RISK AND SOCIAL VALUE CREATION IN VOLATILE BOP MARKETS: A CASE STUDY FROM SOMALIA

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ABSTRACT

The current chapter addresses the operations of an emerging market (EM) origin firm in a Base of the Pyramid (BOP) market. We focus on the under-researched empirical context of Somalia using a single case study of a Turkish construction firm operating there to analyse these aspects. Our study reveals that risk of volatility does not deter foreign firms from entering and operating in such markets, especially when the home country image is positive, and there are historical and religious linkages between home and host countries. We further found out that the case firm dealt with institutional voids by earning legitimacy from powerful local networks and using a positive country of origin image to run the business successfully in an uncertain context. Finally, the case firm created social value for BOP consumers by not only developing affordable quality houses but also indirectly by dealing fairly with local partners and engaging in skills development for both own employees as well as of partner firms.

Keywords: BOP, Emerging Market Firm, Institutional Voids, Risk, Social Value Creation, and Somalia.

INTRODUCTION

The base of the pyramid (BOP) markets represent the single most substantial portion of customers on the planet, but for a long time, these markets were neglected due to the low-income levels of the individuals inhabiting them (Prahalad, 2006). Several studies have addressed issues like frugal innovation, social enterprise development, technology and its use by local entrepreneurs and innovative services and product marketing strategies in BOP markets in Africa, Asia, and Latin America (e.g., Cieslik, 2016; Waibel, 2017). Taking a viewpoint that the aggregated buying power of BOP markets represents viable business opportunities and that the exceptional market conditions due to poverty are conducive for the introduction of innovative products and services, BOP research suggests that business ventures can be helpful in social value creation (Sinkovics *et al.,* 2014). However, a literature review reveals that there is rather a dearth of studies taking an international business (IB) approach to study market entry in volatile BOP markets, even though the success rate of international firms entering BOP markets has been relatively low (e.g., Rohatynskyj, 2011). Thus, we have a limited understanding of whether the entry and operation decision criteria are the same for foreign firms entering into BOP markets compared to more traditional markets (e.g., Schuster and Holtbrugge, 2012). Moreover, what is also unknown is how the potential for social value creation influences these decisions.

It should be further noted that product and service marketing strategy analysis in BOP markets is increasingly gaining the attention of academic researchers (e.g., Payaud, 2014; Leposky *et al.*, 2019). A review of extant literature shows that the focus of such studies has primarily been on either local firms and their customer service strategies or western (developed market) multinational enterprises (MNEs) and their product or service marketing strategies in BOP markets (e.g., Kolk *et al.,* 2014; Leposky *et al.,* 2019). However, the operations of emerging market (EM) SMEs in BOP context are relatively under-researched so far. Firms from an EM background, specifically from Turkey and China have entered the volatile market of Somalia despite the risk of civil war, violence, and political unrest. This interest by the foreign firms is understandable, as international political economy literature has established that in areas, where states fail to provide services, external actors (e.g., foreign firms) tend to fill the gap (e.g., Hönke and Thauer, 2014). However, this attention by foreign firms to a country, which is ravaged by instability and civil war, goes against conventional view of risk behaviour, where firm managers are rational actors who tend to avoid entering such risky markets.

The current chapter challenges this generalised perception of risk behaviour. First, we argue for risk to be perceived at the firm-specific level instead of based at a country level in contexts of institutional voids. Our argument relies on prior work done in unstable and volatile contexts, including Africa (e.g., Frynas and Mellahi, 2003; Jensen and Young, 2008). In this context, it has been referred that "risk should be constructed as being primarily a firm-specific or project-specific value assessment rather than country risk, as it depends on the goal and resources of a firm or project" (Frynas and Mellahi, 2003: 546). Likewise, the concept of risk is double-edged particularly in the construction sector, as its negative aspects in high-risk contexts are coupled with opportunities stemming from reconstruction efforts amid or in the aftermath of civil wars or conflicts (e.g., Reilly, 1950; Ganson and Wennmann, 2018). Moreover, in many BOP markets, especially of Africa, infrastructure is in bad condition due to years of negligence or other political problems (Calderon, 2009). At the same time, due to the importance of infrastructure and construction industry in day-to-day life, there is a significant demand for such services, even in conflict-hit economies (Collier, 2003). This gives a firm operating in the construction sector an opportunity to serve the local needs and potentially create social value.

