

Business Model Innovation in the Chinese Wind Power Industry

The Case of Goldwind in the Emerging Economy of Africa

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Abstract

With the rise of emerging economy (EEs) as main engine of global growth, the intensified competition in the wind energy industry and internationalization to EEs, enterprises need to rethink and innovate their business models in order to succeed. The overall purpose of this article is to explore the drivers of business model innovation (BMI) in emerging-country multinational enterprises (EMNEs) in the context of an EE market, particularly in the wind energy industry and with special focus on inclusive business activities. For this purpose a single case study of Goldwind (China), one of the most important actors in the wind power industry, was applied. The results of this research show that to gain a competitive advantage in EEs requires capabilities to deal with the specific EEs related drivers of change: 1) fast growth and high demand combined with high uncertainty; 2) lower level of market-oriented socioeconomic development; 3) stronger governmental influence on the market; and 4) the need for simple, cheap and easy to maintain technologies. Therefore, it is important that managers position their enterprises in the EEs first as local players and only then as multinationals. Our study indicates that future research should focus on the main elements and the drivers of change that would shape BMI by adding new variables, specifically related to EE.

Key words: business model innovation, emerging economies, inclusive growth, EMNEs, DMNEs

1. Introduction

A report from 2012 by McKinsey points out that emerging economies (EEs) are likely to contribute more than 70% of the global GDP growth with annual consumption of \$30 trillion until 2025 (Atsmon, et al., 2012), making it likely that EEs would turn in the main engine of global growth, presenting enormous opportunities for enterprises. It might explain the exponential interest in studying EEs which can be associated with four main issues: demand, supply, local environment, and global environment according to Drummound (2012). First, demand issue is related to the faster economic growth of EEs in comparison with the one in the developed economies, where an increasing share of the revenues of

many “Developed-country Multinational Enterprises” (DMNEs) come from. Second, supply issue denotes competition, i.e. enterprises from EEs are turning into serious competitors for the DMNEs on various markets. “Emerging-country Multinational Enterprises” (EMNEs) have a faster growth rate than DMNEs, which persists even after controlling for the smaller base they start from, and which also exists in developed markets (Atsmon, et al., 2012). Not surprisingly, recently, there are number of innovations originating from EMNEs which can be exploited both at home markets and abroad (Govindarajan & Ramamurti, 2011; Prahalad, 2012). The third issue, local environment, relates to the role of institutions in shaping social and organizational behaviour as well as to the much faster pace of change compared to the one in the developed economies. Finally, the fourth issue, global environment, underlines the importance of non-market strategies due to the strong influence of the EEs governments into corporate decision-making regarding to, for example, the internationalization process. All four issues directly or indirectly hint that in order to capture the opportunities in these high-growth markets enterprises must make a radical change of their business models, i.e. their holistic approach of doing business must change.

Additionally, EEs offer both insights and opportunities for the so-called inclusive innovation leading to inclusive growth. In the face of increasing inequalities among nations, inclusive innovation is defined as both a process and a performance outcome that via inclusive business activities facilitates the creation and enhancement of opportunities to improve the wellbeing of disenfranchised groups of people (George, McGahan & Prabhu, 2012). It is a common knowledge that policy makers have long time been focusing on how to reduce poverty and decrease the inequalities, however it is much less known about how organizations engage in such questions by innovating their business models to embrace inclusive business activities.

Africa is the world second-largest and second-most-populous continent with countries which predominantly belong to the group of EEs, characterized by disenfranchised groups of people and

unequally distributed wealth. The African countries are growing faster than anywhere else in the world (EIU, 2012). There are 56 countries on the African continent of which 28 are expected to grow by more than 5% per year (e.g. Ghana, Ethiopia, Liberia, etc.) thanks to reforms, a decrease in political risk, debt write-off and the well-documented commodity prices according to a report from the Economist Intelligent Unit from 2012. The African wind energy market is still in its infancy and is expected to grow at a rapid rate with adoption of renewable energy (e.g. wind energy) as discussed by Pellerin (2005). This is also supported by Bloomberg (2011) which estimates that the largest growth in the wind energy industry is expected in EEs (e.g. Latin America, India, Africa and the Middle East), with projected growth of 10-18% per year.

Global competition between wind energy enterprises has increased over the past 10 years with more enterprises entering the market. As of 2003 eight out of nine enterprises that held approximately 94.7% were European. The wind energy market has been largely characterized by regional segmentation with wind turbine suppliers mainly concentrating on their home markets (i.e. Suzlon in India, GE in the US and Gamesa in Spain) due to the high transport and construction costs (Poncin, et al., 2011). This regional segmentation is starting to change as the market shifts from developed economies markets to EEs, mainly due to the fall of restrictions in EEs and the rapidly increasing need for power generation. This has resulted in dynamic changes, i.e. five of the top nine enterprises in terms of market share are Asian, while the leaders from 2003 have lost large market share (BTM, 2011). Our research shows that the Asian enterprises have experienced a strong growth due to their lower manufacturing costs and large home markets (Pataci, 2011) which makes their offers more attractive in the context of EEs. The western wind power enterprises, on the other hand, are finding it hard to compete with the low-cost strategies and with, for example, the cash availability that is secured for the Chinese enterprises from the state-owned banks (Green World Investor, 2011).

With the rise of EEs as main engine of global growth and the intensified competition in the wind energy industry, resulting in internationalization to the resource-restrained markets within the EEs , enterprises need to rethink and to innovate their business models in order to succeed (Poncin, et al., 2011). This raises a number of questions. For example, what are the main drivers of change for business model innovation in general and more specifically in the context of EEs. How do EMNEs approach business model innovation to reflect these drivers of change? Are there any specific variables that need to be considered as separate elements of business models adapted for EEs? In what way business model innovation at EMNEs is fuelled by inclusive business activities and more specifically, how the process of market creation at EEs looks like? To this background and with those questions in mind, the overall purpose of this article is to explore the business model of an EMNE and how it is innovated to suit the context of another EE market. For the purpose of this research Goldwind, a Chinese wind power company, and its operations in Africa are studied. The specific research question of this article is what the business model employed by an EMNE is and what drives its business model innovation in wind energy industry in Africa with special focus on inclusive business activities.

The remainder of this article is structured as follows. First, the recent literature on EEs and business models is analysed as a base of our analytical framework. Second, the methodological choices are presented and discussed. This is followed by a discussion of the results. The paper finishes with our conclusions, managerial and political implications as well as suggestions for future research.

2. Theoretical framework

This article aims to contribute to the recent avenue of research on business models (BMs) and inclusive business activities that addresses the questions of what drives enterprises to innovate their business models in relation to managing inclusive business activities and what are the key factors to successful business model innovation (e.g. Johnson, 2010; Ostewalder & Pigneur, 2010; Mitchell & Cole, 2003; Markides, 2006; Chesbrough, 2007 & 2010; Santos, et al., 2009; Zott, et al., 2011; and Amit & Zott,

2012; George, McGahan & Prabhu, 2012). This stream of BM and management of inclusive business activities research is seen to be “in its infancy” but at the same time “raises issues that require attention by both scholars and practitioners” (Lambert & Davidson, 2012, p. 9; George et al., 2012, p. 662). One such issue is studying the transferability of business models to new markets (i.e. new contexts) and more specifically to the context of EEs. For example, how the dynamic and uncertain context of EEs can influence business model innovation; what the nature of the BMs is; what the underlying factors explaining the type and degree of innovation required are. Even though, such research is still scarce; a notable exception is the work of Sánchez & Ricart (2010). They compare and contrast business model innovation in EEs, with business model innovation in developed economies and distinguished between two types of business models - interactive and isolated. However, the authors did not shed light on the question of how EMNEs approach business model innovation when starting their operations in other EEs and what inclusive business activities EMNEs undertake.

