

# MAKING THE INVISIBLE VISIBLE

A study of the influence of institutions on the adoption behavior of base-of-the-pyramid consumers toward transformative service innovations

**Michelle Greene**



Institute for  
Management Research

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Michelle Greene  
geboren op 21 november 1967  
te Kilkenny, Ierland

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For  
Thomas, Aideen and Róisín

# Table of contents

## Chapter 1:

<b>General introduction</b>	<b>27</b>
<b>1.1 Background</b>	<b>28</b>
<b>1.2 Literature Review</b>	<b>30</b>
1.2.1 The BOP Discourse; A Shifting Perspective	30
1.2.2 S-D Logic: A Transcending Perspective	33
1.2.3 Institutional Theory: A Local Perspective	34
1.2.4 Innovation Diffusion and Resistance Theory: New Perspectives	35
<b>1.3 Research Question, Design and Contribution</b>	<b>36</b>
1.3.1 Chapter 2: Learning from the Resourceness Blind Spot for Service Innovation at the Base of the Pyramid	36
1.3.2 Chapter 3: Invisible Rules: How Institutional Voids in Base-of-the-Pyramid Markets Influence Adoption and Diffusion of Transformative Service Innovations	37
1.3.3 Chapter 4: Uncovering Barriers to the Adoption of Pro-Poor Service Innovations in BOP Markets: An Empirical Investigation	38
<b>1.4 Relevance and Intended Contribution</b>	<b>39</b>
<b>1.5 Dissertation Outline</b>	<b>40</b>

## Chapter 2:

<b>Learning from The Resourceness Blind Spot for Service Innovation at the Base-of-the-Pyramid</b>	<b>43</b>
<b>2.1 Introduction</b>	<b>45</b>
<b>2.2 Theoretical Background</b>	<b>47</b>
2.2.1 The Base of the Pyramid Context	47
2.2.2 Resourceness in the Service-dominant Logic Discourse	47
2.2.3 Diffusion of Innovation Theory and Passive Innovation Resistance	49
2.2.4 Research Questions	51
<b>2.3 Method</b>	<b>52</b>
2.3.1 Sampling and Data Collection	52
2.3.2 Data Gathering	54
2.3.3 Data Analysis	54
<b>2.4 Findings</b>	<b>55</b>
2.4.1 Status Quo Patterns of Resource Integration	56
2.4.2 Antecedents of Resourceness	56
2.4.3 Does Resourceness Potentially Drive Passive Innovation Resistance in the Base of the Pyramid Sample?	63

<b>2.5 Discussion</b>	<b>64</b>
2.5.1 Theoretical Implications	65
2.5.2 Managerial Implications	66
2.5.3 Limitations and Avenues for Further Investigation	66
<b>2.6 Conclusion</b>	<b>67</b>

## **Chapter 3:**

### **Invisible Rules: How Institutional Voids in Base-of-the Pyramid Markets Influence Adoption and Diffusion of Transformative Service Innovations**

<b>3.1 Introduction</b>	<b>71</b>
3.1.1 Gaps in our Understanding of Non-Adoption Behavior at the BOP	72
3.1.2 Contributions	73
3.1.3 Approach	73
<b>3.2 Literature Background</b>	<b>74</b>
3.2.1 The Study of Innovation Resistance	74
3.2.2 The Role of Institutions in Shaping Consumer Behavior	75
<b>3.3 Proposed Conceptual Framework of Institutional Voids in Shaping Consumer Behavior</b>	<b>78</b>
3.3.1 BOP Market Settings and Formal- and Informal Institutional Voids	78
3.3.2 Institutional Voids and Consumer Behavior	82
<b>3.4 Institutional Change and Innovation Resistance at BOP</b>	<b>84</b>
3.4.1 Theory of Institutional Change and Institutionalization	85
3.4.2 Institutional Change and Innovation Resistance	86
3.4.3 Institutional Change, and Innovation Resistance under Influence of Institutional Voids	87
<b>3.5 Discussion, Conclusion and Implications</b>	<b>90</b>
3.5.1 Discussion	90
3.5.2 Theoretical Implications	91
3.5.3 Practical Implications	92
<b>3.6 Agenda for Future Research</b>	<b>94</b>

## **Chapter 4:**

### **Uncovering Barriers to Adoption of Pro-Poor Service Innovations in BOP Markets: An Empirical Investigation**

<b>4.1 Introduction</b>	<b>97</b>
<b>4.2 Literature Review and Hypothesis Development</b>	<b>99</b>
4.2.1 Theory of Innovation Adoption and PIR	100
4.2.2 Institutional Theory	101
4.2.3 Institutional Change	102

4.2.4 Institutional Setting in BOP Contexts	103
4.2.5 BOP Consumer Distrust of Formal Institutions	104
4.2.6 Hypothesis Development	105
<b>4.3 Methods</b>	<b>110</b>
4.3.1 Sampling	110
4.3.2 Demographics	111
4.3.3 Measures	113
4.3.3 Content Validity	113
<b>4.4 Data Analysis and Findings</b>	<b>114</b>
4.4.1 Structural Model	115
4.4.2 Hypothesis Testing	115
4.4.3 Control Variables	117
<b>4.5 Discussion</b>	<b>118</b>
4.5.1 Theoretical Implications	119
4.5.2 Practical Implications	119
<b>4.6 Limitations and Future Research</b>	<b>120</b>
 <b>Chapter 5:</b>	
<b>Summary and Conclusion</b>	<b>123</b>
<b>5.1 Introduction</b>	<b>124</b>
<b>5.2 Summary and Discussion of the Findings</b>	<b>125</b>
5.2.1 Chapter 2: Learning from the Resourceness Blind Spot for Service Innovation at the Base of the Pyramid	125
5.2.2 Chapter 3: Invisible Rules: How Institutional Voids in Base of the Pyramid Markets Influence Adoption and Diffusion of Transformative Service Innovations	126
5.2.3 Chapter 4: Uncovering Barriers to Adoption of Pro-Poor Service Innovations in BOP Markets: An Empirical Investigation	127
<b>5.3 Contributions and Implications</b>	<b>128</b>
5.3.1 Theoretical Contributions	128
5.3.2 Practical Implications	130
<b>5.4 Limitations and Avenues for Future Research</b>	<b>132</b>
5.4.1 Limitations	132
5.4.2 Avenues for Future Research	133
<b>References</b>	<b>134</b>
<b>About the author</b>	<b>150</b>

<b>Appendices</b>	
<b>Chapter 2</b>	<b>154</b>
A2: Narrative Interview Protocol	154
<b>Chapter 3</b>	<b>155</b>
A3: The Evolution of BOP Concept and Role of Context	155
<b>Chapter 4</b>	<b>156</b>
A4.1: Development of Measurement Items for Distrust of Formal Institutions	156
A4.2: Data Gathering Instrument	158
A4.3: Descriptive Statistics of Constructs and Measures	170