The current study aims to address the dynamics of risk and social value creation by a Turkish origin firm operating in under-researched volatile BOP context of Somalia. The case firm is a construction enterprise with past and present operations spanning several developing countries, where it has served BOP consumers as well. It entails rather unique motives for operating in Somalia including social value creation for BOP consumers. Our chapter contributes to the extant literature by increasing the understanding of both international market entry and operations of EM firms in a volatile BOP context representing high risk. By doing so, we extend the discussion on entry and operation mode choice in BOP market context by exploring the role of risk perception and home country image while entering volatile markets. We also increase understanding of how EM SMEs with limited resources manage their international business operations under extreme risk and uncertainty. Moreover, we highlight how foreign firms can create value for BOP consumers in construction sector. Some prior studies have highlighted that foreign firms can potentially create social value by serving a niche product or service market which was previously inaccessible (e.g., Sinkovics *et al.,* 2014; Leposky *et al.,* 2019). Therefore, our study contributes to the literature stream on social value creation in BOP markets as well as it highlights the dynamics of social value creation by a foreign construction firm in the volatile context of Somalia.

The rest of the chapter is organised as follows. The next section offers a discussion on theoretical background followed by a presentation of the study's methodology and empirical findings. The chapter concludes with a presentation of implications, limitations and future research directions.

LITERATURE REVIEW AND RESEARCH CONTEXT

Foreign Firm Entry and Operations in Volatile Markets

IB literature has established that decision criteria for market entry and operation modes range from minimising costs and risks to maximising profits, getting access to resources and dealing with institutional dynamics (e.g., Dunning, 2000; Arslan, 2011). Country risk has been seen as an essential factor that influences the choice of entry of foreign firms in a market (e.g., Henisz *et al.,* 2010; Mullner, 2016). The influence of risks on market entry and operations have been addressed using a range of theoretical lenses (e.g., transaction-cost based approach, real options theory, eclectic framework) and empirical methodologies in IB literature (e.g., Mullner, 2016). Risks associated with a country stem mostly from the political environment. Historically, we have seen such risks to manifest themselves in the form of nationalisation of industries (e.g., Cuba and Iran), restrictions on the repatriation of capital (e.g., Argentina and Malaysia), or political violence and war (e.g., Somalia, Sierra Leone, Democratic Republic of the Congo, and Liberia and other African countries) (e.g., Jensen and Young, 2008). Therefore, any firm interested in entering a relatively risky market needs to evaluate risks associated with breach of contract, restrictions on financial transfers, and risk of large-scale violence affecting ownership and operations i.e. violence risk (Jensen and Young, 2008; Henisz *et al.*, 2010) over the potential benefits.

Attractive benefits associated with operations of foreign firms in violence-hit markets include less competition and long-term growth prospects (e.g., Guidolin and La Ferrera, 2007; Dai *et al.*, 2017). It has been mentioned earlier that risk should not only be viewed generally also in the context of a specific firm and its goals (Fyrnas and Mellahi, 2003). This argument is supported by foreign direct investment (FDI) literature, where findings show that violence does not necessarily reduce investment flows (e.g., Biglaiser and DeRouen, 2007; Li and Vaschilko, 2010). Even more interesting are the studies where the authors found a positive relationship between FDI and conflict or violence in specific industries (e.g., Biglaiser and DeRouen, 2006; Asiedu and Lien, 2011). Therefore, the operations of foreign firms in a violence-hit economy like Somalia are not unusual even though they may appear to go against the convention logic of risk aversion followed by most firms.

