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**IMPACT OF SUSTAINABLE SUPPLY CHAIN LINKAGES WITH
BOP FIRMS ON MNEs' INTERNATIONALIZATION:
MEDIATING ROLE OF MARKET KNOWLEDGE
COMPETENCE**



SULAMAN HAFEEZ SIDDIQUI

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Universiti Utara Malaysia

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By

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UUM
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**Thesis submitted to
School of Business Management,
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In Fulfillment of the Requirement for the Degree of Doctor of Philosophy**

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ABSTRACT

Multinational Enterprises (MNEs) are increasingly interested in engaging with Base of Pyramid (BoP) enterprises in host market as part of their global supply chain networks in pursuit of internationalization strategy. Recently, the literature in international marketing has emerged to shed light on potential of engaging BoP enterprises in MNEs' supply chain networks. Present study extends the theory of network internationalization. It investigates the influence of MNEs' sustainable/inclusive supply chain linkages with BoP enterprises in host market on market knowledge competence of managers and thereby internationalization strategy of MNEs in host market. Quantitative research design is used to empirically examine the key relationship theorized by the study. The data has been collected using structured questionnaire filled by sample of marketing/supply chain managers in MNEs which have maintained BoP supply chain cluster in their business model in Pakistan. The results of study indicate that sustainable/inclusive supply chain cluster linkages have significant positive impact on market knowledge competence of supply chain managers and on internationalization of MNEs in host market. Further studies may be conducted on BoP supply chain linkages of emerging market MNEs in home market to analyze its impact on their performance in foreign host markets. Nonetheless, findings of the study can be useful to managers in MNEs who are interested in their firms' market penetration in foreign host markets. The outcomes of the study also have implication for policy makers in developing countries interested in poverty alleviation through market based policy interventions.

Keywords: Multinational Enterprises (MNEs), Base of Pyramid (BoP) enterprises, Internationalization Strategy, Sustainable/Inclusive Supply Chain Linkages, Market Knowledge Competence

ABSTRAK

Syarikat Multinasional (MNE) semakin berminat untuk melibatkan diri dengan perusahaan Berasaskan Piramid (BoP) di pasaran tuan rumah sebagai sebahagian daripada rangkaian rantaian bekalan global yang mapan dalam mengejar strategi pengantarabangsaan. Baru-baru ini, literatur dalam pemasaran antarabangsa telah muncul untuk memperjelaskan tentang potensi melibatkan perusahaan BoP dalam rangkaian rantaian bekalan MNE. Kajian semasa memperluaskan teori pengantarabangsaan rangkaian. Kajian menyelidik pengaruh hubungan rantaian bekalan MNE yang mapan/inklusif dengan perusahaan BoP di pasaran tuan rumah terhadap kecekapan pengetahuan pasaran para pengurus, sekaligus mengantarabangsakan strategi MNE dalam pasaran tuan rumah. Reka bentuk penyelidikan kuantitatif digunakan untuk meneliti secara empirik hubungan utama yang dijadikan sebagai teori kajian. Kajian ini mengumpul dan menganalisis data menggunakan soal selidik berstruktur yang diisi oleh sampel pengurus pemasaran / pengurus rantaian bekalan di MNE yang mengekalkan kluster rantaian bekalan BoP dalam model perniagaannya di Pakistan. Keputusan kajian menunjukkan bahawa hubungan rantaian bekalan rantaian BoP yang mapan /inklusif mempunyai kesan positif yang signifikan ke atas kecekapan pengetahuan pasaran pengurus rantaian bekalan dan ke atas pengantarabangsaan MNE dalam pasaran tuan rumah. Kajian lanjut boleh dilakukan terhadap rangkaian rantaian bekalan BoP pasaran baru muncul MNE dalam pasaran tuan rumah bagi menganalisis kesannya ke atas prestasi di pasaran tuan rumah luar negeri. Walau bagaimanapun, penemuan kajian ini berguna kepada pengurus dalam MNE yang berminat dengan persaingan antarabangsa dan menembusi pasaran tuan rumah luar negeri. Hasil kajian ini juga mempunyai implikasi bagi pembuat dasar di negara-negara membangun yang berminat dalam menangani kemiskinan melalui campur tangan dasar berasaskan pasaran.