## List of Tables and Figures

<b>Table 1.1</b> The evolution of the BOP discourse	30
<b>Table 1.2</b> Overview of the chapters	39
<b>Table 2.1</b> Conceptual underpinning of resourceness and innovation resistance	47
<b>Table 2.2</b> Overview of interviewees	51
<b>Table 2.3</b> Procedure for data analysis	53
<b>Table 2.4</b> Synthesis of consumption behavior and “reasons why” per category	55
<b>Table 3.1</b> Origin and manifestations of informal institutional voids	79
<b>Table 4.1</b> Findings on the influence of institutional voids on consumer choices	103
<b>Table 4.2</b> Sample demographics	110
<b>Table 4.3</b> Discriminant validity	112
<b>Table 4.4</b> $R^2$ and $Q^2$ values for endogenous constructs	113
<b>Table 4.5</b> Structural model	115
<b>Figure 2.1</b> Summary of resource integration processes, value in context and emergent antecedents to resourceness	57
<b>Figure 2.2</b> Emergent model of antecedents to resourceness and the relationship to passive innovation resistance	61
<b>Figure 3.1</b> Conceptual framework of institutions, consumer behavior and resource integration	75
<b>Figure 3.2</b> Mutually reinforcing formal and informal institutional voids	80
<b>Figure 3.3</b> A new framework of institutional voids, consumer behavior and resource integration	82
<b>Figure 3.4</b> The influence of institutional voids on a process of institutional change	85
<b>Figure 4.1</b> Conceptual model	107
<b>Figure 4.2</b> Validated model	114

## **List of Abbreviations**

- AIR – Active Innovation Resistance
- AVE – Average Variance Extracted
- BOP – Base-of-The-Pyramid
- EFA – Exploratory Factor Analysis
- HTMT – Heterotrait-Monotrait
- PIR – Passive Innovation Resistance
- PLS – Partial Least Squares
- PLS-SEM – Partial Least Squares Structural Equation Modelling
- S-D Logic – Service-Dominant Logic
- TPB – Theory Of Planned Behavior
- TSR – Transformative Service Research
- UN SDGs – United Nations Sustainable Development Goals

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I believe that academic research is an important catalyst that can help companies become even more effective in developing and providing innovation for social impact. Through questioning the relevance of assumptions that underpin extant theories about consumers, innovation adoption and local ecosystems to disconnected communities, such as base-of-the-pyramid (BOP) consumers, research generates new questions and new answers.

It is with a great sense of achievement that I present the new questions and new answers that evolved during my PhD research project. I have been blessed to have found many collaborators and as the saying goes, it takes a village... so I would like to thank the many wonderful people who have helped, supported, and shared my research journey in so many ways.

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**Sustainable Development Goal 1: End poverty in all its forms everywhere**

"We are a long way from solving the problem of global poverty. But I find reason to be optimistic that the conditions for creating significant change are emerging rapidly."

(Prahalad, 2005, p.3)

## Executive Summary

This dissertation is a study of institutional barriers to the successful implementation of transformative service innovation in market-based poverty alleviation solutions in base-of-the-pyramid (BOP) settings. While many companies have attempted to enter these markets with such pro-poor innovations, most have been unsuccessful, experiencing significant challenges in gaining acceptance from BOP consumers. The BOP refers to a segment of global population at the lowest economic strata, and although there is no strict definition, upward estimations place its size at roughly half of the world population that lives in systemic poverty and mostly in underdeveloped economies. The eradication of global poverty is SDG1 and is a call to action for all.

A common feature of such BOP settings are incomplete sets of formal and informal institutions i.e., the rules and norms that facilitate efficient market transactions. In this dissertation we investigate assumptions of links between incomplete sets of institutions (also known as institutional voids) and the norms and rules that inhibit BOP consumer innovation adoption behavior. The overarching aim of this dissertation is to address the question:

*“How do institutional factors in BOP market settings influence BOP consumer processes of innovation adoption toward market-based poverty alleviation solutions?”*

Research on market-based poverty alleviation at BOP is still developing, following the foundational work of Prahalad and Hammond (2002), which highlights the potential for combining business with the achievement of social impact through pro-poor innovation. In spite of increased interest in and acknowledgement of the unique, informal, and institutionally constrained nature of BOP market settings, there is still a lack of overarching theoretical frameworks and models, that are appropriate for such settings and that can guide researchers and practitioners in working with the BOP. This dissertation addresses this gap by applying multiple disciplinary perspectives - S-D logic and transformative service research, institutional theory and innovation resistance theory, to construct a more context-specific understanding of BOP consumer behavior and support more effective market-based poverty alleviation interventions.

The dissertation is built on three interrelated studies. In the first (Chapter 2), a qualitative investigation was conducted to build a grounded understanding of how BOP households make consumption decisions. Using narrative interviews in a Zambian context, this study identified established practices for resource integration among BOP consumers and demonstrated that these “status quo” practices inadvertently serve as inhibitors to what is termed “resourceness”—

the ability to access and integrate both private and market-based resources. Notably, a consistent preference for private resources was identified, suggesting that traditional market-based solutions may struggle to gain acceptance against entrenched consumer habits.

The second study (Chapter 3) builds further on these findings to develop a conceptual framework of institutional voids as a barrier to transformative service innovation. The framework articulates how local, context-specific configurations of regulative (formal), normative, and cognitive (informal) institutions shape consumer resource integration behavior and impede institutional change. By integrating perspectives from institutional theory with the S-D logic framework, this study exposes the limitations of current market-based approaches in BOP settings and explains why innovative service solutions often fail to diffuse in these environments.

The final empirical study (Chapter 4) shifts the focus to quantitatively examining the role of distrust in formal institutions—a newly identified construct that significantly drives innovation resistance. Using an interviewer-assisted survey among BOP consumers in Zambia, the study not only validates that distrust negatively affects the adoption of pro-poor innovations (illustrated here using a mobile money service example) but also confirms that innovation resistance (PIR) mediates the relationship between distrust of formal institutions and negative consumer attitudes toward innovations. This research further confirms the necessity of considering institutional factors when launching pro-poor innovation to BOP settings.

Overall this dissertation makes an important contribution to BOP scholarship by providing theoretically supported explanations for BOP consumer innovation behavior. Further, several important contributions to literature on innovation diffusion, service research, and market-based poverty alleviation have been made, by extending their application to this novel market setting.

The qualitative findings reveal that BOP consumer behavior is deeply embedded in established resource integration practices. These practices, driven by a strong reliance on private resources, create what can be conceptualized as a “resourceness blind spot.” Consequently, the inability, or perceived inability, to access alternative, market-based resources cultivates innovation resistance—challenging existing models that assume resistance is merely an aversion to change. An important conceptual finding is that institutional voids lead to local, incomplete sets of institutions that drive individual and collective behavior. This conceptualization helps explain why both individual behavior and collective motivation for institutional transformation remain stifled, ultimately impeding the diffusion of innovative service solutions. A framework of the influence of institutional voids on resource integration is developed as well as guiding propositions for institutional change are developed.

The empirical findings substantiate that distrust in formal institutions is a significant barrier to pro-poor innovation adoption. Not only does it directly impact BOP consumer evaluation and attitude formation toward innovations but also reinforces underlying innovation resistance. By testing these relationships in a BOP context, the research expands the application of both innovation resistance theory and the S-D logic framework to contexts marked by institutional voids.