Construction Sector in Volatile Markets and Specificities of Somalian Context

Construction is a broad-based sector responsible for a range of activities that include material production, design, finance, planning, construction, operation, maintenance, and possibly demolition (Finkel, 2015). There are different categories of construction, like housing, commercial buildings, industrial construction, airports, train networks, roads and highways, telecommunication, energy and electricity infrastructure (e.g., Finkel, 2015). The construction industry involves directly or indirectly many players such as investment firms, financial institutions, contractors, material manufacturers and suppliers, labour sub-contracting firms, local authorities and public agencies (Hillebradt, 2000; Grosso *et al.*, 2008). As a result, its economic impact has been found to significantly increase if spillover effects are considered (e.g., Hillebradt, 2000; Finkel, 2015).

Construction has increasingly become a global industry with many firms operating in different countries (e.g., Ofori, 2008). However, global construction markets have many possible risks that influence entry, operations and project implementation by foreign firms (Grosso *et al.*, 2008; Xiaopeng and Pheng, 2013). Despite these risks, returns on investment in construction sectors are relatively high, and they increase even further when the firm is operating in a volatile context, where the competition is relatively low (Edwards and Edwards, 1995). It should be further noted that risk propensity of EM firms is different from western MNEs, as they have experience of dealing with political upheavals and institutional voids in their home countries (Ramamurti, 2012). Therefore, it can be argued that EM firms are more equipped with entering and operating successfully in volatile markets.

Prior research refers that historical, cultural, and religious linkages between countries make operations easier for foreign firms from those specific markets (e.g., Basuil and Datta, 2015). Somalia and Turkey share historical and religious relations spanning over centuries (e.g., Ozkan, 2017). The Ottoman Empire, which was formed and predominantly governed by Turks, was one of the largest trading partners and military allies of different ruling dynasties in Somalia until the 19th century (Njoku, 2013). In recent years, political and economic relationships have strengthened based on geostrategic considerations of the Turkish government (e.g., Ozkan, 2017). As a result, Turkish firms tend to receive favourable treatment such as greater access to public tenders in Somalia, which potentially offsets risks associated with entry and operations in such a volatile context. Therefore, despite the risks, Somalia is an attractive market for Turkish firms, especially in vital sectors like construction.

Construction Industry, BOP Markets and Value Creation

The construction industry has the potential to promote significant economic activity that can uplift people from extreme poverty, especially in violence-hit economies (e.g., McCutcheon, 1995; Del Castillo, 2008). Therefore, the discussion on the construction industry as a social enterprise (e.g., Loosemore and Higgon, 2015) has been increasing in the academic discourse. Social enterprises are businesses with a social mandate that can vary from purely charitable to profit-driven with social implications. It has been argued in this context that social actions need not be stated, and firms can create social value, even out of profit-seeking motives (Acs *et al.*, 2013). To explore this phenomenon, it is necessary to understand what is meant by social value conceptually, and how it relates to firms. Social value has been used as an umbrella term to cover all activities that can be construed as socially motivated rather than profit or business-driven. There have been some attempts to create instruments to measure social value creation (e.g., Kurtakko *et al.*, 2017). However, they have not been rigorously tested and agreed upon by scholars. To differentiate between general organisational attitudes and visibility efforts, and real, ground-level activities that positively influence locals, the term strategic corporate social responsibility (CSR) was coined to join the profit and social aims of firms (Visser, 2011). Strategic CSR incorporates value creation aspect which requires engagement and working together with local actors (Yin and Jamali, 2016). It is important because otherwise foreign firms can end up missing their mark and disengaging and isolating locals from projects ostensibly aimed at them (Newenham-Kahindi, 2011). While strategic CSR conceptually relates to value creation with network actors, it merely deepens an existing concept. Much scholarly debate has been raised by an article by Porter and Kramer (2011) which specifically suggested moving towards creating shared value. They define shared value as ‘‘policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates’’ (Porter and Kramer, 2011: 66). This concept explicitly recognises the business aims of an organisation, whilst being incorporated in its core purpose and subsequently informing its activities (Porter and Kramer, 2014). This approach to business requires firms to juggle these dual goals simultaneously.