Kata kunci: Syarikat Multinasional (MNE), Perusahaan berasaskan piramid (BoP), Strategi Pengantarabangsaan, Rantaian rangkaian pembekalan yang mapan/inklusif, Kecekapan pengetahuan pasaran

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LIST OF ABBREVIATIONS

ADB	Asian Development Bank
AMOS	Analysis of a Moment Structures
BoP	Base of Pyramid
BoPM	Base of Pyramid Market
BL	Backward Linkages
CB-SEM	Covariance-Based Structural Equation Modelling
EMNEs	Emerging Market Multinational Enterprises
FDI	Foreign Direct Investment
FL	Forward Linkages
HL	Horizontal Linkages
IB	International Business
IE	International Entrepreneurship
IM	International Marketing
IMF	International Monetary Fund
IMP	International Marketing and Procurement Group
LISREL	Linear Structural Relations
MDGs	Millennium Development Goals
MNE	Multinational Enterprise
MSEs	Micro and Small Enterprises
MSMEs	Micro, Small and Medium Enterprises
OYAGSB	Othman Yeop Abdullah Graduate School of Business, Universiti Utara Malaysia
PLS	Partial Least Squares
SBP	State Bank of Pakistan
SCM	Supply Chain Management
SDGs	Sustainable Development Goals
SEM	Structural Equation Modelling
SPSS	Statistical Package for the Social Sciences
SSCM	Sustainable Supply Chain Management
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
VB-SEM	Varian-Based Structural Equation Modeling
WTO	World Trade Organization

CHAPTER 1

INTRODUCTION

1.1 Background of the Study

Over the years, theorists and practitioners in field of marketing have been concentrating their efforts on customers satisfy their needs and wants in unique ways. However, the prime concern has remained the same i.e. how to earn profits while becoming and remaining invincible market leaders. Moreover, the strategists including renowned researchers and scholars, for this purpose, keep on pointing out the untapped potential market segments and new market spaces. Dynamism is what opens up new horizons of strategies and evolutionary concepts. This is how back into 2002, about more than a decade ago, the term bottom of the pyramid (BoP) was coined by C.K. Prahalad (Prahalad & Hart, 2002; Prahalad & Hammond 2002) introducing the poor segment of the world population as a potential blue ocean market. The concept of blue ocean market refers to untapped market segments, which according to Chan Kim & Mauborgne (2004), should be the focus of new strategies by business striving for competitive advantage. The BoP market was represented as a blue ocean market that MNEs need to capitalize on by changing their business models to the characteristics and needs of this new market segment. The term Bottom of Pyramid was further replaced with Base of Pyramid by Landrum (2007) in order to neutralize the negative tone associated with the earlier term. According to Follman (2012), the concept of BoP was initiated by Prahalad unveiling the fact that the multinational businesses almost overlook the huge poor market making up approximately 4.5 billion of the world's total population and who, in words of Chikweche & Fletcher (2012), have a subsistence of less than USD 1500 per annum.

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Appendix

Questionnaire of the Study



Research Questionnaire for Doctoral Study

Section I: Introduction of the Study and Identification of Respondent

- Topic** Impact of Sustainable Supply Chain Linkages with BoP Firms on MNEs' Internationalization: Mediating Role of Market Knowledge Competence
- Background** Concept and application of the sustainable supply chain also termed as BoP cluster refers to engaging micro and small firms in supply chain networks by MNEs in host markets. It is yet to ascertain how this inclusive supply chain strategy and inclusive innovation strategy affects the market knowledge competence and MNEs internationalization in host markets.
- Objectives**
- 1- This survey seeks to analyze the MNEs managers' perceptions about level of supply chain cooperation and level of shared innovation with BoP firms (micro and small enterprises) in their supply chain cluster.
 - 2- The survey seeks to analyze the impact of sustainable supply chain linkages and shared innovation on their market knowledge competence:
 - 3- The survey seeks to analyze the impact of BoP supply chain cooperation and shared innovation on MNEs managers' propensity to internationalization i.e. sales, employment, assets in host market.
- Disclosure** The respondent has right to not disclose her/his personal identity. Kindly mention to the field worker if it is required so.
- Privacy Policy:** Universiti Utara Malaysia has explicit policy to use findings of research study for research purpose only without disclosing to third party.
- Company Name:** _____
- Manager Name:** _____

Thank you for giving your valuable time and effort to fill in this questionnaire. Your cooperation in the completion of this research study is highly appreciated and acknowledged.