This dissertation has made important steps toward the advancement of theoretical frameworks for BOP scholarship by laying significant groundwork for a deeper understanding of how institutional factors and entrenched consumer practices at the BOP impede the diffusion of pro-poor innovations. While the approach taken is appropriate for the research goals, there are some limitations, such as the focus on one BOP setting only, the use of exploratory methods, as well as a focus on institutions, at the expense of exploring other (equally) important parameters in service ecosystems such as resources and further actors. These areas provide opportunity for further study.

Next to this, several promising avenues for further research toward the advancement of BOP scholarship have been identified. These include firstly, the further development of a conceptual understanding of market-based poverty alleviation as a process of driving institutional change – as opposed to selling pro-poor innovation. Secondly, researching and developing an inventory of institutions, both in BOP and non-BOP settings, as an invaluable reference for both researcher and practitioners. This would include establishing measurement dimensions and integrating institutional variables into extant marketing frameworks. Thirdly, future research can address the limitations of this dissertation by mapping resources available within BOP communities, including those emerging from social networks. This research could highlight best practices in frugal resource integration, further supporting sustainable innovation. Lastly, for the empirical advancement of BOP scholarship, this dissertation identifies the opportunity to develop and apply quantitative methodologies e.g. intervention research, in BOP settings.

The comprehensive perspective that has been developed in this dissertation not only enriches academic debates in the application of marketing and innovation for social impact, but also provides practical insights for practitioners aiming to create sustainable, inclusive markets that empower low-income communities globally.



## Nederlandse Samenvatting

Deze dissertatie onderzoekt de institutionele belemmeringen die de succesvolle implementatie van transformerende dienstinnovaties binnen marktgebaseerde armoedebestrijdingsoplossingen op de base-of-the-pyramid (BOP) in de weg staan. Veel bedrijven proberen met dergelijke pro-poor innovaties (innovatieve armoedebestrijdingsoplossingen) armoede terug te dringen, maar ondervinden bij BOP-consumenten aanzienlijke acceptatieresistentie. De BOP omvat het grootste bevolkingssegment met de laagste inkomensniveaus; het uitroeien van mondiale armoede is Sustainable Development Goal 1 en vormt een oproep tot actie voor iedereen.

Een kenmerk van BOP-contexten is het onvolledig functioneren van formele en informele instituties – de regels en normen die efficiënte markttransacties ondersteunen. In deze dissertatie wordt daarom onderzocht hoe zogeheten institutional voids samenhangen met regels en normen die de adoptie door BOP-consumenten belemmeren. De centrale onderzoeksraag luidt:

*"Hoe beïnvloeden institutionele factoren in BOP-markten het adoptieproces van marktgebaseerde armoedebestrijdingsoplossingen door BOP-consumenten?"*

Het onderzoek bouwt voort op het baanbrekende werk van Prahalad en Hammond (2002), dat het potentieel beschrijft om bedrijfsactiviteiten te combineren met maatschappelijke impact via pro-poor innovaties. Tegelijkertijd bestaat er nog steeds een gebrek aan overkoepelende theoretische kaders die de unieke, informeel en institutioneel beperkte aard van BOP-markten adequaat vatten en zo effectievere armoedebestrijdingsinterventies mogelijk maken.

De dissertatie bestaat uit drie onderling verbonden studies. In de eerste studie (Hoofdstuk 2) is een kwalitatief onderzoek uitgevoerd onder huishoudens in Zambia. Narratieve interviews laten zien dat diepgewortelde praktijken van resource integration – de wijze waarop huishoudens hulpbronnen combineren – onbedoeld het vermogen om zowel private als marktgebaseerde hulpbronnen te benutten (resourceness) onderdrukken. Een hardnekkige voorkeur voor private hulpbronnen wijst erop dat marktoplossingen moeite hebben om vaste consumptiegewoonten te doorbreken.

De tweede studie (Hoofdstuk 3) borduurt voort op deze bevindingen en ontwikkelt een conceptueel kader waarin institutionele leemten worden gepositioneerd als barrière voor transformerende dienstinnovatie. Lokale configuraties van formele, normatieve en cognitieve instituties sturen het hulpbronnengebruik van consumenten en belemmeren institutionele verandering, wat verklaart waarom dienstinnovaties in dit soort omgevingen vaak niet diffunderen.

De derde empirische studie (Hoofdstuk 4) richt zich kwantitatief op het nieuwe construct 'wantrouwen in formele instituties' in relatie tot de adoptie van mobiele-gelddiensten als representatieve pro-poor innovatie. Surveydata onder Zambische BOP-consumenten toont aan dat wantrouwen in formele instituties een significante voorspeller is van negatieve attitudes ten aanzien van pro-poor innovaties, waarbij innovatieresistentie deze relatie medieert.

Gezamenlijk levert de dissertatie belangrijke bijdragen aan de BOP-literatuur. Ze verschaft theoretisch onderbouwde verklaringen voor het innovatiegedrag van BOP-consumenten, met nadruk op diepgewortelde hulpbronnenpraktijken en institutionele leemten, en breidt gevestigde theorieën zoals de innovatieresistentietheorie en het S-D-Logic-kader uit naar contexten die worden gekenmerkt door institutionele leemten.

De kwalitatieve bevindingen maken duidelijk dat consumentengedrag in de BOP diep ingebed is in bestaande hulpbronnenpraktijken. Deze praktijken, gevormd onder armoedecondities, veroorzaken een soort 'hulpbronnenblindheid' voor markt-gebaseerde aanbiedingen en dagen modellen uit die weerstand uitsluitend beschouwen als aversie tegen verandering. Conceptueel wordt aangetoond dat institutionele leemten leiden tot lokale, onvolledige institutionele sets die zowel individueel als collectief gedrag sturen en de adoptie van dienstinnovaties bemoeilijken. Hieruit worden sturingsvoorstellen voor institutionele verandering afgeleid.

De empirische resultaten bevestigen dat wantrouwen in formele instituties een substantiële barrière vormt voor de adoptie van pro-poor innovaties. Het vermindert niet alleen rechtstreeks de adoptie-intentie, maar versterkt ook innovatieresistentie. Daarmee breidt de studie de innovatieresistentietheorie en het S-D-Logic-kader uit naar contexten met institutionele leemten.

Deze dissertatie legt een stevige basis voor een geïntegreerd perspectief op de wisselwerking tussen instituties, hulpbronnen en innovatieadoptie onder BOP-consumenten. Vervolgonderzoek wordt opgeroepen om markt-gebaseerde armoedebestrijding te conceptualiseren als een proces van institutionele verandering in plaats van productverkoop, een meetbare inventaris van relevante instituties in BOP- en niet-BOP-contexten te ontwikkelen, hulpbronnen (inclusief sociale netwerken) systematisch in kaart te brengen en interventiestudies uit te voeren die de empirische basis van het vakgebied versterken. Het geïntegreerde perspectief in deze dissertatie verrijkt niet alleen academische discussies over marketing en maatschappelijke impact, maar biedt ook concrete handvatten voor professionals die streven naar inclusieve markten die lage-inkomensgemeenschappen wereldwijd versterken.