In relation to studies of management of inclusive business activities, a notable exception is George et al. (2012) who discuss the existing developments in the area in terms of theoretical approaches, methodological issues and possibilities of future research. They state that very little research focus on governmental policies and infrastructure as drivers or constraints for business model innovation for inclusive growth.

Additionally, the existing conceptualization of BMs is based on studies carried out in enterprises from developed economies in specific industry while studies of EMNEs in renewable energy industries, operating in other EE, and more specifically Africa/Middle East, have received only limited attention (Hoskisson et al., 2000; Lambert & Davidson, 2012; Richter, 2012; Boons et al., 2012; Loock, 2012).

Emerging economies

Hoskisson et al. (2000) explains that the existing studies on EEs, use mainly three theoretical perspectives to analyse how enterprises' activities are influenced by this context – institutional theory,

transaction cost economies and resource-based view. The institutional theory deals with the institutional forces (i.e. the systems surrounding the enterprises) which set the rules of the game and thus, shaping social interactions, bounding enterprises to series of formal and informal rules (North, 1990). EEs are characterized by much stronger governmental and social influences translated in governmental support or restrictions than developed economies. Therefore EMNEs have a specific managerial expertise developed by dealing with institutional voids and derive rents in the process (Hoskisson, et al., 2000; Cuervo-Cazurra, 2011; Ramamurti, 2012; George et al., 2012).

The second theoretical perspective is the transaction cost economies. It studies the interface between the enterprise and the environment through a contractual or exchange-based approach (Williamson, 1975). In the context of EEs, the usage of network contacts and personal relations is used to reduce uncertainty as well as to pool and coordinate resources leading to organizational learning and economies of scale and scope (Hoskisson, et al., 2000; George et al., 2012). Based on their study Chakrabarti, Vidal & Mitchell (2011) state, that EEs are characterised with lower levels of enterprise competition, higher protectionism and barriers, greater reliance on political connections, and fewer independent enterprises. These characteristics distort the value of resources, increasing the value of enterprise's scale and scope.

The third theoretical perspective is the resource-based view. It mainly focuses on why enterprises differ and how they can pursue and achieve competitive advantage and growth (Barney, 1991; Penrose, 1959). Madhok & Keyhani (2012), for example, discuss that EMNEs possess asymmetric resources compared with DMNEs, and consequently aim towards competitive catch-up through learning and capability upgrading that involves the combination of advantages from their own resources with external ones (e.g. acquisitions). On the other hand, EMNEs might have already established specific capabilities in, for example, EEs governmental relationship management, low-cost manufacturing and design, deep understanding of local customers as well as strong distribution system in their home

markets, which can be transferred abroad to other EEs and lead to valuable tangible benefits (Hoskisson, et al., 2000; Govindarajan & Ramamutri, 2011; George et al., 2012). In line with the resource-based view, Cuervo-Cazurra (2011) discusses in detail the impact of an enterprise's home country in relation to international business. The author distinguishes between the direct effect of the home country as a resource and indirect effect of the home country inducing the enterprise to develop specific resources. The direct effect of the home country denotes the existing perception of individuals and governments regarding the enterprise's home country and has implications on the operations of the enterprises in the host countries, especially when choosing entry modes, local employees hiring policies, etc. The indirect effect of the home country denotes the development of particular resources at home country to deal with specific realities of the environment there.

Innovation for inclusive growth

An increasing number of researchers are exploring how innovation takes shape in EE trying to capture the lessons learned that can be used from both EMNEs and DMNEs. There are a number of terms used to describe the EEs approach to innovation – *jugaad* inspired, by Indian experience; *gambiarra*, inspired by Brazilian experience; *zizhu chuangxin* inspired from Chinese experience as well as *jua kali*, inspired from Kenyan experience (Radjou, Prabhu & Ahuja, 2012; Radjou & Prabhu, 2013). The lessons learned seem to be identical – doing more with less, effectively solving problems faced by the societies in EEs.

In their book Radjou, Prabhu & Ahuja (2012) outline six principles of innovation in the complex settings of EEs. *Seek opportunity in adversity* is about turning constrains into advantage. A notable example, described in the book is the idea for establishing Suzlon which came from an entrepreneur working in the textile industry having big problem with the power supply to his factory. *Do more with less* is about being resourceful with scarce financial and natural resources while delivering high to greater number of customers. A notable example, described in the book, is the creation of Los Grobo,

an asset-light agricultural company in Argentina. The company is the second largest producer of grain in Latin America even though it does not own any land or machinery and is now entering Brazil, Uruguay and Paraguay with the same business model building on the local contexts. *Think and act flexibly* is about avoiding relying on a structured approaches and always questioning the status quo. A notable example, described in the book, is the creation of the mobile telemedicine clinic of Dr. Mohan in India which allows doctors to communicate remotely with their patients in remote rural areas while volunteers from the rural villages are making basic tests and follow-up checks in a van equipped with simple, inexpensive equipment. *Keep it simple* is about creating good enough solutions that are easy to maintain and address the customers' fundamental needs instead of overengineered products. A notable example, described in the book, is the invention of EEs adapted incubators in India made of locally-sourced wooden table, a Plexiglas top, and a standard 100-watt light bulbs at a cost of 100 usd which was easy to maintain. *Include margin* is about creating radically affordable solutions to meet the needs of low-income and non-traditional communities via inclusive business models. A notable example, described in the book, is about Neosoft of China which developed inclusive technology solutions (e.g. telemedicine applications) that deliver affordable health to the marginal segments of rural China. *Follow your heart* is about intuition, empathy and passion. A notable example, described in the book, is about Rural China Education Foundation which created a radically new approach to providing high quality education in rural youth in China.

In a nut shell, these six principles depict the approach to business and social value creation in resource-constrained settings, thus in line with a recent theory development of management of inclusive business activities. George et al. (2012) depict inclusive business activities as such that lead to inclusive growth. That is "a desired outcome of innovative initiatives that target individuals in disenfranchised sectors in society as well as, at the same time a characteristic of the process by which such innovative initiative occur" (p. 661). Public national and international bodies have been working with programs embracing

the ideas of inclusive growth for a long time. Private organizations have also been engaging in innovative activities, most frequently via business model innovation that builds on the different roles that people from EEs have as consumers, employees, owners, suppliers, and community members, enabling them to be owners, to have managerial control, to be employed, to be consumers, and/or to be involved in the supply-chain (George et al. 2012). George et al. (2012) describe the drivers of inclusive business activities on Fig 1.

