to the same extent as is suggested in the BOP literature in general. Due to the rapidly developed road transportation network, large parts of even the rural BOP could be reachable through conventional distribution methods. The existence of formal markets could speed up building ties with local distributors. Somewhat high literacy rate and the locals’ possible familiarity with acting in the market as consumers could simplify marketing efforts in general. High literacy rate, somewhat high TV penetration rate, high mobile penetration rate, and considerably high Internet usage rate could enable companies to utilize awareness building methods and marketing channels similar to the ones utilized in the developed markets at the BOP in China.

Yet, from the perspective of the 4As marketing paradigm (Anderson and Billou, 2007; Prahalad, 2012), even if the challenges on availability and awareness might not be as significant at the Chinese BOP as assumed in BOP literature, the company should still adapt its distribution and awareness-building to the local context. It should, for example, take into consideration the possibility that traditional marketing media could not be used or would not be trusted, as was the case in Nokia’s mobile marketing van that was discussed in a background interview. Moreover, the company still faces the challenges of responding to local needs with an affordable and acceptable offering. Understanding local needs, lifestyles, habits, as well as local inclusive business partnerships opportunities is therefore probably similarly important at BOP in China as suggested in BOP literature. NGO partnerships could therefore be important in adjusting distribution and awareness-building methods to local conditions, and especially in gaining access to local BOP communities, in understanding local needs, and in building local stakeholder networks at the Chinese BOP.

However, partially in connection to overcoming institutional limitations at BOP, government ties and partnerships should be taken into careful consideration when entering the BOP in China. This can be interpreted from the literature on Chinese state-corporatism, as well as from the literature and reports on Chinese government role in regulating NGOs in China, and from the background and core interviews. Judging by the interviews, NGOs, domestic and international, could play an important role in connecting the company to, and building ties with relevant government bodies.
in local-, county-, provincial-, and central government levels. Due to the state-corporatist system this role could be more important in China than in other BOP markets, and could therefore be a special characteristic of NGOs’ roles at BOP in China.

6.3 Grassroots NGOs’ suitability as partners in a BOP market entry

The suggestions on Chinese grassroots NGOs’ suitability as partners in a BOP market entry are mostly based on comparing the findings to the literature review, where the central roles, contributions, and compatibility factors of a NGO partner are defined. Some comparison is also done between the empirical findings and secondary data.

Comparing the findings to the big picture of Chinese NGOs helps to understand how the interviewed NGOs are positioned in comparison to the average. China Development Brief's (2013a, 2012) reports draw map the capabilities and limitations of Chinese NGOs. The reports’ statistics and findings indicate that Chinese grassroots NGOs are generally small, young, and lack a multitude of capacities and funding, and are often unregistered, lacking any legal status (China Development Brief, 2013a, 2012). In the light of these reports it is understandable that in the background interviews NGOs’ suitability as a BOP market entry partner was questioned by some interviewees. However, the interviewed grassroots NGOs have been operating for approximately 5-10 years, therefore being somewhat older organizations than the average presented in CDB’s reports. Moreover, the interviewed NGOs are registered (except one of them), and are seemingly capable, judging by the nature and length of their projects, and by the staff background. Therefore, it appears that the interviewed grassroots NGOs might be among the better established and more capable organizations than grassroots NGOs in China by average.

The interviews with grassroots NGOs largely focused on describing the NGOs’ activities and the NGO’s target populations. Education and skills training services stood out in the interviews in general, and the single largest target population was migrant worker families, although rural communities are also targeted. Moreover, for example business development services were provided, and some NGOs were involved in commercial activity. Those NGOs targeting the migrant worker population aim to narrow the gap of educational and welfare services availability and
quality between the locals and the migrant workers in Kunming. Furthermore, they provide work and life skills training, and various social services.