An interesting example in this concern is of Grameen Dannon, which offers highly nutritious but affordably priced yoghurt cups in rural areas of Bangladesh. This example shows that not meeting financial goals can force firms to redefine their distribution, pricing and business logic, which in this situation led to establishing an urban sales arm for the product to offset losses in the original rural target market (Kurtakko *et al.*, 2017). Such strategies are necessary even in firms with primarily a social mandate, implying that ultimately value creation comes with costs as well as benefits (Dembek *et al.*, 2016). Based on these conceptualisations of social value that profit-seeking firms can provide, we argue that construction firms can take an active role in promoting societal well-being as they operate in a sector that addresses the basic human need of housing. Yet, social value creation does not occur in a vacuum, and it is influenced by the environment and institutions surrounding it. In contexts where institutions are weak with large BOP population segment, firms seeking to create social value must opt for a long-term orientation and engage with local actors and stakeholders to understand how their business model supports the community (Sinkovics *et al.*, 2014; Barraket and Loosemore, 2018). In this way, they can develop an offering that targets BOP consumers' need, rather than creating solutions based on their operations in different contexts. Also, this approach to value creation can help foreign construction firms to mitigate risk by engagement with key stakeholders while creating value for BOP consumers.

RESEARCH METHODOLOGY

Research Method Choice and the Case Firm

There is scarce literature on why and how EM firms enter and operate in a specific type of volatile BOP markets with the high risk and how they can create social value in those markets. We undertook an explorative single case study (Yin, 2009) to increase the understanding of the phenomenon of social value creation by foreign firms in volatile BOP markets. We see context as a necessity to understand firm behaviour and strategies. This phenomenon-driven research justifies the choice of explorative study design so that we can approach the topic with flexibility and an open mind (Eisenhardt and Graebner, 2007). Further justification of the case study design is based on the complexity of the studied phenomenon, caused by the opposing forces of risks versus benefits and dynamics of social value creation while ensuring profitability in a volatile context.

The case firm is a middle-sized Turkish construction enterprise with operations spanning across several countries including Ukraine, Russia, Kazakhstan, Congo, and Morocco, where it had dealt with the BOP population segment. However, the case firm had to grapple with the political fallout between Turkey and Russia, after the shooting of a Russian jet by Turkish jets near the Syria–Turkey border on 24 November 2015. The firm faced immediate closure of its construction activities in its main foreign market of Russia following the incident and had to find a quick alternative market to ensure its existence. While in search of new markets for the firm's construction business, CEO of case firm met a Somalian professional who was in Turkey for educational purposes during 2015-2016. The Somalian professional's (who is currently the country head for the joint venture in Somalia) business prowess and convincing pitch about the potential of Somalia for construction business convinced the CEO of case firm to enter Somalia. The first entry of the firm to the market was as a result of responding to a business offer on a specific construction project in 2016. Currently, the firm builds houses and residential blocks on its own as well as undertakes tenders for construction auctions in the public sector. The case Turkish firm established a joint venture and operates it in a partnership with local country head in Somalia in 2016. It should be noted that the case firm has fourteen full time employees in Turkey, while eight people work full time in different managerial positions for case firm in Somalia. There are also several contractual workers associated with case firm in Somalia and their numbers vary according to the construction projects being undertaken.

Data Collection and Analysis

The case was selected based on the following criteria: activity and market presence in Somalia, operating in an industry (housing construction) that serves BOP consumers, and availability of respondents who can offer first-hand insights to the Somalian context and BOP consumers there. Housing is a vital BOP need and corresponds to the essential need of sheltering that is met through the construction industry. The choice of context and industry is in line with the extant research that examines affordable housing in BOP markets (Ferguson *et al.*, 2014).