## **Data Management**

The data described in this thesis have been collected with the consent of all participants. Privacy sensitive data have been pseudonymized. Existing data collected by others have been obtained legitimately. During research, privacy sensitive data have been stored on a protected computer or server environment. After completion of this PhD project, research data will be securely stored for reasons of scientific integrity for at least ten years in encrypted data storage. Anonymized data are stored together with the necessary documentation in a data repository system (Radboud Data Repository) to which access to the data is upon request and to be approved by the data owner. It is not possible to link data to individuals (unless explicit consent has been given) in publications or published data sets.





# Chapter 1:

## Introduction

---

*"It is necessary to dismantle the rationality assumption underlying economic theory in order to approach constructively the nature of human learning. History demonstrates that ideas, ideologies, myths, dogmas, and prejudices matter; and an understanding of the way they evolve is necessary for further progress in developing a framework to understand societal change. The rational choice framework assumes that individuals know what is in their self-interest and act accordingly. That may be correct for individuals making choices in the highly developed markets of modern economies but it is patently false in making choices under conditions of uncertainty – the conditions that have characterized the political and economic choices that shaped (and continue to shape) historical change."*

(Douglas C. North, in NobelPrize.org, 2025)

## 1.1 Background

Since the turn of the century, society is striving toward social and sustainable development on a global scale, enlisting the action of governments, companies and educational institutions worldwide. This concerted action is driven by the United Nations Sustainable Development Goals (UN SDGs), which have become an important reference point for politicians, civil society and the business community.

Within the framework of the 17 SDGs, the base-of-the-pyramid (BOP), a segment comprising the poorest economic strata, mostly in multidimensional poverty (Alkire et al., 2015; Fisk et al., 2016) and estimated at about half of the world's population (Prahalad, 2005), emerges as a high-priority group. SDG 1 focuses on ending poverty in all its forms everywhere by 2030, and is a call to action for policymakers, businesses and research. During the global COVID-19 pandemic, the first rise in extreme poverty in a generation was recorded, for example because of loss of employment and illness (United Nations Statistics Division (UNSD), 2023). The urgency to stay focused on ending poverty appears even greater in light of this negative development.

Around the turn of the century, the idea that "large-scale entrepreneurship" (Prahalad, 2005, p. xiii) is the solution to global poverty was popularized by C.K. Prahalad, who, together with Stuart Hart and Allen Hammond, were the first academics to map the BOP as a lucrative market, and show the opportunity for an alternative, market-based approach, to the alleviation of global poverty. Two milestone publications, "Serving the World's Poor, Profitably" (Prahalad & Hammond, 2002) and "The Fortune at the Bottom of the Pyramid" (Prahalad & Hart, 2002) mark the starting point of broader corporate and academic interest in a new way of thinking about poverty alleviation.

The core idea is that innovative products and services, in new business models (Cooney & Williams Shanks, 2010), address daily challenges and generate entrepreneurial opportunities for poverty target groups, aiming to alleviate global poverty (Araujo, 2013; London et al., 2014). The success of these ventures relies on institutionalizing new consumption practices that lead to the establishment of new markets, led by firms that pursue both profit and social value generation (Araujo & Pels, 2015; Pansera & Martinez, 2017). The aim is the achievement of sustainable, long-lasting change in complex systems that are typical of underdeveloped economies (Valdés-Loyola et al., 2021).

All companies that expand internationally face high market failure rates (Castellion & Markham, 2013), but in BOP contexts market-based poverty alleviation initiatives are either "failing outright or achieving modest success at great expense" (Cañequera and Hart, 2015, p.2). Because innovating for development is both a social and a technical undertaking, it necessitates both appropriate innovation as well

as changes in consumer practices and the local rules, norms and beliefs, that are necessary for the institutionalization of new consumption practices (Faulconbridge, 2013). Notwithstanding this insight, there is a lack of research that can explain this phenomenon of low levels of BOP consumer innovation adoption of market-based poverty alleviation solutions (Hasan et al., 2019, 2020; Lowe et al., 2019).

More recent developments in innovation adoption theory point to the investigation of barriers to innovation adoption that arise out of individual-level innovation resistance, as a new and fruitful avenue for investigation (Heidenreich & Handrich, 2015; Heidenreich & Kraemer, 2015). This resistance toward the change that is associated with the adoption of an innovation is closely aligned with the degree to which potential adopters hesitate to change established, status quo practices (Heidenreich & Handrich, 2015). Because of the important connection between local institutions, status quo consumption practices and the institutionalization of new consumption practices that is at the heart of innovation for development (Araujo, 2013), this intersection is an important avenue for further research.

An important start has been made to bring institutional thinking into marketing frameworks, as for example in Axiom 5 of the service dominant (S-D) logic framework “value cocreation is coordinated through actor-generated institutions and institutional arrangements” (Vargo and Lusch, 2016, p.18). The institutional setting is a relevant consideration in any study, but especially when it differs significantly from the assumptions about institutions that are embedded in established theoretical frameworks (Burgess & Steenkamp, 2006) for example in contexts with non-comprehensive sets of institutions. The institutional setting at BOP is heavily influenced by absent or incomplete sets of formal and informal institutions, referred to as institutional voids (Khanna & Palepu, 1997), that sets them apart from developed economy settings. Local and idiosyncratic sets of institutions at BOP, have however not yet received a large amount of research attention in marketing. Consequently, there is a lack of visibility of these important forces and a lack of theoretical understanding of their influence on consumers in settings such as BOP.

This PhD project concerns itself with delivering new insight for BOP scholarship, by researching and uncovering influential relationships between local sets of institutions in BOP market settings, their influence on levels of BOP consumer innovation resistance and innovation adoption outcomes. In order to address this gap in our understanding of BOP market settings, the guiding research question for this dissertation is formulated as follows;

*How do institutional factors in BOP market settings influence BOP consumer processes of innovation adoption toward market-based poverty alleviation solutions?*

In the following section, a brief review of recent and relevant literature is provided, followed by an outline of the dissertation, and a discussion of the relevance and intended contribution of this PhD project.

## 1.2 Literature Review

### 1.2.1 The BOP Discourse; A Shifting Perspective

At the outset of this PhD dissertation, it is important to provide some background to the definition of poverty as the focal problem for market-based poverty alleviation. A well-established approach to measuring poverty is as monetary deprivation and based on an economic cut off line, below which different degrees of poverty are defined (World Bank, 2018a). In recent years, the inclusion of monetary *and* non-monetary deprivations into a system of multidimensional measure of poverty, for example the global Multidimensional Poverty Index (UNDP, 2023) highlights how multiple disadvantages connected to poverty emerge at the same time – for example malnutrition, generally poor health, lack of clean water and sanitation, low employment prospects, and low potential earnings (Alkire et al., 2015). This perspective reveals the complexity of systemic poverty extending beyond a of lack of individual wealth to a range of non-economic factors (Dembek et al., 2018).