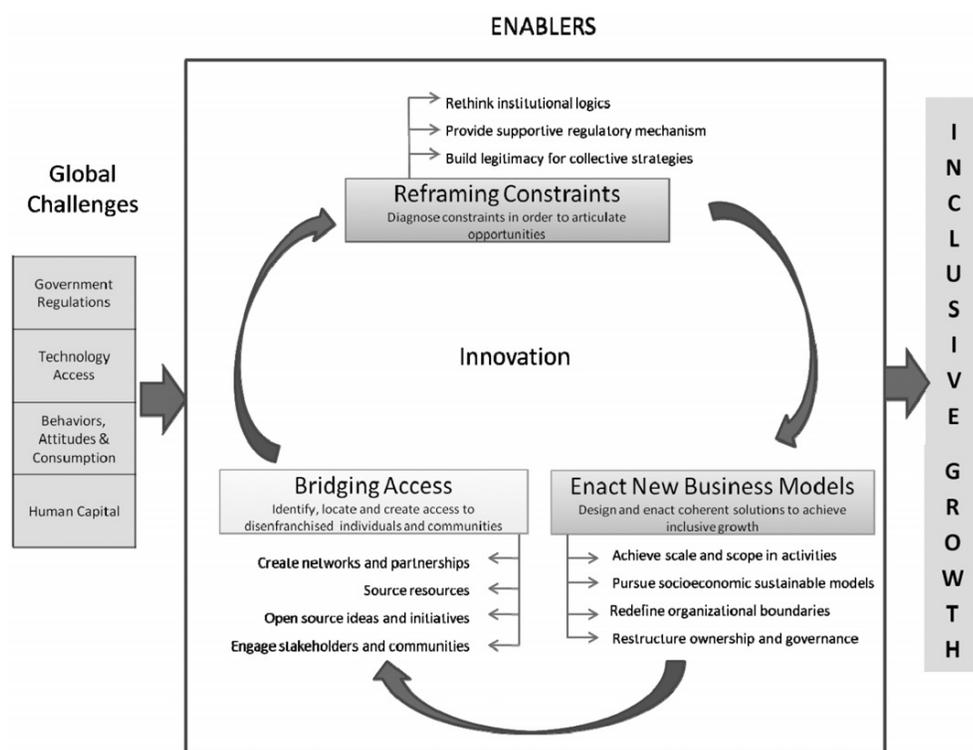


Fig 1 Drivers of inclusive growth

Under *Global Challenges*, on Fig1, the authors depict the conditions that constrain or enable innovation such as human capital, technology access, government regulations, etc. which is in line with the external drivers of BMI as suggested by Giesen et al. (2009). Under *Organizational Macro-Processes*, the authors depict the interplay between three processes – bridging access, reframing constraints, and enacting new business models, which influence generation of innovations for inclusive growth. Reframing constraints refers to organizational actions intended to handle the context by turning constraints into opportunities for innovation. Enacting new models is focusing on organizational, structural and process changes for achieving inclusive growth. Bridging access refers to establishing

new forms of partnerships and networks that enable inclusive business activities. Finally, *Aspirational Inclusivity* denotes the desired outcome - inclusive growth.

Two interesting aspects can be noted on Figure 1. George et al. (2012) are emphasizing first, on the central role of business model innovation and second, on the drivers and constraints of business model innovation that are external and internal to the enterprises. The section below discusses these two aspects.

Development of the analytical frame

The “business model” concept puts focus on a system level, i.e. it is a holistic approach towards explaining how enterprises do business (Zott et al., 2010). Despite the interest in the BM concept, researchers do not agree on a common definition and vocabulary and consequently there is an abundance of definitions which differ in their scope and conceptual focus. Osterwalder (2004) defines a BM as “an abstract conceptual model that represents the business and money earning logic of an enterprise” (p. 15). Johnson (2010) and Kamoun (2008) define BM as four interlocking elements via which enterprises create value. These are: value proposition, value creation system, value deliverance and value capture model. Based on these definitions, the working definition of BM in this paper is: an abstract conceptual model representing the business and money earning logic of an enterprise, consisting of four interlocking elements - value proposition, value creation system, value deliverance and value capture model. This definition puts emphasis on four specific value-driven elements which can be purposefully used to attain a sustainable competitive advantage (Fig. 2). Any change in the BM elements, that is new for the enterprise, is considered to be business model innovation (BMI) as Santos, et al. (2009); Markides, (2006) and Casadesus-Masanell & Ricart (2010) suggest.

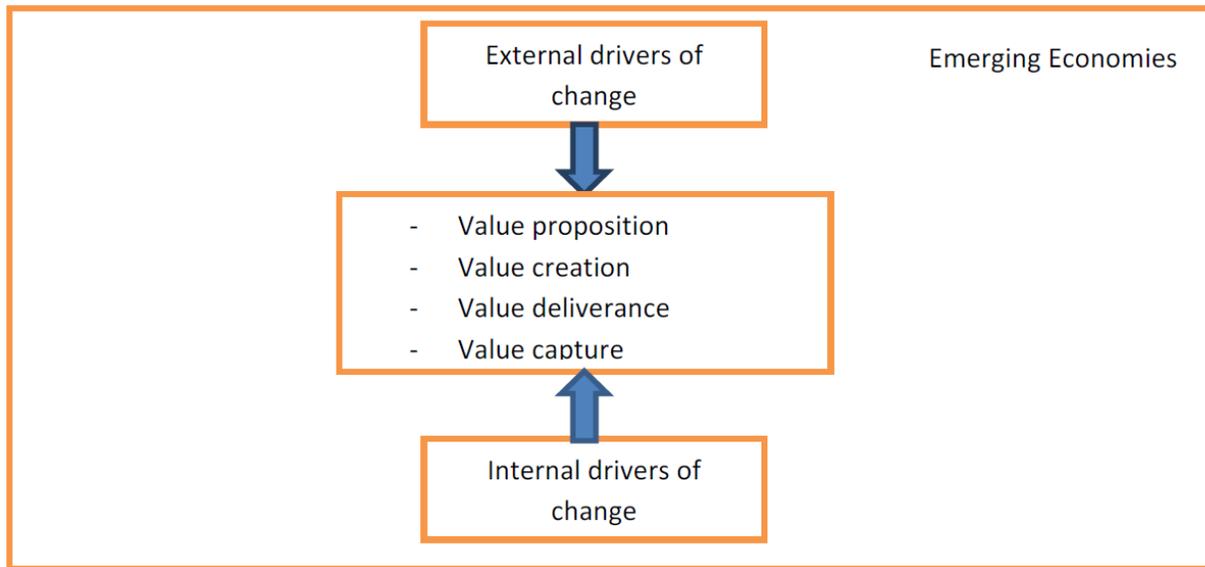


Figure 2: Visual representation of BM (based on Kamoun, 2008, Osterwalder, 2004, Johnson, 2010)

The value proposition needs to be clear and denotes the added-value which the enterprise delivers its customers through its offerings (Amit & Zott, 2012; Johnson, 2010; Kamoun, 2008; Shafer et al., 2005). Research shows that the largest barriers enterprises encounter with this element of the BM are insufficient wealth, access, skill and time.

The term value creation system refers to any source that can contribute to enhancing the total value created by the enterprise and be used to exploit business opportunities. It consists of resources (e.g. financial, physical, human, technological, organizational), capabilities needed to coordinate these resources and value chain arrangements which, in a way, is in line with what George et al. (2012) describe as bridging access (see Fig. 1). Various combinations of these sub-elements influence the value-creation. The capabilities of an enterprise are the way in which they have developed a specific way of doing things that differentiate them from the competition and enhance value-creation. Value is also created on every step of the value chain via, for example, networking, interlinked activities, alliances with different actors, integration, timing and sharing. As Chesbrough & Schwartz (2007) state the potential for using co-development of BM is significant as none of the enterprises alone has access

to all needed resources for capturing discontinuities that occur. Therefore, it is essential to bring together not only resources but also suppliers, customers, partners and other interested parties in order to enhance the value proposition of the enterprise.

Value deliverance denotes market segmentation, customer relationship and distribution channels (Kamoun, 2008; Gottfredson, et al., 2008) which, in a way, is also in line with what George et al. (2012) describe as bridging access (see Fig. 1). The market segment comprises of the different types of customers and geographic dispersion of the segment, i.e. it denotes the scope and nature of the market in which the organization competes. Customer relationship emphasizes on the type of links the enterprise established with its customers which will in turn influence level of loyalty which is a critical success factor for businesses. The distribution channel which enterprises use represents the way in which the enterprise transfers their products and services to the market place in order to enable customer to access them.

Value capture model refers to the way the enterprise generates revenue and handles its costs (Osterwalder, 2004; Amit & Zott, 2012; Kamoun, 2008). This element of a BM defines enterprise's pricing of its products for generating maximum revenues from its value proposition. For example, offering a bundle of product and services instead of a single product, enterprises can maximize their revenue. Additionally, managing the cost structure, i.e. the costs incurred by the enterprise to supply their product or service to the target market, influences the profit. Williamson (2010) emphasize that it is essential to deploy cost advantages to offer customers more value for less expenditure. This could be achieved in various ways such as streamlining the value chain, reengineering of products to improve the value for money, use of cheaper materials, restructuring staff, etc.