Data collection was primarily done via semi-structured interviews following thematic style interview conduction with the Turkish CEO of the case firm as well as Somalian country head of joint venture. The interviewees were selected based on their knowledge of the target areas and the development of the business relationships. By interviewing parties from both Turkey and Somalia, we have been able to acquire a dyadic view of how the case has developed and the forces, which have influenced it. In addition to interviews, other secondary data resources such as non-public corporate reports and context-specific documents on Somalia were used to enhance the understanding of the studied phenomenon.

Given the size of the firm and ability to access to key informants (i.e., CEO and the country head), two interviews were conducted. They were deemed sufficient for the purpose of the study, as there was no possibility to gain significant new information relevant to our purpose through further interviews (e.g., Gligor *et al.,* 2016). The interview with Turkish CEO was conducted in Turkish and has been translated by a bilingual native Turkish academic who has significant research and publishing experiences in such cross-cultural qualitative settings. The interview with Somalian country head was conducted in English. Both interviews took place in December 2018 and lasted approximately 2 hours. The interview with Turkish CEO was carried out face-to-face while the interview with Somalian country head was carried out via Skype. Keeping in view discussion in literature overview, the uniqueness of context and lack of specific prior research, the interviews followed these main themes "Base of pyramid and case firm's perception ", "Market entry in Somalia: Risk perception", "Operations in Somalia and home country influences", "Dealing with institutional voids" and "Social value creation for BOP consumers in Somalia". It is important to highlight that both interviewees were clearly aware of these terms and understood associated dynamics well. Interviewees discussed these mentioned themes in an open-ended manner. Open-ended discussions (interviews) in qualitative research have been referred as being very useful as it does not restrict interviewees' explanation of the contextual topic, thereby increasing validity and reliability (Bell *et al.,* 2018).

All interviews were recorded and properly transcribed, resulting in nine Microsoft word pages. After transcribing the interviews, we undertook a content analysis, as recommended by Patton (2002). We identified categories in the data based on the themes mentioned above to present the findings clearly. In specific, we first formed interim categories and identified first-order codes. Then, we integrated first-order codes and generated conceptual categories that eventually led to combining critical dimensions of our findings that are explicated below. We adopted the suggestions by Marvasti and Silverman (2008) to maintain rigour and ascertain the trustworthiness of the data. First, we treated data comprehensively and systematically. We then methodically analysed the data to enhance the interpretability based on the individual characteristics of both participants. Then, we searched for refutability by diligently looking for cues where our findings were inconsistent and suggestive of systematic differences. Furthermore, we adopted an iterative process to syndicate the interview findings with the extant theory on the critical issue we examined. We also made sure that both the researchers and informants were active participants in the research process to enhance participant validation; guaranteed participants of anonymity; and upheld professional and pleasant interview climate to enhance trustworthiness.

FINDINGS

Base of Pyramid and Case Firm's Perception

Interviews revealed that Turkish CEO, as well as the Somalian country head of the joint venture, are aware of the core premise of the BOP concept and understand the critical role construction firm can play in this context. The case firm's Turkish CEO mentions explicitly that a crucial reason for market entry in Somalia was public service by offering affordable good quality housing affordable rates, ensuring some profitability for the firm as well. This is also a form of social value creation while serving BOP markets. Turkish CEO has been in business for the last 42 years running his own firm. Over the years, his perceptions have developed, and he increasingly considers supporting his employees and serving consumers with less affordability as the primary motivation. As such, the CEO stated:

> "*I have been in business for a very long time, and I am at the stage now that supporting my children* [employees] *are more important for me than earning money.*"

The precarious economic and health conditions the local populace face in the country have recently solidified his conviction towards helping Somalian people by employing and offering above-market employment conditions. Currently eight people work full time for the case firm in managerial positions in Somalia. However, the number increases significantly if the contractual construction workers are added. It should be noted that the number of such workers vary according to construction projects being undertaken. Still both kind of workers are benefiting from better pay conditions as well as skills development possibilities. This prosocial motive is in line with the spiritual motives of Turkish firms originating specifically from the Anatolian region (e.g., Karakas and Sarigollu, 2019). This aspect has not been highlighted much in prior studies but can have significant implications for the extant research on CSR and BOP in other contexts as well. We expect that firms operating in BOP markets may have social motives beyond economic motives, and it would be interesting to see results of such research in other contexts.