Going more in depth, the grassroots NGOs’ community access, presence, and knowledge are analyzed in following. All of the interviewed grassroots NGOs are running long-term projects in their target communities. They are especially well established in the migrant worker communities in Kunming, where there is a migrant worker population of approximately 2 million people. The level of the locals’ trust towards the NGOs is unknown, but for example Lianxin’s and Xieshou’s decade-long history in migrant worker communities suggests that these NGOs could be trusted partners in the communities. This also suggests that these NGOs have a strong knowledge of the local needs and conditions, which was supported by the NGOs’ statements in the interviews. Most of the interviewed NGOs also claimed to have created positive social impact through their activities in the communities, and Lianxin and Xieshou seem best geared for this, with considerably large organizations and experienced staff, and narrow focus of activities.

When observing the grassroots NGOs’ networks with relevant stakeholders it was revealed that the NGOs’ networks are somewhat broad overall. The NGOs partner with local communities, suppliers and distributors, schools and universities, government bodies at different levels, development funds and aid organizations, and also with companies and other NGOs, to some extent. A company entering Chinese BOP could therefore potentially gain an access to a variety of relevant stakeholders through the NGO partner. However, the networks of were mainly limited to the immediate partners of the NGOs in their operations.

However, the interviews did not reveal particularly strong networks with local producers and distributors specifically, which would support building inclusive business models. However, Yixing team, or particularly the Yixing’s colleague team Bang Bang is connected with farmers near Kunming through its business platform. Moreover, Xieshou could have broad entrepreneur networks through its training schemes, which could enable access to relevant entrepreneurs for a company.

Government ties play an important role in the state-corporatist China, and most of the interviewed grassroots NGOs had government connections. Already the NGOs’ registration status ties the organizations to the government to some extent, but the
organizations collaborated with the government also directly. While YDCfY and Xieshou collaborated with government as service providers, on top of service providing Lianxin also provides policy guidance to the government.

In connection to *NGOs’ experience supporting co-creation, marketing and market creation*, the interviewed NGOs provide a variety of education, training and capacity building services. Entrepreneurial, business, and job skills training and capacity building surfaced as common services among the interviewed NGOs. These capabilities and experience could potentially be harnessed to building inclusive business networks, for example in training local entrepreneurs. The NGOs’ training and educational experience could also support awareness building, from which the NGOs also had some concrete experience, and for example Yixing team had utilized unconventional methods such as workshops and role-play in their projects. Yixing team had also participated in educating a rural BOP community in Yunnan on the benefits and usage of a company’s water purifier solution. The interviewed grassroots NGOs’ experience could overall support the community-level co-creation process, as described by (Simanis and Hart, 2008). The NGOs could provide access to communities, provide an initial understanding of local needs and conditions, and initiate and facilitate first stages of the community-level co-creation process, and ensure broad stakeholder representation in the process.

However, the background interviews indicated that community-level engagement by a foreign company might be a sensitive issue in China, which could complicate the co-creation process in a BOP market entry in China. Therefore, government collaboration possibly at local, county, and provincial levels is crucial in engaging with BOP communities in the co-creation process. NGOs’ government connections and advice on managing government relationships, and introductions to relevant government bodies, could prove highly valuable in overcoming this challenge.

Observing the *NGOs’ organization, capacity and status*, all the organizations appeared considerably well organized, judging by the division of roles and responsibilities inside the organizations. Furthermore, especially Lianxin and Xieshou appeared to have significant organizational capacity, judging by the staff size and professional background. Furthermore, all organizations, except YNGOSC, were registered as NGOs. However, some of the interviewed NGOs appeared be involved
in such a broad scope of activities, that it is questionable if they actually had the resources to do all of it.

In relation to company collaboration prospects and business experience, the interviewed grassroots NGOs were relatively welcoming towards partnering with a company at BOP. However, the interviews provided hints that agenda compatibility would be important for a NGO to be willing to commit in the partnership, and for example the importance of environmental values surfaced. The welcoming attitude might have been aided by the NGOs’ familiarity with doing business, through their own operations, and the staff’s experience. However, the findings indicate that NGOs struggle in the Chinese regulatory environment and suffer especially from the difficulty of obtaining funding. Therefore, the need for new sources of funding could partially explain the willingness for company-NGO partnerships. Moreover, the historically adversarial setting between companies and NGOs (Ählström and Sjöström, 2005) might not be relevant in China, since the emergence of NGO sector (and even the private sector) is quite recent, and different than in western countries, possibly further increasing company collaboration acceptance.