The analytical framework for the present research is presented below (Fig.3). It reflects the dynamic aspects of BMs, i.e. BMs are innovated as a response to both internal and external drivers of change, instead of simply showing a static, snapshot-based view of a BM. This framework will be used to

analyse the empirical data in order to identify specific drivers of change in the context of EEs and to capture the business models of a EMNEs in EEs.

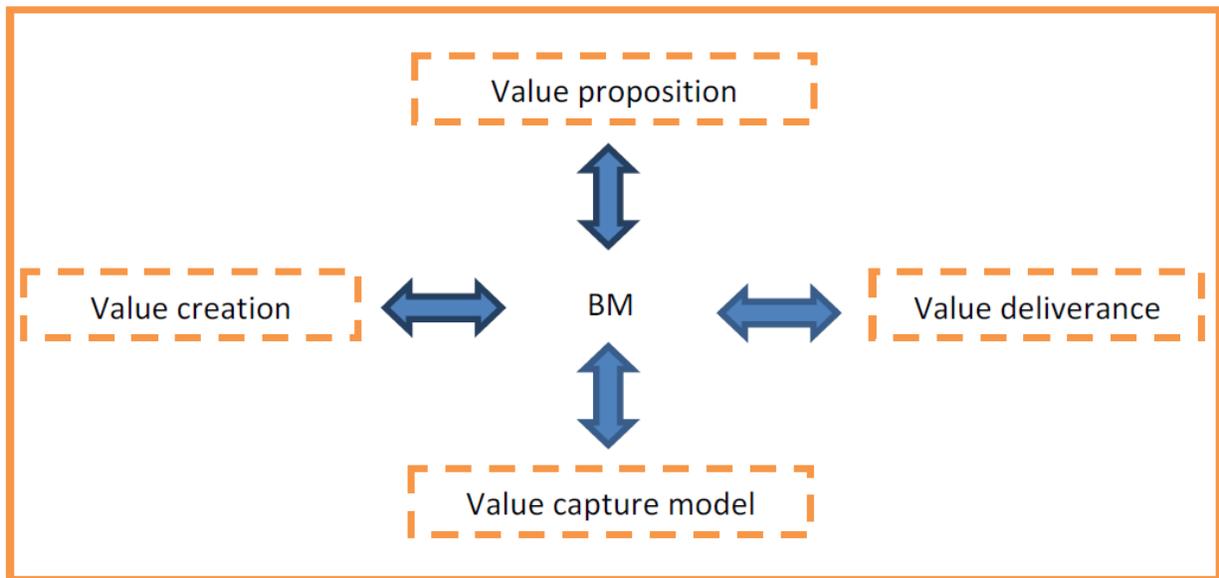


Figure 3: Analytical framework

There are various motives that drive enterprises to perform BMI which can be divided into internal and external drivers of change (Giesen, et al., 2009). Internal drivers of change in relation to inclusive business activities, as George et al. (2012) explain, relate to the ability of firms of different size to sustain a focus on low margin markets which require attention and resources over a long period of time before desired profits can be realized. In the literature on business models, internal drivers of change are discussed to consist of product/service innovation and resource availability. The first one, product/service innovation, refers to when new products or services are being introduced to the market enterprises need to consider if there is a need, for example, of a new set of skills, change of its processes and pricing strategy in order to increase the value delivered to the customers (Giesen, et al., 2009; Johnson, 2010). The second one, resource availability, refers to availability of financial, physical, human resources as well as to organizational structure and organizational capabilities (Boulton & Dilbert, 2000). The resource availability affects all BM elements and influences how the enterprise can seize new opportunities or adapt to threats.

The external drivers of change are those that affect enterprises BMs and relate to the changes in the external environment. External drivers of change in relation to inclusive business activities, as George et al. (2012) explain relate to issues related to market failure at EEs due to lack of institutions and infrastructure. These external drivers of change are in line with what George et al. (2012) call global challenges which reflect the level of market-oriented socioeconomic development (i.e. capital markets, labour markets, legal infrastructure, and physical infrastructure), as outlined by, for example, Chakrabarti, Vidal & Mitchell (2011). Additionally, Kamoun (2008) has distinguished between technology change, economic forces, social factors, legal/regulatory factors, competitive forces and changing customer demands as external drivers of change. Technological change denotes the development of new and improved technologies which create new market opportunities. The economic forces, social and legal/regulatory factors belong to market-oriented socioeconomic development. However, the economic forces also refer to the global conditions such as the current economic recession as well as change of the mind-set in terms of the role of private enterprises to the social development. Competitive forces can be divided into the thread of new entrants and the current competition which constantly challenge the current BM of the enterprise. The value proposition needs to reflect the increasing pace of changing customer demands which become more specific and sophisticated.

3. Methodology

Studying businesses in any context requires capturing complex social phenomena with multiple players involved and no clearly evident boundaries to their context, which makes employing a qualitative approach suitable (Yin, 2003). Qualitative research is seen as interpretive when the researcher needs to make sense of the subject and its meanings (Saunders, et al. 2012). It is useful in exploring implicit assumptions and examining new relationships (Weick, 1996), which explains the tradition within both

BM and EEs research to use qualitative studies and more specifically qualitative analysis of exemplary case studies (Lambert & Davidson, 2012; Hoskisson et al., 2000).

The scares prior theorizing about a topic makes case study approach appropriate choice. According to Yin (2003) “contemporary phenomenon within its real-life context is investigated” via case studies, “especially when the boundaries between phenomenon and context are not clearly evident” (p. 13). The single case study approach has exploratory applications and is considered to be more particularly useful of early stages of research on a topic (Yin, 2003; Brown & Eisenhardt, 1997). This methodology fits with the purpose of this study: first, exploring what is the specific BM of Goldwind as an EMNE and what are the drivers of change for its BMI for the context of Africa as an EE; second, exploring how an EMNE can create value in an EE through inclusive business activities.

For this study, a single case was selected for an in-depth analysis - an Asian (Xinjiang Goldwind Science & Technology Co., Ltd.) enterprise, operating on the wind energy market in Africa. The case selection was straightforward as currently there are a small number of enterprises operating on the African wind energy market. Additionally, this enterprise has recently won public tenures in Africa (i.e. in the period 2009-2011). Furthermore, this enterprise is amongst the top ten turbine manufacturing enterprises in the world and the second largest in China. As such, it has a capability to manufacture MW-scale turbines in large quantities.

Both primary and secondary data was collected in the course of the study in order to provide insight and understanding in relation to our purpose and research question. For this study, a semi-structured interview via telephone was conducted with the manager who directly involved in the operations in Africa, complemented with a follow-up to clarify answers or get additional data. The respondent was a country manager. The secondary data for this study was gathered from various sources including: journals, reports from institutions, newspaper articles, enterprise reports and websites.

In order to facilitate the data collection and analysis we developed analytical framework (Fig. 2) which was used to represent the case. Eisenhardt's (1989) recommendations are followed and a within-case analysis was done in order to become more familiar with the data collected and analyse it.

The case – Xinjiang Goldwind Science & Technology

Xinjiang Goldwind Science & Technology Co., Ltd. (shortened Goldwind) has experienced rapid growth since its inception in 1998 and is now fourth globally in terms of wind turbine manufacturers with regards to market share. Goldwind currently has installed over 12GW of wind turbines and operates on 6 continents and employs close to 2000 people. Goldwind's drive for technological innovation was rewarded in 2011 by being voted as one of the top 50 most innovative enterprises through their wind turbines that have been adapted for specific conditions (Technology Review, 2012).