Market Entry in Somalia: Risk Perception

Turkish CEO specifically highlighted that he had no in-depth information about the Somalian market at the time of entry. Nonetheless, he made his decision to enter the market based on the discussion with Somalian country head who was a graduate student in Turkey at the time. Market entry was mainly down to the risk-taking propensity of the firm at the time of severe business disruption in the previous primary market, as mentioned above. In other words, once the firm had to abruptly exit Russia, its previous primary market as a result of political fallout between Turkey and Russia, the risk of operating in Somalia has become of secondary importance in the face of survival threat the firm faced due to a considerable market loss. Furthermore, the country head's presentation of subtle business opportunities in Somalia amid threats and uncertainties made a convincing business case to CEO, who already has had a propensity to take risks due to his background. The country head stated:

> *"When I met him* [the CEO], *I knew he would be a father figure to me. He would take the journey in Somalia with me in order to serve my country while doing business there."*

We first found that the risk propensity of the case firm is high, and such propensity plays a positive role in entering the Somalian market. In this vein, the CEO stated:

> "*I have done business in so many different dangerous countries that it would be even difficult for you to imagine. I know first-hand what real risks are in such countries, and I know what it takes to deal with them."*

As such, our findings are in line with the earlier research where risk propensity has been found to vary across cultures in prior studies (e.g., Mata *et al.*, 2016) influencing businesses in a variety of ways. In our case, prior experience in risky countries has positively affected the CEO's acceptance of the risks involved in doing business in Somalia. Moreover, Turkish firms originating from the Anatolian region (from where case firm also originates) tend to have higher risk propensity as they emerged in the business scene under harsh and restrictive environment and learned to deal with these aspects over time (Haksöz, 2016).

Operation Mode in Somalia and Home Country Influences

The country head for the joint venture in Somalia states that the main benefit of having a joint venture in Somalia is that two partners in the joint venture function as a check-and-balance force toward each other. The country head stated:

> *"We are like each other's "safety fuse". My boss' business acumen is combined with my first-hand experience of the country. So, we ensure that our ideas do not go unchecked."*

The different experiences and mind-sets of the Turkish and Somalian partners are utilised to validate each point and complement different perspectives in serving the Somalian market. Such partnerships prevent blind spots and eliminate potential biases of each party in the joint venture. It also widens the perspectives through which opportunities and threats are assessed, and products are developed within the joint venture. Secondly, the joint venture also helps support local businesses in their network regarding improving professionalism and structured management in the local context. The case firm further fosters these capabilities of the local micro-businesses that are part of its value chain. Hence, inculcation of the professionalisation of local value chain partners is also an aspect that creates value in that context.

The home country image played a significant role in operations and operation mode of the case firm in the eyes of both interviewees. The country head stated:

> *"Turkey is like a big brother to us. Turks work for our welfare without immediate expectations. So, we Somalians have affinity to them."*

Turkish businesses and Turkish state-private sector ties are viewed positively by many in Somalia as a challenge to the Chinese dominance in the region that built up over the years. Turkish firms are somewhat late in the game as they just recently discovered the region while Chinese influence is more rooted deeper. Turkish firms just recently are trying to be more active and present in the East African region, including Somalia.

The interviews further revealed that the involvement of the Turkish government in developing and training Somalia security forces and the provision of other services helped case firm operations. Turkish government's positive image in the eyes of most Somalian people, as well as historical linkages, were referred to as a positive factor for the case firm. This is further evidence to the notion that while businesses in other African countries prioritise financial motives when doing business with

Turkish firms, Somalians combine such motives with more personal ones such as their close ties to and positive perception of Turkey. Therefore, Somalian consumers tend to prefer Turkish product or service offering in many cases. This finding further supports the argument presented above that historical, cultural and religious links can make operations of a firm relatively easier despite high risk and uncertainty (Casson and da Silva Lopes, 2003; Basuil and Datta, 2015).