Furthermore, the NGOs have direct business experience through their own business operations, program platforms, and capacity building operations, and the interviewed NGOs seemed even surprisingly business-oriented. This could significantly help finding a common understanding and agenda between a company and grassroots NGO in designing a partnership project in the BOP market entry.

The interviewed grassroots NGOs therefore seemed largely suitable as BOP market entry partners in the supporting roles of a grassroots NGO as described in BOP literature, as an intermediary between the company and community-level stakeholders, for example. In order to understand how commonly similar NGOs could be found in China, comparison to China Development Brief’s report (2013a) is done. China Development Brief’s report (2013a) examined 250 grassroots NGOs across China that were older than two years with ongoing operations and a track record. Of these organizations approximately 60% were registered as NGOs with the ministry of civil affairs. Over half of the NGOs had been operating 8 years or more. Approximately two thirds had a staff size of six or more. (China Development Brief, 2013a.) While the statistics do not indicate partner compatibility as such, they suggest
that a significantly large number of similar, considerably well-established grassroots NGOs as the interviewed ones could exist in China.

The suitability of the interviewed grassroots NGOs as a BOP market entry partner in even raises a possibility that a company could partner with a grassroots NGO directly in China, without an intermediary, against the suggestions of Hahn and Gold (2014) and Simanis and Hart (2008). However, regardless of the direct partnership potential, the challenges in such partnership could yet be significant. First, the company faces the challenge of tracking and establishing a co-creation partnership with suitable NGOs. Three out of five interviewed NGOs were tracked through other NGOs, and finding information on those online in English was difficult. Moreover, albeit the business experience, it seems that grassroots NGOs’ knowledge of the BOP business approach is very limited. Furthermore, communicating with grassroots NGOs directly could prove difficult since the interviews indicate that grassroots NGOs have poor skills in English. Continuing, the probability that grassroots NGOs would have the necessary staff skills and capacity to manage the BOP market entry project is lower than in the case of a larger NGO or an INGO. Furthermore, different governance mechanisms could set challenges in direct partnerships with grassroots NGOs, but this cannot be analyzed based on the findings.

6.4 Large NGOs’ suitability as an intermediary in a BOP market entry

While Chinese grassroots NGOs appear to be considerably capable and well organized, tracking suitable grassroots NGOs, and partnering with them directly could yet prove challenging for a company, as authors suggest (Hahn and Gold, 2014; Simanis and Hart, 2008). Therefore, an intermediary NGO partner could be necessary between the company and grassroots NGOs, and a key partner in the BOP market entry. However, the empirical findings indicated that INGOs’ awareness of Chinese grassroots NGOs may be limited, and the company should find the right INGO in order to connect with grassroots NGOs through an INGO. The findings suggest that INGOs could be of significant help in connecting the company with relevant government actors in China. Considering their capabilities and governance mechanisms, however, INGOs in China could potentially be suitable as an intermediary partner in a BOP market entry. However, the depth and extent of an INGO’s intermediary partner role could be significantly limited due to following reasons:
• INGOs operate with illegal or quasi-legal status in China, even if being registered with the ministry of civil affairs (MCA). Local NGOs operate under a more developed regulatory framework than INGOs, and have a stronger legal status.

• The scope of work agreed with the MCA and the sponsoring government unit possibly restricts INGOs from expanding to new areas and to new kinds of operations, and prohibits business-like activities. The uncertain legal status potentially discourages INGOs from testing the limits of tolerance of the supervisory government organization in their scope of work by partnering with private companies.

• INGOs’ allowable sources of funding are more limited than those of the local NGOs, and their funding is monitored more closely by the government than local NGOs’ funding. INGOs might be prohibited to receive funding from private companies at all.

• INGOs may not be allowed to partner with grassroots NGOs due to their limited scope of work, and such partnerships might be becoming increasingly complicated due to increased government monitoring of INGOs’ ties with grassroots NGOs.