Sincerely,

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Research Questionnaire for Doctoral Study

Section II: Company and Manager's Profile

Manager's Profile

1) Highest education level (EDU)

- | | |
|--|---------------------------------------|
| ☐ High School/Diploma | ☐ Graduate |
| ☐ Postgraduate | ☐ Professional |

2) Training programs attended

- | | |
|--|---|
| ☐ Supervisory Staff | ☐ Middle Manager |
| ☐ Top management | |

3) Number of years of total experience (EXP)

- | | |
|--|---|
| ☐ Less than 5 years | ☐ 5 to 10 years |
| ☐ 10-15 years | ☐ Above 15 years |

Research Questionnaire for Doctoral Study

Section III: Research Questions

The section consists of statements on MNEs managers' perceptions about their level of cooperation with BoP firms (micro and small firms) in their supply chain cluster.

Please encircle the appropriate answer that best represents your opinion about the question using the scale below to indicate your level of agreement or disagreement.

Strongly Disagree (SD)	Somewhat Disagree (D)	No Opinion/ Not sure (NS)	Somewhat Agree (A)	Strongly Agree (SA)
1	2	3	4	5

Q. 1	What is the company's propensity to continue internationalization in Pakistan Market? 1=Highly Unlikely 5=Highly Likely					
ITZ1	Likelihood of the firm towards increasing sales in Pakistan market	1	2	3	4	5
ITZ2	Possibility of increasing the firm's sales in Pakistan market	1	2	3	4	5
ITZ3	Likelihood of the firm towards increasing employment in Pakistan market	1	2	3	4	5
ITZ4	Possibility of increasing the firm's employment in Pakistan market	1	2	3	4	5
ITZ5	Likelihood of firm towards increasing commercial presence in Pakistan market	1	2	3	4	5
ITZ6	Possibility of increasing firm's commercial presence in Pakistan market	1	2	3	4	5

Q. 2	The company maintains supply chain relationship with BoP firms (small and micro enterprises).					
IS1	Supply chain cooperation with BoP suppliers	1	2	3	4	5
IS2	Supply chain cooperation with BoP resellers	1	2	3	4	5
IS3	Supply chain cooperation with other BoP firms	1	2	3	4	5

Q. 3	The company promotes two-way innovative capability through relationship with BoP firms (small and micro enterprises) as members of supply chain cluster.					
II1	Adapts its products to make them relevant for BoP market	1	2	3	4	5
II2	Obtains ideas from BoP firms in its products and processes	1	2	3	4	5
II3	Shares its expertise to improve performance of BoP firms	1	2	3	4	5



Research Questionnaire for Doctoral Study

Q. 4	To what extent company's supply chain relationship with BoP firms (small and micro enterprises) has influenced its cooperative/native capability/market knowledge competence					
MK1	More and better knowledge about customers through BoP allies	1	2	3	4	5
MK2	More and better knowledge about competitors through BoP allies	1	2	3	4	5
MK3	More and better knowledge about local environment					
MK4	More and better understanding to manage supply chain activities at BoP level (alliance management)	1	2	3	4	5
MK5	Information/communication systems have been adapted to integrate with BoP allies (alliance communication)	1	2	3	4	5
MK6	More and better ability to share learning with BoP allies	1	2	3	4	5

Q. 5	Following explains the company's supply chain cooperation with its BoP supplier firms.					
BL1	Exchange of information and experience	1	2	3	4	5
BL2	Joint marketing (product development/market development)	1	2	3	4	5
BL3	Negotiation of payment and delivery system	1	2	3	4	5
BL4	Training participation	1	2	3	4	5

Q. 6	Following explains the company's supply chain cooperation with its BoP reseller firms.					
FL1	Exchange of information and experience	1	2	3	4	5
FL2	Joint marketing (product development/market development)	1	2	3	4	5
FL3	Negotiation of payment and delivery	1	2	3	4	5
FL4	Training participation	1	2	3	4	5

Q. 7	Following explains the company's supply chain cooperation with other BoP firms.					
HL1	Exchange of information and experience	1	2	3	4	5
HL2	Joint marketing	1	2	3	4	5
HL3	Joint product development	1	2	3	4	5
HL4	Negotiation of payment and delivery	1	2	3	4	5
HL5	Training participation	1	2	3	4	5