The number of people who are affected by monetary poverty and the interlinked deprivations in health, education and standard of living that directly affect a person's life is typically higher than the number of those measured to be in monetary poverty alone. Approximately 18% of the global population lives in acute multidimensional poverty, equating to 1.1 billion people who struggle to survive, with approximately half in Sub-Saharan Africa (UNDP, 2023). This figure is considerably higher if the monetary cut-off level is raised to reflect moderate levels of poverty. Regardless of the measure of poverty, the BOP segment comprises the poorest segments of the global population (Guesalaga & Marshall, 2008) and deserves dedicated research attention to address this global inequality in welfare.

BOP markets settings are predominantly located in developing economies, and, in spite of wide geographic diversity, display a set of distinctive characteristics that are different to those of neo-classically defined markets (Abendroth & Pels, 2017; Borchardt et al., 2020; Pels & Kidd, 2012; Pels & Mele, 2018). These are; a) *resource scarcity* at both an individual and organizational level (Abendroth & Pels, 2017) and, b) a *weak or absent institutional setting* referred to as institutional voids, and leading to the predominance of informal institutions in the regulation

of economic exchange (Guesalaga & Marshall, 2008; Webb et al., 2010). However, BOP literature is at an early stage of providing a conceptual understanding of these characteristics, and how they shape economic activity (Borchardt et al., 2020; Pels & Mele, 2018).

Because of the structural differences in BOP market settings, assumptions underpinning existing marketing theories – relating to socioeconomic, demographic, cultural, and regulatory institutions – possibly do not hold in BOP contexts, challenging our understanding of constructs and their relations (Burgess & Steenkamp, 2006; Ingenbleek, 2014; Kistruck & Shulist, 2019). Consequently, established theories that originate from developed markets do not apply in the same way (Paul, 2019; Purohit et al., 2021) and are unsuitable to fully explain consumer behavior which is affected by poverty-induced deprivations (Uttam & Rahul, 2024), in these underexplored settings (Abendroth & Pels, 2017; Araujo, 2013; Ben Letaifa & Reynoso, 2015; Burgess & Steenkamp, 2006; Ingenbleek, 2014; Kistruck & Shulist, 2019; Sheth, 2011).

There is a marked lack of analysis through overarching theoretical frameworks in BOP scholarship. While there is a growing body of BOP literature, the field of research is not yet mature (Joncourt et al., 2019, Uttam & Rahul, 2024), with publications fragmented across different disciplines, e.g., development economics, business strategy, international marketing, corporate social responsibility and innovation (Borchardt et al., 2020; Dembek et al., 2020; Follman, 2012; Joncourt et al., 2019; Kolk et al., 2014). Consequently, a unifying approach to conceptual development is lacking, leading to calls in BOP literature to systematically research and build a deeper understanding of the BOP context and its influence on consumers through the application of overarching theoretical frameworks (Borchardt et al., 2020; Chmielewski et al., 2018; Dasgupta & Hart, 2015; Faulconbridge, 2013; Joncourt et al., 2019; Kolk et al., 2014; Yurdakul et al., 2017).

Over the past two decades, four phases of conceptual discussion (BOP 1.0 to BOP 4.0) reflect shifting priorities and perspectives on market-based poverty alleviation (Borchardt et al., 2020; Dembek et al., 2020; Gupta & Khilji, 2013; Joncourt et al., 2019; Kolk et al., 2014). As outlined in Table 1.1, BOP 1.0 focused on the creation of a capacity to consume in poverty target groups and serving the unmet needs of these target groups with high levels of growth and potential profit (Prahalad & Hammond, 2002; Prahalad & Hart, 2002). Criticism of the vulnerable role of BOP consumers in this perspective (Karnani, 2007) led to the emergence of BOP 2.0 and an emphasis on value cocreation and partnering (London et al., 2010). In BOP 3.0, greater recognition of poverty as a multidimensional and embedded challenge (Cañequa & Hart, 2015) emerges, as well as the necessity for service ecosystems in the BOP context to further the alleviation of poverty (Von Janda et al.,

2021). More recent iterations (BOP 4.0) highlight the importance of recognizing the unique, often invisible resources and knowledge held by BOP communities (Gupta & Khilji, 2013). Addressing significant social and environmental challenges locally requires uncovering and integrating an understanding of such local resources with modern scientific knowledge (Borchardt et al., 2020; Shivarajan & Srinivasan, 2013) as the key to supporting innovation for development (Borchardt et al., 2020; Cañequé & Hart, 2015; Gupta & Khilji, 2013; Yurdakul et al., 2017).

**Table 1.1**

The evolution of the BOP discourse

	<b>BOP 1.0</b>	<b>BOP 2.0</b>	<b>BOP 3.0</b>	<b>BOP 4.0</b>
Influential authors	Prahalad, 2005; Prahalad & Hart, 2002	Arora & Romijn, 2012; London et al., 2010; Simanis & Hart, 2008	Cañequé & Hart, 2015; London, 2016; Simanis & Hart, 2008	Gupta & Khilji, 2013
Underlying logic	Untapped opportunity in latent consumer markets	Co-designing products and services to provide the poor with the opportunity to co-create value	Inclusive and impactful BOP ventures in social enterprise	Ethical, authentic and sustainable production, sourcing, marketing, development and benefit-sharing
Key thought	Sell to the poor by creating new capacity to consume	Empowering local communities and development of local entrepreneurship	Learning from local enterprises in BOP context of multidimensional poverty	Recognizing and connecting unique, traditional knowledge systems with global value chains
Commercial entities implicated	Multinational corporations	Multinational corporations, local SME and micro-entrepreneurs	Wider innovation ecosystems, cross-sector partnerships	Total integration with micro-entrepreneurs, SME and local communities
Perspective	Outside-in, top-down	Bottom-up partnerships	Inside-out, bottom-up	Value commitment, joint value creation
Example of approaches	Adapting existing products, reducing price points	Co-designing locally appropriate solutions	Social entrepreneurship	Build local and global knowledge systems
Key success factors	Extending distribution channels to BOP markets, achieving scale, managing transaction costs	Sharing control and being sensitive to local context	Bearing the cost of social entrepreneurship in distant markets	Danger of not recognizing or misappropriating local operant resources and knowledge networks

**Table 1.1**

Continued

	<b>BOP 1.0</b>	<b>BOP 2.0</b>	<b>BOP 3.0</b>	<b>BOP 4.0</b>
Evolution of thinking on BOP context	Low purchasing power, lack of market infrastructure	Social and environmental problems	Social, political, emotional and cultural aspects	Unique operant resource and knowledge networks, local communities
Risks	Achieving cost and scale, ethical considerations	Sharing control, sufficient sensitivity to complexity of local context	Costs of social entrepreneurship, ideological challenges, e.g., ecological sustainability	Vulnerability of local knowledge networks to global markets

Source: Authors' own work.

### 1.2.2 S-D Logic: A Transcending Perspective

The S-D logic framework has emerged in recent decades as an approach to explaining the collaborative creation of value (Vargo, 2018). Service is understood as the process of using one's resources for the benefit of another actor, or oneself, as the basis of economic and social exchange (Koskela-Huotari & Vargo, 2018; Valdés-Loyola et al., 2021). Because S-D logic takes a process-view of exchange, it can be applied in pre-industrialized, industrialized and post-industrialized economies in one unit of analysis, i.e., service-for-service exchange in service ecosystems (Vargo & Koskela-Huotari, 2020). A service ecosystem is a "relatively self-contained, self-adjusting system of resource integrating actors connected by shared institutional arrangements and mutual value creation through service exchange" (Lusch & Vargo, 2014, p. 161). Within this view, *markets* are conceptualized as institutionalized solutions and *innovation* is the collaborative combination of practices that lead to the emergence of solutions for new or existing problems (Vargo et al., 2015) by actors who share and integrate their resources to mutually create value (Vargo & Lusch, 2016).