INGOs might therefore not be able to partner with companies in entering the Chinese BOP as intermediaries similarly as suggested in BOP literature (Hahn and Gold, 2014). Moreover, the findings suggest that the scope of INGOs’ work is changing in China, some INGOs are leaving China, and in general the responsibility for grassroots community development is increasingly moving to local NGOs from INGOs. These findings suggest that the scope of work of INGOs in China is shifting away from being compatible in a BOP market entry. Nevertheless, INGOs could yet play an important role in the initial stages of a company entering BOP in China. INGOs’ role in introducing the company to the operating environment, to relevant government bodies, and possibly to suitable smaller or larger Chinese NGO partner candidates could be significant, and broader partnership opportunities should be explored.

Due to the INGOs’ partnering limitations and their shifting roles in China, also larger Chinese NGOs should be taken into consideration as intermediary partner candidates in addition to INGOs. However, the findings in this study on large Chinese NGOs are
based on an interview with only a single organization. The interview hints that larger Chinese NGOs may have an organizational culture and ways of working that are more compatible with the company than those of the grassroots NGOs’, sharing similarities with INGOs. The interviewed organization also had international experience and could communicate in English. Furthermore, a board of directors that consists of affluent members from the Chinese corporate, academic, and government sectors supervises it, increasing credibility. In general, the legal status of larger Chinese NGOs is also apparently stronger than of INGOs in China (China Development Brief, 2012), and this might provide the large Chinese NGOs more room to negotiate their scope of work with the government, and to operate more freely in the “grey area” of the state-corporatist system. This could enable the larger Chinese NGOs to participate more flexibly in business-like activities.

Most importantly, the interview with the large Chinese NGO indicated that large Chinese NGOs could be capable and experienced in both management and fieldwork. The interviewed organization had direct business experience, and education, training, and capacity building experience with quantifiable results to present, as well as apparently broad networks, which could prove to be valuable assets in a company-NGO partnership. Moreover, identifying and reaching large Chinese NGOs such as the interviewed one is easier than reaching grassroots NGOs, since they are better known than grassroots NGOs, and also share information online, in English.

Therefore, to sum up, against the suggestions of Hahn and Gold (2014), large international NGOs might not be suitable as intermediary partners when entering BOP market in China due to the regulatory restrictions and limitations, and their illegal or quasi-legal status in China. Considering the extent to which the interviewed grassroots NGOs were organized, and had relevant experience and capabilities, a company could potentially partner directly with such organizations. However, tracking and connecting with relevant organizations could be difficult due to lack of information and language barrier, and the organizational cultures and ways of working could be incompatible.

Therefore, an intermediary organization between the company and grassroots NGOs would be recommendable, and in the Chinese context a large local NGO might be better suited for the role instead of an INGO. This is due to the regulatory limitations
hampering INGOs’ ability to act as an intermediary partner in a BOP market entry, and due to INGOs’ apparently shifting role and scope of work in China. The interview indicated that a large Chinese NGOs’ organizational compatibility with a company could be good, and their extensive experience, capabilities, social capital, and networks could serve building a broader co-creation partner network at BOP. Moreover, large Chinese NGOs’ government connections could be relatively broad and strong, which could potentially be leveraged to significantly support the company’s venture at BOP.

6.5 Summary: NGOs as BOP market entry partners in China

The findings suggest that for example infrastructural conditions at Chinese BOP differ from what is suggested in BOP literature, and companies may not need to depart from traditional market entry and marketing methods to an extent what is suggested in BOP literature. Therefore, the partner NGO’s roles in a BOP market entry could also be different from what is suggested in BOP literature, and for example alternative marketing methods facilitated by NGOs might not be necessary to same extent in China as is suggested.