4. Results and discussion

A report from EIU (2012) points out that Africa is not a single country, but a continent with 56 countries if South Sudan is taken into account. It means 56 different regulations, governments and around 2000 languages. It contributes to a very complex business environment with high communication barriers across the different countries and cultures, combined with high political risk, increasing corruption at many levels and underdeveloped infrastructure. It implies that every enterprise operating in Africa needs understand the underlying factors in this complex environment and counteract those challenges and risks through BMI.

External drivers of change

According to EIU (2012) countries in Africa are experiencing fast growth rate. According to EIU's report from 2012 this growth is mainly driven by four factors. First, despite the fact that Africa is still considered to have the highest political risk factor in the world, peace has been slowly establishing. This can be seen as a start of a process to improve the level of market-oriented socioeconomic

development by shifting the focus to strengthen the legal infrastructure, capital and labour as well as physical infrastructure. A higher level of market-oriented socioeconomic development would mean that there is a better support of the business activity and might attract enterprises to enter the African market (Chakrabarti, et al., 2011). As EIU's (2012) report points out overall all countries on the continent strive towards achieving faster growth, job creation, black economic empowerment (BEE) and correcting social imbalances via their policies, thus showing a clear focus on inclusive growth for reducing poverty and inequalities as indicated by George et al. (2012). This, however, might lead to distorted balance in the governmental decision-making between political and economic motives. Despite these efforts, as the report states, the institutions are very weak, bureaucratic and cumbersome. Additionally, African countries lack financial infrastructure (Atsmon, Kloss & Smit, 2012). Another market-oriented socioeconomic development factor is the high unemployment and generally weak labour market, complemented with demands for higher pays and stricter labour laws by trade unions. This factor is limiting the availability of flexible and skilled work force which is a major problem for business activities. As for the legal infrastructure, EIU (2012) emphasizes that even where the regulations are satisfactory, local officials may not know how the regulation contains. These realities in Africa create prerequisites for asymmetrical information in the market exchange and limited access to capital as described in the exiting literature on EEs. Additionally, it also translates in high scarcity of key inputs, such as skilled labour, power, which leads to underestimation of the true cost of doing business as well as hindering of business activities.

The second factor for the African growth is a fast urbanization which causes rapid change in the demographic picture on the continent, which leads to concentration of the population in the cities (EIU, 2012). It leads to a rapid rise of energy demand in all countries on the continent, and more specifically renewable energy, to address the shortfalls in the supply of electricity. More specifically, the installed capacity of wind energy production is slowly developing in North, Southern and East Africa, where

there are most suitable conditions (Make Consulting, 2011). However, the significant potential of renewable energy sources is hampered by the lag in the legislative framework (EIU, 2012). For example, every wind park development is initiated by the local governments which publish public tenders which illustrates the high level of involvement of the government on the energy market. This is in line with the EEs literature and more specifically the institutional theory which discusses the much stronger governmental influence through support and restrictions compared with the governments in developed economies (e.g. Hoskisson, et al., 2000).

The level of legislation related to wind power specifically varies between the different countries. While in some countries there is lack of feed-in-tariffs (e.g. Ethiopia, Namibia), other countries, such as Kenya, have just recently introduced feed-in-tariffs (Ethiopia Forums, 2011). Additionally, in some countries such as Namibia there are import duties on technology for renewable energy production and the financing of the whole project is expected to be made from the winning bidder (Ndhlukula, 2009). Furthermore, for example, in South Africa, bidders need to comply with stringent rules in order to be successful such as job creation, manufacturing plants and local assembly, knowledge transfer, BEE as well as further social development (African Clean Energy Developments, 2012) which is also an indication for the efforts of the government to achieve inclusive growth as indicated by George et al. (2012). The above snapshot shows the high involvement of the government on the market combined with underdevelopment of the legal and regulatory infrastructure, which according to Chakrabarti et al. (2011), is a major hinder for entering and operating in the wind energy industry in Africa.

The third factor contributing to the growth in African countries is the increasing share of trade where Europe is Africa's largest partner along with increasing share of China in the recent years. China is seen to have a dominant presence in the trade of the continent compared with other Asian countries due to the Chinese investment in Africa. The prominent place of China as a trade and an investment partner for Africa creates prerequisites for favourable attitude from the African governments towards MNEs

from China (e.g. Goldwind) which operate on the African market, i.e. Chinese enterprises have a competitive advantage. Already in 2009 Frost & Sullivan have recognised the Asian increasing influence, especially of China, in the sub-Saharan African electricity production industry. The same picture is also captured by the report from EIU (2012). This observation is in line with the findings of Chakrabarti et al. (2011) that in countries with weak level of market-oriented socioeconomic development governments might tend to prioritize political goals over economic ones. It also means, as Cuervo-Cazurra (2011) discusses, that the various African governments might give preferential treatment to Chinese enterprises due to the perception that China in general is bringing needed investments and resources in Africa.

The fourth factor for the growth in the African countries, according to EIU (2012), is the rise of technology (i.e. mobile phone penetration, fibre-optic network, etc.) and the subsequent improvements in the physical infrastructure as a result of that. This have not only started to facilitate the establishment of the Internet and telecommunication markets but also created opportunities for development and investment in other industries, such as wind energy production, railways, roads building, etc.

According to the EIU (2012) a substantial amount of work has been done in the last decade with the help of Chinese investment in all above mentioned areas. Furthermore, all African governments are setting as requirements in the public tenures that the winning enterprise/bidder needs to make investments in collective goods and boost the local economy by, for example, localization of manufacturing, investment in physical infrastructure and education, which poses a constrained due to the bigger financial burden for the businesses but at the same time offers an opportunity for innovative business models fuelled by inclusive business activities as suggested by George et al. (2012). This indicates that enterprises, operating in EEs need to also focus on non-market strategies or plan with inclusive business activities in order to succeed. For example, Siemens had to commit an investment of \$260 million to boost local manufacturing and strengthen its sales teams in Africa (Harding, 2012).

Additionally, Siemens has recently created a Wind Power Centre of Competence in South Africa to serve the African market and boost the skill level of the local work force (Siemens Innovation, 2012). Another example is that Suzlon created a partnership with BEE enterprises, trained local workers and created local content through assembly and construction activities in order to satisfy the South African government's legislation regarding independent power producers (ACED, 2012). Furthermore, Goldwind Africa is owned 20% by a local firm to meet the requirements of BEE, as well as to secure "local presence", and is offering traineeships, participating in social development projects to educate locals about wind power. It implies that Goldwind has reconfigured how value is created and captured by the enterprise which has implications for their business model innovation in Africa which is fuelled by inclusive business activities.

The competition, another external driver of change, on the wind energy market in Africa is generally lower. Based on the data that was gathered, we assume that there are 14 wind turbine manufacturers that are represented on the African market. The majority of these enterprises are amongst the top 15 world wind turbine manufacturers according to BTM (2011). It is interesting to note that approximately half of the global top 15 enterprises are Chinese, which shows the global dominance of the Chinese enterprises and might explain the indication for better positions of these enterprises in the African wind energy market.

The countries that have most suitable conditions for wind energy production are located in North, East and Southern Africa (Make Consulting, 2010). First, the North African countries of Egypt and Morocco are ahead of the rest of the African countries in wind energy development with 97% of the installed capacity in the whole of Africa in 2010 (Global Wind Report, 2010). Enterprises such as Gamesa, Vestas and Siemens operate on this market. Second, the Southern African countries of Namibia, South Africa and Lesotho have the most suitable conditions for wind energy production in this region (Economic Commission for Africa, 2006). The competition in this region is much more

intense where enterprises such as MinYang Wind Power of China, Suzlon, Sinovel, Goldwind, Sumitoto, Vestas, Nordex and Siemens are represented on the market. Most recently, the Asian enterprises have done better on the market by winning the largest public tenures (i.e. Suzlon and Sinovel) announced by the South African government (Stromsta, 2011). Finally, the East African countries of Kenya and Ethiopia have started to slowly explore the underdeveloped potential for wind energy generation in this region (Ethiopia Forums, 2012). Enterprises such as GE Wind, Vestas, Vergnet of France and Goldwind are represented on the market.