In 2010, Ostrom *et al.* defined service research priorities, some of which have a natural affinity to research for poverty alleviation at BOP (Valdés-Loyola et al., 2021). In 2015, Reynoso *et al.* proposed research streams that result from combining BOP research perspectives with the aforementioned service research priorities. These include investigating the dynamics in complex BOP service ecosystems, their influence on service experience, investigating how BOP actors rely on informal networks for survival and how these insights can inform socially inclusive service innovation (Reynoso *et al.*, 2015). Because of the simplicity of the service ecosystem concept, relying on a few key concepts, its application can support a better understanding of the complexity of the BOP environment (Ben Letaifa & Reynoso,

2015; Reynoso et al., 2015). Perhaps the most natural intersection between service research and BOP research is at the point of wellbeing improvement through transformative service within the field of transformative service research (TSR) (Alkire (Née Nasr) et al., 2019; Anderson et al., 2013; Anderson & Ostrom, 2015; Crockett et al., 2013; Finsterwalder et al., 2017; Kuppelwieser & Finsterwalder, 2016; Rosenbaum, 2015; Valdés-Loyola et al., 2021).

There is much potential to further explore services for poverty alleviation at BOP (Fisk et al., 2016; Gebauer & Reynoso, 2013; Joncourt et al., 2019). First, improving the design and delivery of poverty alleviation services can increase their impact on BOP communities. This requires a deeper understanding of BOP market settings and BOP consumer behavior (Ben Letaifa & Reynoso, 2015, Uttam & Rahul, 2024), helping to explain why effective solutions often see limited adoption and how they can be made more appealing (Valdés-Loyola et al., 2021). Second, since BOP contexts differ from affluent markets, they represent a unique opportunity to develop new insights, particularly regarding the role of local institutions, and thus broadening the application of S-D logic beyond affluent contexts.

In this dissertation, the principles of S-D logic and the service ecosystems perspective are used as a frame to analyze BOP market settings. In the S-D logic understanding of exchange, there are no preexisting markets because they emerge as institutionalized solutions in service ecosystems, which draws attention to the way in which context, and in particular institutions, shape value cocreation activities (Akaka & Chandler, 2018). In this way, S-D logic and the service ecosystem view facilitate insights that otherwise, within a firm-centric view of markets, would not be possible (Koskela-Huotari & Vargo, 2018).

### ***1.2.3 Institutional Theory: A Local Perspective***

Institutional theory extends traditional economic thinking by emphasizing the role of institutions, both formal (e.g. laws and regulations) and informal (e.g. norms, trust, networks) in shaping economic behavior and outcomes (North, 1990). Unlike neoclassical models that assume frictionless markets and fully rational actors, new institutional economics acknowledges that transaction costs, information asymmetries and institutional voids can significantly influence decisions (Mair et al., 2012; North, 1990; Scott, 2014). This framework is particularly valuable when studying BOP market settings, where local sets of institutions are constrained through institutional voids, and traditional economic assumptions often fall short (Mair & Marti, 2009).

In BOP market settings, consumer behavior is deeply embedded in local institutional settings. Innovations that are designed to improve livelihoods or enhance access to essential services often fail to scale due to institutional barriers

such as lack of trust, uncertain property rights, social resistance, or regulatory gaps (London & Hart, 2004). To date, research on institutions in BOP market settings has overemphasized formal institutions and underrepresented informal institutions, such as behavioral norms in social systems that often dominate consumer behavior in marginalized communities (Helmke & Levitsky, 2012). Secondly, social, emotional and communal drivers that influence innovation adoption choices have been neglected (Banerjee & Duflo, 2011). Thirdly, there has been comparatively little application of institutional thinking in marketing and service research (Vargo et al., 2015; Vargo & Lusch, 2016), leading to a lack of exploration of the linkages between institutions and consumer behavior.

In this PhD project, the strength of the institutional perspective is leveraged to offer new explanations for BOP consumer innovation adoption behavior toward market-based poverty alleviation solutions, while also addressing important theoretical shortcomings in the application of institutional thinking in service marketing.

#### **1.2.4 Innovation Diffusion and Resistance Theory: New Perspectives**

Innovation adoption has traditionally been explained through diffusion of innovation theory (Rogers, 2005) and related models such as the Technology Acceptance Model (Davis, 1989), or the Theory of Planned Behavior (Ajzen, 1991). These frameworks assume rational, motivated adopters who evaluate innovation attributes with the aim of adoption – an inherently pro-adoption stance (Talke & Heidenreich, 2014).

More recent work emphasizes innovation resistance – referring to the active or passive rejection of innovations due to disruptions to one's status quo or values (Oreg, 2003; Ram & Sheth, 1989). Passive resistance, in particular, reflects a predisposition to resist change before evaluating innovation attributes (Heidenreich & Spieth, 2013). It is shaped by individual traits such as resistance to change and situational factors such as satisfaction with existing solutions or habitual behavior (Heidenreich & Handrich, 2015).

While this resistance framework offers valuable insights – especially in highlighting overlooked barriers – it has been underexplored in BOP contexts. Existing BOP studies of innovation adoption remain rooted in models with a pro-innovation stance (Hasan et al., 2019; Lowe et al., 2019). Applying innovation resistance theory to BOP consumers has some limitations. First, it largely assumes stable psychological dispositions, which may not capture the adaptive and resource-constrained decision-making common at the BOP. Second, the theory's origin in high-income consumer contexts (Claudy et al., 2015; Heidenreich & Handrich, 2015) raises concerns about its cultural and contextual fit. Finally, passive innovation resistance constructs may underestimate the role of structural barriers –

such as affordability, access, and institutional trust – that heavily shape innovation decisions at the BOP. Despite these gaps, resistance theory offers a promising counterbalance to the pro-adoption bias embedded in other innovation adoption theories (Laukkanen et al., 2008). When applied as a research frame, it may better account for the complex dynamics of BOP consumer behavior and deliver new explanations for the disappointing levels of adoption of market-based poverty alleviation initiatives.

### **1.3 Research Question, Design and Contribution**

The central question addressed by this research is formulated as follows:

*How do institutional factors in BOP market settings influence BOP consumer processes of innovation adoption toward market-based poverty alleviation solutions?*

To address this question, three studies are conducted within this PhD project. First, because practices and institutions are recursively related, a qualitative, exploratory study is conducted to construct an understanding of established status-quo consumption practices of BOP consumers (in Zambia) and to explore the relationship between practices, resourceness, i.e., how resources *become*, and individual level innovation resistance (Chapter 2). Second, because extant practices and institutions in the BOP context are closely aligned, and because they are an important point of reference for consumers when evaluating innovation, the second study aims to build a deeper conceptual understanding of institutions, including institutional voids, and their influence on consumer adoption behavior at the BOP (Chapter 3). In the third study, the relationship between a newly developed construct, distrust toward formal institutions, innovation resistance, and innovation adoption behavior is empirically tested based on survey data from BOP consumers in Zambia (Chapter 4). The following subsections present an overview of chapters 2-4.