Chinese grassroots NGOs appear capable in mediating the BOP market entry between the company and grassroots communities, but may yet be difficult to partner with directly due to language difficulties, for example. Literature (Hahn and Gold, 2014) suggests partnering with INGOs instead, who could function as an intermediary between the company and the grassroots NGOs. However, the regulatory environment in China, and INGOs shifting scope of work might limit INGOs suitability as an intermediary partner. Instead, large domestic NGOs should be considered as the intermediary partner, while INGOs can provide advice and networks. Grassroots NGOs then mediate the partnerships and co-creation process between the company and community stakeholders.
Figure 2: Intermediary roles suggestion in BOP market entry partnerships in China

Figure 2 is adapted from figure 1, which was presented in the end of the literature review, and summarizes the NGOs’ positions in a BOP market entry in China. In figure 2, instead of an INGO, a large domestic NGO partners with a company as an intermediary key partner in the BOP market entry, managing partnerships with grassroots NGOs and other stakeholders. To illustrate the importance of government collaboration in China, government bodies in different levels are included in the figure. Similarly as in figure 1, the grassroots NGO then provides an access to community-level stakeholders, and facilitates co-creation at the grassroots, where the collaboration with local government is highlighted. INGO still plays an important role as an advisor and in connecting the company with relevant government organizations and possibly with other NGOs, for example. This figure is loosely based on BOP literature (Hahn and Gold, 2014; Simanis and Hart, 2008), and the adaptations are based on the findings of this study. The figure is a simplified illustration, since in
reality the linkages between different stakeholders would probably be more complex, and the stakeholder map would be more diverse.

7 Conclusions

The conclusions chapter answers to the empirical research question and its sub-questions, providing key conclusions based on the findings, managerial implications, and suggestions for further research.

The research questions are following:

- Could NGOs in China partner with a company and support a company in a BOP market entry?
  - Are the supporting roles and compatibility factors suggested in the literature similarly relevant in the Chinese context?
  - How does Chinese state-corporatism influence the partnership opportunities?

7.1 Key conclusions

The study entered into the virtually unknown territory of company-NGO partnerships in China in the context of entering the base of pyramid (BOP) market. The results provide a picture of the company-NGO partnership opportunities in BOP market entry, and build an understanding of how the state-corporatism in China influences the NGOs and the partnership opportunities. However, importantly, the study also revealed that the emerging BOP partnerships literature does not recognize the heterogeneity of NGOs and BOP environments in the context of company-NGO partnerships in a BOP market entry.

The study’s main focus was on understanding NGOs’ ability to partner with and support a company in a BOP market entry in China in ways suggested in BOP literature. The supporting roles and compatibility factors suggested in the BOP literature are summarized in the table below (a copy of the table in the end of the literature review).
Grassroots NGOs’ supporting roles

<table>
<thead>
<tr>
<th>Supporting roles</th>
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<tr>
<td>Provide knowledge on community-level needs and local conditions</td>
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<tr>
<td>Provide a community access for co-creation and deeper immersion to understand local needs and conditions in-depth</td>
</tr>
<tr>
<td>Build trust and credibility between the company and community through its long community presence and accumulated social capital</td>
</tr>
<tr>
<td>Function as a mediator between the company, community, and other relevant stakeholders in co-creation</td>
</tr>
<tr>
<td>Facilitate the community-level co-creation process and ensure broad and equal local representation in the co-creation process</td>
</tr>
</tbody>
</table>

Large (international) NGOs’ supporting roles

<table>
<thead>
<tr>
<th>Supporting roles</th>
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<tbody>
<tr>
<td>Participate in the business by carrying out central activities, or even by becoming a joint venture partner</td>
</tr>
<tr>
<td>Function as an intermediary between the company and smaller NGOs that are difficult to track and have informal governance mechanisms</td>
</tr>
</tbody>
</table>

Roles common for both types of NGOs

<table>
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<tr>
<th>Supporting roles</th>
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</thead>
<tbody>
<tr>
<td>Utilize its marketing and distribution networks in supporting the business</td>
</tr>
<tr>
<td>Support a company in overcoming immediate institutional limitations</td>
</tr>
<tr>
<td>Support marketing and distribution to meet with the 4As challenge (affordability, acceptability, awareness, availability) through the NGO’s distribution networks, and by utilizing locally suited awareness building methods in marketing and market creation</td>
</tr>
<tr>
<td>Link the company to local relevant partners through its networks, such as producers and distributors (that could be included in the business model), NGOs, government, academia, or other stakeholders</td>
</tr>
<tr>
<td>Company and NGO provide complementing capabilities that enable both parties to achieve what they could not achieve on their own</td>
</tr>
</tbody>
</table>