Internal drivers of change

Goldwind is established later than the leading western enterprises, operating in wind power such as Siemens, but has been rapidly growing to become amongst the largest global manufactures of wind turbines. It is state-owned and was the first Chinese turbine manufacturer to export abroad (Lema, et al., 2011). The enterprise initially focused on intellectual property acquisition and in-house R&D to enhance its absorptive capacity. Goldwind made an acquisition of Vensys Energy a leading German company in permanent magnetic direct-drive generators which gave Goldwind both intellectual property and design capabilities for WTGs of more than 2.5 MW (Chan, Wang & Xu, 2008). Thanks to this acquisition Goldwind developed a Permanent-Magnetic-Direct-Drive (PMDD) turbine which takes away the need for a gearbox in the turbine. This technology allowed significant cost reduction, increased reliability, and decreased need of service and maintenance (Wang, 2012). By leveraging their financial strength with core competencies via the acquisition of Vensys Energy, Goldwind has created a disruptive position on the price/value curve which has led to fast growth, turning Goldwind into one of the largest players on the global market. It shows that Goldwind monitors, identifies, captures and capitalizes on technologies designed in the West to turn them into its own advantage as implied by Wolff (2006). From a resource-based view perspective, the acquisitions of enterprises from developed

economies are an expression of the competitive catch-up behaviour of EMNEs in order to compensate for the more asymmetric resources in comparison with DMNEs.

The fact that Goldwind is a state-owned enterprise, implies that the Chinese government has a strong influence into its corporate decision-making regarding, for example internationalization, non-market strategies play an important role for the enterprise business activities (Drummond, 2012).

Additionally, state-owned enterprises in China, due to their parentage and deep networks, have a distinctive advantage in lobbying government as discussed by Chan, Wang & Xu (2008). From a resource-based view perspective, it means that there will be both direct and indirect effects of Goldwind's home country in relation to their business in Africa (Cuervo-Cazurra, 2011). First, the direct effect reflects the positive perception that African governments hold for Chinese enterprises which might result in preferential treatment in winning public tenders. A report from EIU (2012) is pointing out that China is actively investing in Africa. According to the report, this investment is driven by China's long-term policy of "going out", based on the need to develop consuming markets that will buy Chinese goods and services. It means that Chinese government has given strong support to its firms entering Africa. One expression of this support is the strong relationships that Goldwind has with Chinese financial institutions which allow them to indirectly provide credit to projects that might not be financed by financial institutions due to the low reputation and lack of record of the accomplishment of Chinese turbines (Lema, et al., 2011). In the case of Africa, this is combined with underdeveloped capital markets which make offers for financing wind farm project extra attractive along with the active involvement of the Chinese firms in large infrastructural projects and trade (see the discussion on external drivers of change in this section).

Goldwind also benefits from the indirect effect of the home country due to the fact that it is used to deal with the realities of an EE, such as political risk, high corruption, underdeveloped institutions, and

subsequently has developed specific resources to deal with these realities which can be transferred to Africa and result into a tangible benefit.

Unlike many wind turbine manufacturers, Goldwind completely outsources the majority of its manufacturing, while keeping only core components and assembling in-house (Poncin et al., 2011). By focusing just on their core components Goldwind are able to improve and strengthen their core competencies. Goldwind has a horizontal supply chain with strong relationships to ensure manufacturing and delivery of components in a timely manner. Currently, Goldwind is working to further reduce costs in order to enhance its business in EE through expanding the scale of sales, better geographic distribution to lower transport costs, increase in-house design and manufacturing of core components to improve higher quality as well as addressing the key bottlenecks in the value chain (Goldwind IPO, 2008). Additionally, as Chan, Wang & Hu (2012) state Chinese equipment manufacturers have a competitive edge in terms of costs, due to the benefits of large and low-cost talent pool, cheap metal supply, flexible manufacturing process, competitive freight transportation as well as simplified equipment design.

Goldwind's Business Model

Goldwind have just slightly innovated their BM on entering the African market (Fig. 4). Goldwind's value proposition is integrating a variety of activities that support their main business of wind turbine manufacturing and follows the strategy of Amit and Zott (2012) of offering complementary services. Goldwind's value proposition includes three parts and covers the whole life cycle of a wind park project such as preliminary services (e.g. wind assessment, project financing, industry analysis); project services (e.g. structure design, logistics, construction); and post-construction services (e.g. training, service and maintenance, spare parts support). In principle Goldwind offers turnkey project with ownership.

A very attractive part of the Goldwind value proposition for many independent power producers and governments alike is the project financing. Goldwind are not only looking to be suppliers but offer debt and equity financing for projects which they see as another source of revenue. Additionally, the PMDD turbine is well-suited technical solution to the African market due to its lower costs, simpler design, higher reliability, easier maintainability and better grid connection.

Goldwind's value creation system in Africa has been adapted and expanded to capitalize on the enterprises resources mainly. Goldwind's access to credit lines combined with their recent listing on the Hong Kong stock exchange raised an extra \$900 million which will be used to finance investments in Africa amongst others (Chinese wind-turbine maker targets Africa growth, 2011). Goldwind's strong relationships with the state-owned banks in China give them extra financial muscle. Additionally, Goldwind are currently the only wind turbine manufacturer to use a turbine without a gearbox which is well suited for the EEs. Goldwind owns the intellectual rights for this technology and has developed specific capabilities related to it.

Goldwind is collaborating with local actors on the market which combined with their horizontal supply chain, have enabled the enterprise to lower its costs (Goldwind IPO, 2008). Goldwind is planning to make a bigger commitment in Africa as the market grows and build a local manufacturing plant in order to create a more localized value chain in order to get a better local position. Additionally, Goldwind is searching for local suppliers to basic, higher value-added but less technical parts of the turbine (e.g. blades). Combined with that, to fall in line with government regulations in South Africa, Goldwind are training local workers to be in charge of the technical aspects of wind farm development as well as to secure the service and maintenance for their projects, thus turning the constrained availability of skilled labour into an opportunity for inclusive business activities and creation of community goods in form of education, employment and empowerment of people as suggested by George et al. (2012).

Goldwind's approach to delivering value on the African market is by identifying the most attractive market segment - South Africa. However, Goldwind has operations in East Africa and is currently looking to expand into other countries if or when the right project arises. Goldwind is working to create new partnerships with independent power producers and governments on projects due to Goldwind's strong financial resources which allow them to take ownership of wind farms. By displaying their willingness to use local enterprises and incorporating those into their business structures Goldwind will create stronger ties with local governments due Goldwind's willingness to localize and use inclusive business activities as a part of their business model innovation. Goldwind has employed strong management with experience in EEs which is working both with the local governments and with customer relationship management by establishing a close, daily-based contact with their customers. Furthermore, Goldwind are building relationships with new partners in Africa as well as utilizing international partners who they have worked with different projects in other markets. Goldwind is also putting a strong focus on logistics in order to reduce costs.

Goldwind have had to adapt their value revenue model on entrance to Africa. Goldwind's main revenue stream is based on the components in their value proposition – i.e. selling of turbines, supplemented by the different services and feed-in-tariffs. Goldwind is constantly pursuing a low cost strategy to further reduce costs involved in the manufacturing and supply of turbines via economies of scale, better quality, simplified design, etc., thus reshaping the global cost model in the wind power industry.