#### **1.3.1 Chapter 2: Learning from the Resourceness Blind Spot for Service Innovation at the Base of the Pyramid**

One of the key reasons for commercial failure, and thus disappointing levels of social impact at BOP, is the low-rate of adoption of market-based service innovation for poverty alleviation. The first study marks the beginning of this research project, with the aim to develop a better understanding of how resources get their resourceness in BOP service ecosystems and whether this has implications for the adoption of service innovation. This chapter is based on principles of the S-D logic framework and diffusion of innovation/innovation resistance theory. A central notion in S-D logic is that the realization of resources through human appraisal and

action transforms potential resources into actual resources and this resourceness is directly connected to processes of adoption of innovation. Barriers to resourceness, which can also be antecedent to passive innovation resistance, can reside in status quo patterns of resource integration in the BOP context, especially when these are deeply entrenched and stifle the integration of potential resources. Two research questions guide this study:

*RQ1: How do extant patterns of resource integration relate to resourceness in status quo BOP consumption behavior and what are its antecedents?*

*RQ2: How is the resourceness situation of BOP consumers related to the concept of passive innovation resistance?*

In an exploratory/qualitative study, narrative interview techniques are implemented to gather data from respondents in 29 households in a BOP market setting (Zambia). The application of principles of the S-D logic framework and innovation resistance theory in this study of BOP consumers furthers theoretical development within the BOP discourse, and through contextual investigation, helps develop the S-D logic framework and passive innovation resistance theory for application in settings such as BOP. At the same time this study provides practitioners with new insights on how status quo BOP consumer practices influence resourceness and drive innovation resistance. This is an important first step toward acknowledging the importance of established consumption practices, including practices outside of formal markets, and by implication the institutions that drive them, as a point of reference for consumers when they consider adopting innovations.

### **1.3.2 Chapter 3: Invisible Rules: How Institutional Voids in Base-of-the-Pyramid**

#### **Markets Influence Adoption and Diffusion of Transformative Service Innovations**

One important characteristic that distinguishes the BOP from affluent markets is a radically different institutional context. To date however, little research attention has been devoted to investigating the influence of local institutions in BOP settings, including weak or absent institutional frameworks that are referred to as institutional voids, on consumers. The aim of this chapter is to advance the study of service innovation adoption and diffusion for social impact and transformative change by constructing a model of institutions, including institutional voids, and their influence on consumer behavior at the BOP. Drawing on foundational principles of S-D logic, new institutional theory and diffusion of innovation/innovation resistance theory, this study extends theoretical assumptions regarding

the nature and scope of institutions as well as their influence on consumer innovation adoption to include institutional voids.

From the perspective of researchers from affluent contexts, it is important to respectfully acknowledge that the institutional setting at BOP, while lacking in comprehensive institutional frameworks, is nonetheless familiar and stable from the perspective of BOP consumers. Thus, local institutions, visible in status quo practices, can be a barrier to the change that is needed in a process of innovation adoption which leads to the institutionalization of new practices and institutions. The guiding research question is:

*RQ: How do local institutions in BOP market settings influence BOP consumer resistance to service innovations?*

In a qualitative/ conceptual approach, theoretical principles from S-D logic, institutional theory, and innovation resistance theory are combined with insights from selected literature in international management as the basis for extending an existing framework of the mechanism of institutions within resource integration (Edvardsson et al., 2014) to include and explain how institutional voids influence consumer behavior. For illustrative purposes, a previously published case study of the launch of an innovative market-based service for poverty alleviation is discussed, "Kilimo Salama, index-based agriculture insurance, a product design case study" (IFC Advisory Services, 2011), and guiding propositions regarding how institutional voids drive innovation resistance are developed. The outcome of this study addresses the lack of conceptual frameworks for BOP research as well as providing important conceptual insights for service researchers and practitioners for the provision of transformative services.

### ***1.3.3 Chapter 4: Uncovering Barriers to the Adoption of Pro-Poor Service Innovations in BOP Markets: An Empirical Investigation***

The low level of consumer adoption of market-based poverty alleviation solutions, referred to in this chapter as pro-poor innovations, is a recurrent topic of discussion and research in BOP literature. The achievement of high rates of adoption and diffusion of pro-poor innovation is critical for both the commercial success of such endeavors, as well as the achievement of the intended level of social impact. Previous research (Chapters 2 and 3) indicates an important link between the institutional setting at BOP and innovation resistance. The aim of the fourth chapter is to develop an empirically supported understanding of barriers to the adoption of pro-poor innovations, specifically the role of distrust of formal institutions,

making innovation diffusion and adoption theories better suited for BOP markets. The chapter is based on principles of S-D logic, innovation resistance theory and institutional theory. The guiding research question for this chapter is

*RQ: What is the role of distrust of formal institutions in driving resistance to the adoption of pro-poor innovations in BOP markets?*

The method used in this study is an offline, interviewer administered study, in an empirical-exploratory approach. Data were gathered in Zambia using a process of convenience sampling to cater to the lack of data available on the respondent target group. Hypotheses are formulated about the relationships between consumer levels of distrust of formal institutions, a newly developed exogenous construct, passive innovation resistance, and innovation adoption decision outcomes. Structural equation modelling was used to test the relationships. The findings of this study provide empirical evidence of the influential role of a local institutional construct, namely distrust of formal institutions, as a barrier to innovation adoptions, and deliver new explanations for low adoption rates of pro-poor innovations.

#### **1.4 Relevance and Intended Contribution**

Global poverty levels have risen in recent years in the wake of the global COVID-19 pandemic. Notwithstanding the proportion of the global population that lives in multidimensional poverty, this development concerns us all because the wellbeing of all global citizens is linked to each other. Growing poverty levels lead to growing economic inequality which is detrimental to economic growth and increases social and political tensions. The private sector has an important role to play in furthering an agenda of inclusive business that contributes to poverty reduction. With access to considerable innovative capacity, it can facilitate and promote economic opportunities for the poor. To date, due to a lack of understanding of the complex market setting at BOP, the success of such ventures has been stifled.

This thesis makes two important contributions to this cause. Firstly, from a conceptual standpoint, theoretical perspectives from emerging fields of study (S-D Logic, innovation resistance theory) are combined in a new way and are applied to the challenge of market-based poverty alleviation, identifying barriers to the successful diffusion of innovation for poverty alleviation. This approach informs future research for market-based poverty alleviation and can support the private sector in developing products and services that are better designed for the institutional setting of BOP markets and the needs of BOP consumers. In this way, BOP scholarship is advanced through new theoretical and practical insights. Secondly, from an empirical perspective, a key contribution constitutes the

capturing and measuring of the influence of local institutions as a barrier to BOP consumer adoption of an important prosocial innovation; a mobile money service in Zambia. This adds important new knowledge to address the lack of empirical study of BOP consumers and the unique resources in BOP communities.