Compatibility factors

<table>
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<tr>
<th>Supporting roles</th>
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<tbody>
<tr>
<td>NGO should be willing to partner with a company, and the NGOs’ values should be compatible with the company’s agenda</td>
</tr>
<tr>
<td>NGO should have such organizational culture and governance mechanisms that the company can manage with, and which enable efficient collaboration.</td>
</tr>
<tr>
<td>NGO should be participatory-oriented with strong community presence</td>
</tr>
</tbody>
</table>

Table 9: NGOs' supporting roles and compatibility factors as partners in a BOP market entry (adapted from literature), a copy of the table in the end of the literature review
Chinese grassroots NGOs appear to be largely suitable as BOP market entry partners. The interviewed grassroots NGOs appeared to be considerably well organized, and mostly running long-term programs and projects in target communities, where they appear to be well established. Furthermore, these NGOs have broad networks, first-hand business experience, some contacts to local entrepreneur networks, and they mostly have experienced staff. The Funding that these NGOs receive from, and the partnerships that they have with large INGOs also suggest that the interviewed grassroots NGOs could be particularly effective, reliable, credible, and organized. Estimating how commonly similarly capable (as the interviewed ones) grassroots NGOs, potentially suitable as BOP market entry partners, could be found in China is difficult, but China Development Brief's report (2013a) indicates that the number of such grassroots NGOs could be in hundreds.

The findings indicate, supporting the BOP literature suggestions, that Chinese grassroots NGOs’ role could be especially significant in providing knowledge on local BOP communities and in enabling an access to communities for co-creating an offering and a business model. Furthermore, the suitable grassroots NGOs appear to have such experience that could support marketing activities through non-traditional methods that are better suited for the conditions at BOP. The findings also indicate that grassroots NGOs may have direct business experience, and have somewhat broad networks. Reception towards company collaboration among grassroots NGOs seems positive, although previous company collaboration experience is quite limited. However, direct partnering with the grassroots NGOs in China could be difficult due to the possible difficulties in finding potential partner NGOs and in evaluating the suitability of grassroots NGOs. Furthermore, grassroots NGOs appear to have limited English language proficiency, and somewhat limited resources, which could limit taking extensive responsibility in the partnership.

The BOP literature suggests that the company should partner directly with INGOs instead of grassroots NGOs. An INGO can function as intermediary partner between the company and grassroots NGO, and manage the broader partner relationships and even parts of the business (Hahn and Gold, 2014). However, the Chinese regulatory framework on INGOs is relatively underdeveloped, and many INGOs operate under illegal or quasi-legal status in China. INGOs’ funding and partnering with grassroots NGOs also appear to be closely monitored. Therefore, the regulation and monitoring
may limit INGOs’ from partnering with companies at all. Furthermore, INGOs’ scope of interest in China appears to be shifting from grassroots development to domestic NGO support and development. This could render INGOs incompatible as an intermediary in partner a BOP market entry in China, against the suggestions by Hahn and Gold (2014).

Therefore, a large domestic NGO might be a suitable partner as an intermediary between the company and grassroots NGOs, and direct partnerships with grassroots NGOs should not be ruled out either. However, basing on the BOP literature suggestions, in this study the focus was on grassroots NGOs and INGOs, not large domestic NGOs, and only one large domestic NGO was interviewed. Nevertheless, the findings suggest that the interviewed organization is highly capable and well organized with a long track record of delivering results, supporting suitability as an intermediary partner in a BOP market entry in China.

As the previous example of INGOs illustrates, the regulatory environment in China influences the Chinese NGO sector, and also the partnership opportunities in a BOP market entry. In general, the NGO regulatory framework is underdeveloped, but is developing, and there are differences between provinces. The lengthy and complicated registration process limits many organizations from registering as an NGO, and some remain unregistered, some register as a business instead, for example. Registered NGOs agree with a scope of work with a governmental management supervisory agency, which could limit NGOs of all kinds from partnering with a foreign company. However, the findings indicate that regardless of the seemingly strict control and monitoring by the government, there is a “grey area”, meaning that the regulations and agreed scope of work might not be followed strictly.