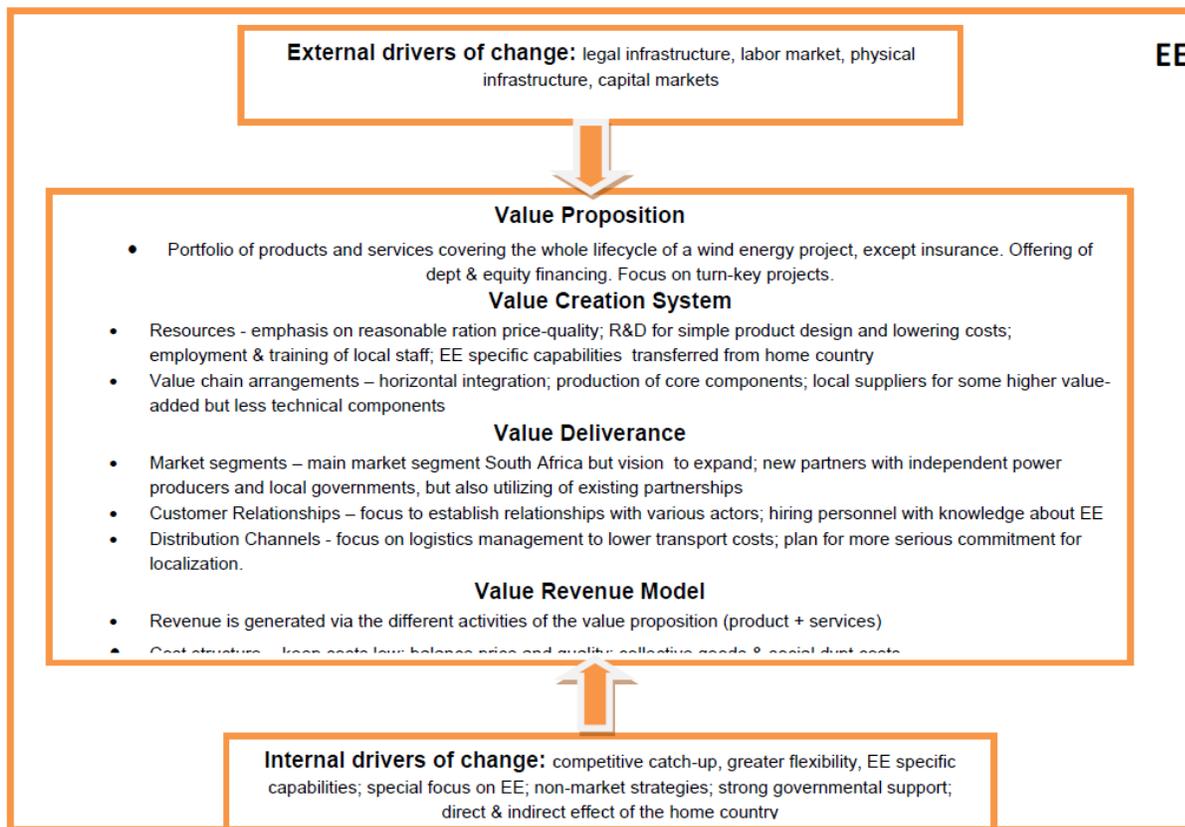


Figure4: Goldwind Business Model

Due to government regulations in South Africa the enterprise is 20% owned by a black economic empowerment enterprise and a community based investment scheme which has important implications for Goldwind to be perceived as a local actor as well as to how value is created and captured by the organization (George et al., 2012). Goldwind contributes to the creation collective goods (i.e. education, roads) and to social development projects (e.g. educating ordinary people for wind power). This poses an important trade-off for Goldwind between desired profitability and contributing to inclusive growth which influences the business model innovation of Goldwind in Africa and decreases its revenues but at the same time leads to inclusive business activities essential successful competition in EEs as suggested by George et al. (2012). However, it is perceived as acceptable by the company due to the fast growth of the market. Additionally, it enhances the enterprise's relations with local markets and shows a willingness to adapt, which is seen as important in the context of EE.

5. Analysis

As outlined in this paper, EEs are characterized with fast growth, despite the global economic crisis, increasing demand but low willingness to pay, combined with low level of market-oriented socioeconomic development. Goldwind address these challenges through its BM by serving the market with lower-cost products, creating collective goods through inclusive business activities. As Atsmon, Kloss & Smit (2012) pointed out EMNEs seem to aim their R&D investments at EEs adapted products (simple, cheap and easy to maintain). Originating and having as home markets huge EEs with similar level of market-oriented socioeconomic development, means that the solutions that Goldwind has developed initially for their home market have a good potential in Africa too. Therefore, in order to innovate its BM for another EE context Goldwind's BM has different logic of not only focusing on cost reduction, but also on increasing willingness to pay, by for example, i.e. adapting even more their technology for the context of Africa, establishing new relationships with local actors, showing a willingness for long-term commitments by planning to build production facilities, taking ownership in the wind farms as well as creating collective goods as part of their inclusive business activities. It is evident that, EMNEs do not suffer from core rigidities such as commitment to a certain technology and set of partnerships and are thus, more flexible to adapt to the specific requirements of the host market. Due to the great demand in its home market Goldwind has adopted the latest technologies and have fast taken a leading position on the global market. Additionally, Goldwind have developed capabilities to operate in EEs and understand the need of having the right relationships and in-depth knowledge about the local market. Therefore, the enterprise has hired local employees with extensive knowledge and network for their management teams, thus exploiting and capitalizing the opportunities for social and economic wellbeing by allowing people from Africa to have managerial control and be in the role of employees in line with the ideas of inclusive business activities (George et al., 2012). Additionally, in a resource-limited context such as Africa, networks are a vital prerequisite for getting access to opportunities as suggested by George et al. (2012).

The low level of market-oriented socioeconomic development is also translated in higher costs of doing business in Africa, respectively it takes longer time to achieve desired profitability, due to the costs for creation of collective goods and social development projects that Goldwind incurs. It is part of making trade-offs between profitability and inclusive growth when capitalizing on opportunities for social and economic wellbeing fuelling BMI as suggested by George et al. (2012). However, incorporating non-market strategies and using social motivation translates in inclusive business activities which fuel BMI in the context of EEs (Sánchez & Richart,2010; George et al., 2012). Putting emphasis on capturing opportunities for social and economic wellbeing and contributing the market-oriented socioeconomic development facilitates the relationships with the government which has a strong influence on the market by deciding which company will win the public tenures as well as counteracts the risk of prioritization political goals over economic ones. For example, enterprises from China can be chosen because of the investment policy of the Chinese government in Africa as well as the long-term commitment that Chinese enterprises (e.g. Goldwind) do in form of ownership. Our findings indicate that EMNEs seem to have a competitive advantage due to the fact they understand the context of EE and clearer focus on exploring opportunities for social and economic wellbeing.

As Cuervo-Cazurra (2011) states EMNEs are more likely to choose to enter countries with similar to their home country realities as they have already developed specific capabilities to deal with them which can be transferred to the host country and turn into competitive advantage. Additionally, EMNEs are used to poorly developed institutions and are more likely to become the dominant investor over enterprises from countries that originate from regulated industries as our research also indicated.

Four EEs-related drivers of change that have a stronger influence on BMI for EEs of EMNEs have been identified in this study. First, EEs are characterized with fast growth and high demand, but also high level of uncertainty. As the rest of the world economy is slowing down in its development due to the economic crises, EEs continue to grow. It makes them attractive for both DMNEs and EMNEs as

an opportunity to expand their business. The level of BMI when entering EEs for EMNEs is not dramatic but rather incremental, focused on incorporating inclusive business activities. EMNEs seem to understand and adapt to the EEs context due to the direct and indirect effect of their home country.