Dealing with Institutional Voids

According to both interviewees, institutional voids are very visible in the Somalian context that, in turn, influence business strategies and the overall conductivity of the business environment. The CEO specifically stated:

> *"You could easily say there is no state in Somalia. There are no clear rules to follow. Instead, everything revolves around clans. But we are learning how to operate around those realities."*

One of the main challenges for the case firm is the lack of project management as well as business planning and urban planning strategies by the local government. In such conditions of institutional voids, connections with local "clan leaders," who are influential political players in the country, is the primary source of the ability to enter a local market and continue to operate there.

As mentioned earlier, the case firm has experience of operating and serving BOP consumers in Congo and Morocco. The CEO and country head both view Somalia to be significantly riskier than other markets with the CEO explicitly mentioning that *"a person should be ready to die at any moment."* This statement reflects both recognising the nature and extent of risks involved in operating in Somalia and the spiritual background of the interviewee (i.e. their religious and spiritual conviction is of the type that accepts death as a natural and welcomed outcome of one's life on earth). However, beyond the spiritual motives of operating in such a risky context with a common religion, such overwhelming risks and challenges are balanced with attractive current and future market opportunities and significantly less competition.

Religious and cultural similarity appeared to be a source of legitimacy for the case firm, making Somalia an attractive place despite institutional voids and other associated risks. Legitimacy has been defined as “a recognised perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions” (Suchman, 1995: 574). The case firm utilises this legitimacy to overcome problematic issues in a way a Western or otherwise unconnected firm would not be able to do. Being perceived as a legitimate social actor affords the case firm a greater position of power (Bouquet and Birkinshaw, 2008), which can be used to build trusting relationships and thus mitigate the institutional voids in an unstable context.

Social Value Creation for BOP Consumers in Somalia

The case firm is aware of the importance of value creation in the Somalian context. According to the CEO, one aspect of value creation is hiring, training, and developing Somali employees as well as contractual workers, while paying them above-average salaries. The case firm is focusing on developing project management skills in managerial staff while quality construction skills are being developed in contractual workers. This approach has been found very useful in prior studies as it inculcates lifelong employability skills in those employees with the potential of becoming entrepreneurs themselves (e.g., Raditloaneng and Chawawa, 2015). Moreover, developing affordable housing is the critical value creation activity of the case firm in Somalia. The main goal of this value proposition is to provide affordable living spaces to customers in Somalia while maintaining higher levels of quality than Chinese competitors. The CEO stated:

> *“Our goal in Somalia is very clear: to build proper living spaces for people as much as we can. We believe it is essential for human dignity, and we try our best to provide that relying on our previous experience.”*

This is an essential point as Chinese firms are also entering high-risk markets in Africa, including Somalia (Gu *et al.*, 2016). However, the quality aspect of the service offering priced at reasonable (competitive) levels is the main competitive strength of the case firm.

Interviews revealed that there is a lack of benchmark examples and established quality standards of housing in the country. This emerged as a further opportunity for the case firm to create social value, as it set the quality benchmark in construction as well as development of employees’ skills as discussed above. Demonstration of quality-built houses priced at affordable rates increased the demand for the services of case firm. Hence, it is expanding to other cities in Somalia after achieving success in Mogadishu. The main findings related to case firm's operations and value creation in Somalian context are summarised in the following Figure 1.

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DISCUSSION AND CONCLUSIONS

The current chapter analysed operations of an EM origin firm in an under-researched BOP context. Based on a single case study of Turkish construction firm operating in Somalia via joint venture operation mode, our study offers several implications. Firstly, the market entry decision criteria used by case firm for volatile Somalian BOP market differed from the criteria often used by large MNEs in entering the traditional and relatively stable markets. Although, the potential for profitable business operations was considered, the importance of prosocial motive to enter the markets was emphasised. Additionally, the risk of volatility and institutional voids did not deter case firm, supporting notion referred in some studies that market risk is firm specific rather than country specific in many cases (e.g. Frynas and Mellahi, 2003). We also found support for arguments presented in some prior studies that firms originating from home countries representing a high risk, or institutional voids (Turkey in current case) are better at surviving in high-risk environments (e.g., Ramamurti, 2012). Hence, the case firm could operate relatively successfully in volatile Somalian context.