As expected, the findings indicate that the government plays an important role throughout the society in China. While the government may limit NGOs’ ability to partner in a BOP market entry, the entrant should most probably also collaborate with the government when entering the Chinese BOP. INGOs could potentially introduce the market entrant to relevant government actors, and presumably grassroots NGOs’ connections to local government play an important role when engaging at community level at the Chinese BOP. The partner NGO’s role of connecting the BOP market
entrant to relevant government bodies is more pronounced in China than what is suggested in the BOP literature.

The study also revealed the relevancy of some of the roles the literature suggests could differ at the Chinese BOP due to the different conditions than what is assumed in BOP literature in general. This could apply especially to the NGO’s suggested roles in marketing. Due to rapid infrastructural development, and high TV and mobile phones penetration rates, and the internet access provided by the latter, it is questionable if companies need to depart from traditional market entry and marketing methods to the same extent as suggested in BOP literature. Nevertheless, companies still need to understand local needs, lifestyles, habits, and partnership opportunities, in which the NGOs could support. Furthermore, alternative awareness building methods might have to be utilized in case the conventional marketing methods were not trusted.

Furthermore, the study revealed that when evaluating NGO suitability as a BOP market entry partner, NGO types should be further defined. Hundreds of thousands of organizations in China fall into the domain of NGOs, but only few hundred of them could be assumed suitable BOP market entry partners based on the findings. The literature makes a division between grassroots NGOs and INGOs, and the findings introduced also large local NGOs into the NGO types, but further division would be necessary. Already the findings on the interviewed NGOs indicate that while all of them can be categorized as grassroots NGOs, further categorization could be done based on the size, capability, and other characteristics of the organizations. Some grassroots NGOs could therefore potentially be partnered with directly, without an INGO intermediary, against the suggestions in the literature.

Therefore, the emerging literature appears to miss the heterogeneity of NGOs and BOP environments in the context of company-NGO partnerships in BOP market entry. As the results demonstrate, the relevancy of the suggested supporting roles of partner NGOs depend on the specific BOP market environment. For example, in the case of China, where the rapid economic development has led to rapid development of transportation and communications infrastructures, the conditions might not be as difficult as assumed to be at BOP in the literature. Therefore the suggestions that when entering BOP companies should depart from traditional market entry and
marketing methods might not be valid to the same extent at Chinese BOP as assumed in BOP literature.

Furthermore, new supporting roles might surface based on the needs in a specific BOP market. In the case of China the NGO’s supporting role in managing government relationships at different levels is more pronounced and has new characteristics when compared to the suggestions in the reviewed BOP literature. A deeper analysis might reveal more specific supporting roles in the Chinese context.

To conclude, the study reveals that there could be hundreds of grassroots NGOs in China suitable as BOP market entry partners. However, direct partnering with grassroots NGOs might be difficult. Literature recommends partnering with INGOs instead who act as an intermediary between the company and grassroots NGOs, but this may be limited in China primarily due to government regulation. Therefore, a large domestic NGO could be considered as an intermediary partner. The INGO could still be in an important advisory role and provide relevant government contacts, for example. Furthermore, the study revealed that the suggested roles of NGOs as BOP market entry partners may not be fully in relevant in the Chinese context, and further distinction between different BOP markets and different types of NGOs should be made in the BOP partnerships literature on company-NGO partnerships in a BOP market entry.

7.2 Managerial implications
The findings of this study confirm that companies intending to enter the BOP markets in China could partner with NGOs in China as suggested in the BOP literature, but possibly with some differences and limitations, as discussed in the previous section.

However, a company entering the Chinese BOP might not need to depart from traditional market entry and marketing methods to the same extent as suggested in the BOP literature. Yet, the company should consider the need for alternative methods.

It is evident that the Chinese state-corporatist system sets limitations to Chinese NGOs, such that may not exist for example in western countries, which has led some outside China to receive Chinese NGOs with suspicion. The imposed limitations do not, however, stop Chinese NGOs from operating in their particular fields of work, and the “grey area” in interpreting laws, regulations and agreements also allows the
NGOs room for movement. NGOs in China have taken an increasingly important role in providing welfare services to the most disadvantaged, and these activities receive a gradually increasing support from the central government. Therefore, NGOs in China should be considered as BOP market entry partners like in other BOP markets, keeping in mind the possible differences in the NGO’s roles.