Second, the lower level of market-oriented socioeconomic development translates into a trade-off between desired profitability and inclusive growth. It means that the costs for doing business are higher and difficult to predict. Enterprises entering EEs need to have sufficient resources to meet this challenge, especially when they initially enter the market (Atsmon, et al., 2012). Intentionally incorporating inclusive business activities such as building of collective goods and social development in a BM, is in itself part of the value creation, specific for EEs. The creation of BM that pursue both profits and societal wealth simultaneously is an important enabler of inclusive growth. It is essential to be helpful and relevant to the local economies rather than just extracting profits by providing a product or services in order to gain a sustainable competitive advantage (Sánchez & Richart, 2010; Thompson & MacMillan, 2010; George et al., 2012). This point is also strongly supported by theoretical developments on inclusive growth (e.g. George et al., 2012) as well as the findings of a recent report from McKinsey, where success in Africa is determined by the investment in socioeconomic development, investing in the communities where the enterprise does business by creating jobs, providing skills and business opportunities for the locals (Atsmon, et al., 2012).

Third, EEs are characterized with stronger governmental influence and a risk of prioritization of political goals over economic ones. This is a reality which EMNEs are well suited to operate in due to their better understanding of the customers and handling the governmental influence. Additionally, EMNEs might be treated beneficially due to the positive perception of the local governments tied to their home country. Furthermore, the home governments are strongly supporting EMNEs with financial resource as well as access to networks (e.g. state-owned enterprises in China) which is an integral part of their BM and results in a competitive advantage.

Fourth, there is a need for simple, cheap and easy to maintain technologies. EMNEs seem to be well positioned to offer such due to their overall low cost strategy and intentional R&D investments to develop lower-cost technologies that serve both their home and host markets. By creating a low cost position and making the value proposition more affordable, EMNEs create more buying power and thus capture a larger portion of the market. Additionally, although EMNEs are generally latecomers into the industry, they have acquired and exploit strong technological capacity from developed markets. By combining this technology with their knowledge of the EEs they seem to have better adapted their BMs for other resource-constrained contexts.

5. Conclusion, implications and future research

The main purpose of this paper was to explore the drivers of business model innovation in EMNEs in the context of an EE market. More specifically, we explored the business model employed by an EMNE (i.e. an Asian enterprise - Goldwind) and the drivers for BMI. We found that Goldwind seems to have adopted a strategy of high level of outsourcing among their home suppliers keeping only core components and assembly in-house. Through high level of collaboration with suppliers they succeed to manage the entire supply chain. Their major advantage seems to be the financial management, and willingness to invest in more than wind energy systems. Their strong financial situation enables them to take an ownership position as well as a supplier of systems. Our findings indicate that EMNEs seem to have a competitive advantage in EEs but this competitive advantage is not purely technology- or product-based. This competitive advantage depends mostly on the enterprise's capabilities to deal with the four specific EEs related drivers of change – 1) fast growth and high demand combined with high uncertainty; 2) lower level of market-oriented socioeconomic development; 3) stronger governmental influence on the market; and 4) need for simple, cheap and easy to maintain technologies used in their products. Thus, the success of BMI in an emerging economy undertaken by a EMNE would be determined not only by the ability of managing the turbulent, fast changing environment but also would

depend on the degree of support the EMNEs receive from governmental institutions both in the home and the host country in order to counteract external challenges faced by the enterprise as well as the relationship-based approaches that the EMNE use in the context of EEs. This result is in line with Li & Atuahene-Gima (2001) who suggest that institutional support and environmental turbulence enhance the effectiveness of Chinese new technology ventures' product innovation strategy. This is also in line with Radjou & Prabhu (2012) who suggest that creating and managing networks with local partners as well as engaging with community stakeholders is essential for succeeding in EEs and achieving inclusive growth.

Based on the existing information and our analysis we have reasons to consider that the Asian enterprises have developed and applied a market-adapted, inclusive BMs in the African EEs.. The major competitive advantage is the knowledge, experience and understanding of the conditions in EEs and their capability to use this competitive advantage and create value for the EEs customers, based on inclusive business activities. Particularly interesting is the way Goldwind's BMI is influenced by the institutional support and relationship financial capability to make investments and support their operations in EEs as well as Goldwind's vision and capability to "strip out" unnecessary product features (i.e. PMDD) to achieve significant cost savings, making their offerings more suited for EEs. Furthermore, it is also interesting how the government support and relationship approach in the home country results in competitive advantage in inclusive BMs for the EEs.

This study has several managerial implications related to inclusive BMs in emerging economies.

Managers will be only able to recognize and capture opportunities in EEs if they are able to understand the context and the dynamics of its evolution, and adapt their offerings accordingly, instead of using the same approach as in developed economies. Simple, cheap and easy to maintain offering is essential for success in EEs. This could be achieved with special focus on R&D for lower-cost solutions as well as localization of the supply chain (Sehgal, et al., 2010). This goes with Prahalad's (2012)

recommendations for awareness, affordability and availability as well as the six principles, suggested by Radjou, Prabhu & Ahuja (2012). Additionally, knowing the market-oriented socioeconomic environment well and shaping the BMI based on inclusive business activities accordingly is essential when enterprises create solutions for EEs. Building relationships with governments and society as a whole (i.e. relationship-based approach) through contributing to collective goods and social development is equal to success in EEs, which is in line with Prahalad (2012), George et al. (2012) and Radjou, Prabhu & Ahuja (2012) recommendations to create access. Enterprises that succeed in EEs, manage because they are not looked upon as foreigners as they put an emphasis on social development, inclusive growth and have integrated local partners in their business structures (Hollaway & Sebastiao, 2010; London & Hart, 2004; George et al., 2012; Radjou, Prabhu & Ahuja, 2012). It means that the enterprise needs to position itself first as a local player contributing to inclusive growth and second as a multinational as Jacko Maree from Africa's largest financial institution suggests (Atsmon, et al., 2012). Based on this discussion, under the process of BMI in emerging economies managers shall place specific focus on: 1) stakeholder coalition building via creation of collective goods; 2) government relationship building; 3) distinctive value proposition creation in line with inclusive growth; and 4) local partnerships leveraging, in order to enhance chances for success.

This research also has important policy implications. Due to the higher growth rate in EEs than in developed economies, EEs offer significant business opportunities for both EMNEs and DMNEs. In order to counteract the negative effect of prioritization of political goals, home governments in the countries where the enterprises are established need to provide conditions and initiate cooperation agreements with potential host countries which might save a lot of unnecessary costs. This course of actions is especially important for governments in developed economies because countries such as China have already established a strong support for their enterprises. Additionally, by intensifying and opening the cooperation between developed and emerging economies, it would become possible to

create societal wealth via inclusive business activities by raising the level of market-oriented socioeconomic development and subsequently the buying power and the living standard of people from EEs.

Based on the findings in this article, it seems plausible that future research should focus on extending the existing theory on BMs, its main elements and the drivers of change that would shape BMI by adding new variables, specifically related to EEs, the influence of the enterprises' home country and the influence of inclusive business activities on BMI. As a continuation of the present study, explanatory and predictive research can be undertaken especially when young and fast-growing industries are in focus as Lambert & Davidson (2012) suggest. Special attention needs to be placed on how the low level of market-oriented socioeconomic development might be turned from a constraint into an opportunity for BMI as well as how BMs in emerging economies change over time as the enterprises become more established on the market and the market-oriented socioeconomic development improves (i.e. longitudinal studies). Moreover, it would be interesting to explore what type of enterprises initiate inclusive business activities, how they capitalize and internalize those activities successfully as well as who benefits as suggested by George et al. (2012). Additionally, it would be interesting to explore how networks influence BMI in resources-limited contexts, especially in terms of partner selection and dependence. Furthermore, exploring handling of stakeholders and its implications in EEs (i.e. prioritization between stakeholders and its implications for firm performance and value creation) can lead to interesting theoretical contribution. Finally, an interesting avenue for future research is to explore the trade-offs that enterprises make between inclusive growth and profitability when pursuing BMI fuelled by inclusive business activities and how various conflicts that arise throughout the process and how those are resolved.

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