Secondly, in terms of operation mode choice, several organisational benefits were identified, which lead to the choice of the joint venture as an operation mode in the BOP markets. Some of the benefits of joint venture choice by case firm were quite like the ones found in prior studies focused on operation mode choice in traditional markets (Arslan *et al.*, 2019). However, the joint venture decision was also guided by the benefits which could be offered to local partner and employees specifically. Therefore, social value creation appeared to be an important element influencing operations of firms in BOP markets. Thirdly, the findings increased understanding of how EM origin SMEs with limited resources manage their international operations under extreme risk and uncertainty and how it is linked to social value creation. The findings confirm the results in prior research on the critical role of home and host country linkages in making the operations easier for foreign firms (e.g., Li and Vaschilko, 2010). Additionally, positive, country of origin image (i.e., Turkey), ethical practices (above average salaries for employees and focus on their skills development), as well as fair relationships with local partner firms (and suppliers), and legitimacy were found to be relevant elements that can help to cope with risks and institutional voids. These aspects also positively influenced social value which boosted the competitiveness of the case firm. Social value creation for BOP consumers especially in the construction sector is an under-researched area (e.g., Barraket and Loosemore, 2018), and our study has demonstrated specific aspects of value creation at employees, joint venture partner and suppliers' levels. This sets bases for future studies to further theorise on these specific aspects while addressing firm operations in different BOP contexts.

Our chapter offers several managerial implications as well. First, even though Somalia is a volatile economy with the perpetual eruption of violence, foreign firms, especially from EM origin (China and Turkey), are operating there. This means that despite risks, the market potential is higher in certain sectors, and other firms can consider tapping into this potential if they develop an offering at a reasonable price. The second implication relates to the specificity of the construction sector. Our case study supported the notion presented in earlier studies that the construction industry has a significant potential to contribute to the BOP segment in developing countries (e.g., McCutcheon, 1995; Del Castillo, 2008). The case firm served BOP market both directly and indirectly. The BOP segment was served directly by the case firm through the development of affordable housing with modern amenities representing certain quality levels; an offering which was previously missing in the Somalian context. At the same time, the BOP segment is also served indirectly as the case firm offered above-average market salaries to the employees and gave significant attention to skills development of both local managers and contractual workers. These skilled employees can later also start their own businesses. This is a good example of social value creation, which can be benchmarked by managers of other firms aspiring to enter similar volatile BOP markets. Thirdly, any foreign firm wishing to operate in the BOP sector in similar countries, winning legitimacy from locals is essential, as mistrust of outsiders or foreigners is relatively high due to historical or colonial legacies. Hence, joint venture formation with local firm(s) as well as highlighting the value creation aspect of their operations can be a good strategy for foreign firms to overcome this barrier and receive legitimacy.

Our chapter also has certain limitations. Firstly, the empirical context is based on a single case study in a specific industrial sector and only comprises of a limited number of interviewees. Therefore, the findings of the study cannot be easily generalised. Still, we believe that our study offers a stepping-stone in under-researched context of Somalia, and future studies can build on it to further explore dynamics of market entry, operations and social value creations for BOP segments in other volatile contexts. In our case, the Somalian partner of Turkish firm was a graduate student in Turkey and later returned to the home country to run the joint venture. Future studies can specifically focus on this aspect, and analyse how such linkages (expatriates, students abroad) influence foreign firm's entry, operations, and service, especially in BOP context. Finally, culture has been referred to as an essential determinant of firm strategies in many prior studies. Culture (cultural and religious similarity) also appeared to play a role in our case study. Hence, future studies can further probe culture and its dimensions specifically in relation to firm operations in different BOP markets.

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Figure 1. Summary of the study findings (Authors' own illustration)