Finally, the findings benefit not only companies intending to enter Chinese BOP, but it also benefits organizations and researchers interested in the Chinese NGO field. The first hand interviews with the NGO representatives provide direct insights on the realities of NGOs in China, and enable the readers also to draw their own conclusions on the topics studied.

7.3 Suggestions for further research

In general the NGO partnerships in a BOP market entry should be studied further. A wide range of different types of organizations fall under the domain of NGOs, and the partnerships discussion should be therefore more specific. Furthermore, this study demonstrates how the different BOP market environments are not yet taken into consideration in the literature on company-NGO partnerships in a BOP market entry.

This study also revealed the difficulty of evaluating a NGO partner suitability in a BOP market entry. While the current BOP literature provides suggestions of potential supporting roles and compatibility factors of NGOs, methods for evaluation should be developed. Moreover, further empirical research would be needed to understand the scope and case-dependency of the NGOs’ supporting roles in the BOP market entry.

Finally, Chinese BOP market and BOP cases should be studied more closely. The study revealed that very few studies have been made around these subjects, which is controversial considering the large size of China’s BOP market. Furthermore, the migrant labor movement, rapid urbanization, developed domestic industry, and rapidly increasing mobile internet user base, for example, might make China’s BOP environment unique from other BOP markets. China’s BOP market should therefore be studied in depth, and should also be compared to other BOP markets in order to understand the needs to differentiate the BOP market entry specifically in China’s BOP.
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9 Appendices

9.1 Interview structure

Organization background
• What is their organization?
• Who is the person interviewed?
• What do they do?
• How long have they been operating?
• Where do they operate, which locations?
• Do they have offices elsewhere than in Kunming?
• How is the organizational structure?
• How do they obtain funding?
• How many staff?
• Under what kind of license do they operate, are they registered?
• Do they have a website?
• Have they published reports in Chinese or English?
• Do they have international experience?
• How are their language capabilities?

Operational capabilities: Co-creation capabilities and willingness?
• What are the key operations, in detail?
• Who are their key partners?
• Are they aware of and collaborate with other NGOs?
• Does the organization have education or training experience?
• Do they have business experience?
• Have they collaborated with private companies in any context?
• How do they see themselves in collaborating with business?
  o Providing access to a community
  o Building trust between the company and the community
  o Getting involved in the company’s solution development process
    ▪ Providing understanding of needs and opportunities
  o Involving locals in the solution development
  o Building awareness through demonstrations, education, and training of locals
  o Empowering locals to integrate in the business model through training and educating locals as producers or entrepreneurs, for example

Their target group:
• Who is their target group, for whom do they work for?
• In what kind of communities do they operate in?
  o Which group of people, and where, they know the best?
  o What is the area, who live here, how are the conditions?
• What kind of characteristics are common to the people in their target community?
• How do they work with the target community in practice?
• What kind of development has reached their target community?
• What kind of needs are most severely unmet among the target group?
  o What do the locals want the most?

Operational environment:
• Who are the most important development contributors and drivers in China?
• How are the operating conditions for a local NGO, how do they see their future?

Background - interview beginning:

Permission to record

• May I cite you in the report?
• Name of interviewee, name of organization?

Introduction
• Personal and study background

HAVE YOU HEARD the concept Base of Pyramid (business)金字塔底部 (?)
• Show BOP pictures
• BOP business characteristics
  o Tailored solutions
  o Transformational, inclusive
  o Business for profit: Aim for scalability, no resources saved
• GOAL:
  o Serve unmet needs, create local livelihood opportunities
  o Create mutual value: Both for local community and the company
  o Long term: Poverty eradication
• Challenges: Affordability, access, availability, awareness
  o Atypical conditions compared to higher income markets
    • Need collaboration and co-creation with stakeholders that know local conditions the best
    • NGOs
    • Social Enterprises
    • Academia
    • Government
    • Fringe Stakeholders