Overall, gaining a conceptually supported, deeper understanding of the nature and influence of institutions in BOP market settings on the innovation behavior of BOP consumers addresses recent calls in both the BOP discourse as well as in the service research to further the achievement of transformative social impact through innovation.

### **1.5 Dissertation Outline**

The following provides an overview of the chapters of this dissertation in terms of their objectives, theoretical focus, main constructs and research designs (Table 1.2).

**Table 1.2** Overview of the chapters

Chapter	Study	Research Questions	Objectives	Theoretical focus	Research design & method
1	Introduction				
2	Learning from the resourceless blind spot for service innovation at the base of the pyramid	RQ1: How do extant patterns of resource integration relate to resourceless in status quo BOP consumption behavior and what are its antecedents? RQ2: How is the resourceless situation of BOP consumers related to the concept of passive innovation resistance?	The aim is to develop a better understanding of how resources get their resourceless in BOP service ecosystems and whether this has implications for the adoption of service innovations.	S-Logic, Diffusion of innovation and innovation resistance theory,	Design: Exploratory qualitative Method: narrative interview technique in a BOP market setting (Zambia)
3	Invisible rules: how institutional voids in base-of-the-pyramid markets influence adoption and diffusion of transformative service innovations	RQ: How do local institutions in BOP market settings influence BOP consumer resistance to service innovations?	The aim is to advance the study of service innovation adoption and diffusion for social impact and transformative change by constructing a model of institutions, including institutional voids, and their influence on consumer behavior at the BOP	Institutional theory, S-Logic, Diffusion of innovation and innovation resistance theory	Design: Qualitative, conceptual Method: Cross-disciplinary, literature-based conceptual discussion, and discussion of a previously published, illustrative case study
4	Uncovering barriers to adoption of pro-poor service innovations in BOP markets: An empirical investigation	RQ: What is the role of distrust of formal institutions in driving resistance to the adoption of pro-poor innovations in BOP markets?	The aim is to develop a better understanding of barriers to the adoption of pro-poor innovations – specifically the role of distrust of formal institutions – thus potentially making innovation diffusion and adoption theories better suited for BOP markets.	Institutional theory, S-Logic, Diffusion of innovation and innovation resistance theory,	Design: Quantitative, empirical-exploratory Method: Offline interviewer assisted survey in BOP market setting (Zambia)
5	Conclusion				

Source: Author's own work.



## **Learning from The Resourceness Blind Spot for Service Innovation at the Base-of-the-Pyramid<sup>1</sup>**

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*"Humans are the active agent, having ideas that they use to transform the environment for human purposes. Resource, then, is a property of things-a property that is a result of human capability"*

(De Gregori, 1987, p.1243 )

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<sup>1</sup>. This chapter was published as: Greene, M., & van Riel, A.C.R. (2021). Learning from the resourceness blind spot for service innovation at the base of the pyramid. *Journal of Services Marketing*, 35(7), 933–946. <https://www.emerald.com/insight/0887-6045.htm>

## Abstract

This chapter aims to investigate whether and why BOP actors display passive innovation resistance because of which they reject service innovations without evaluation and forfeit potential to improve their well-being. The resourceness concept, referring to the outcome of how actors appraise and integrate resources in pursuit of a purpose at hand, is used as a theoretical lens to investigate the everyday consumption behavior of BOP households and helps to investigate how and why passive innovation resistance occurs. The outcomes of the study help address important theoretical and practical considerations for the development of successful new service concepts at the BOP. Narrative interviews with 29 households in Zambia were conducted and provide data, from which patterns in how potential resources do or do not become real are identified and related to the concept of passive innovation. The findings show that economic, social and other factors in the BOP context clearly influence non-random patterns of resource integration which are correlated with passive innovation resistance. This can lead to service innovations being ignored and/or misunderstood prior to evaluation for adoption. This is a risk to the potential positive impact of service innovation for poverty alleviation at the BOP. Service innovation at the BOP must begin with a deep understanding of "how" and "why" consumers typically appraise and integrate potential resources to achieve a beneficial outcome in their context. To overcome the barrier of passive innovation resistance, marketing education must stimulate an understanding of potential benefits and motivation towards the change associated with the adoption of service innovation. The findings support more successful service innovation strategies for the BOP, which can provide vital infrastructure for the alleviation of poverty. The application of a service-dominant logic perspective in the BOP context and the conceptual linkage between resourceness and passive innovation resistance is novel. Valuable insights are gained for service practitioners at the BOP and for further conceptual development of innovation resistance in the BOP context.

## 2.1 Introduction

Living in poverty is a reality for approximately half the world's population (World Bank, 2018a), collectively known as the base-of-the-pyramid (BOP). The role of firms in improving life circumstances at the BOP by providing innovative goods, services and entrepreneurial opportunities has garnered academic and commercial attention (Burgess & Steenkamp, 2006; Hammond et al., 2007; Kolk et al., 2014; London, 2016; Prahalad & Hart, 2002) and is a frontier of management and service research (Blocker et al., 2013; Fisk et al., 2016; Ingenbleek, 2014; Kistruck & Shulist, 2021; Kolk et al., 2014).

Basic service systems such as health and financial services and life support services such as food and water, provide the important infrastructure that contributes to achieving improved living standards for those in poverty (Ben Letaifa & Reynoso, 2015; Fisk et al., 2016; Gebauer & Reynoso, 2013; Nasr & Fisk, 2019; Previte & Robertson, 2019). The inability to access innovative service systems implies the inability to realize the potential value (Fisk et al., 2016, 2018), leading to multidimensional poverty (Gebauer & Reynoso, 2013; World Bank, 2018b). In this study, innovation is "an idea, practice or object perceived as new by an individual or other unit of adoption" (Rogers, 2005, p. 36).

For example, 1.7 billion people remain unbanked globally, two-thirds of whom have a mobile phone but are unable to use mobile banking (World Bank Group, 2018). Many mobile phone owners cannot use applications with real potential for the improvement of life circumstances such as government services and education (Mbogo, 2010; Zainudeen & Ratnadiwakara, 2011). Innovations with the aim of poverty alleviation have frequently failed in the BOP context (Garrette & Karnani, 2010; Karamchandani et al., 2011), which prompts the need to investigate why. This means gaining insight into the limitations and availability of resources and the way in which they are or must be, integrated at the BOP. This is the basis for the development of context-appropriate, innovative services (Ben Letaifa & Reynoso, 2015; Patrício et al., 2018) with the potential for adoption, and thus poverty alleviation.

Service innovation covers a wide range of service types (Storey & Hughes, 2013) and service objectives (Martin et al., 2016) and strives towards developing new or enhanced intangible offerings intended to benefit the customer. To succeed, the innovation process must rely on the ability to assimilate outside knowledge, specifically of the service ecosystem, important dimensions of service quality and service delivery systems. The added value of innovative service is "in the eye of the beholder", and thus determined by the beneficiary (Dean & Indrianti, 2020; Grönroos, 2001), but as it is based on intangible new ideas, customers struggle to assess in advance what the experience will be and what will be delivered (Parasuraman et al., 1985; Toivonen-Noro & Kijima, 2018).

Whilst the failure rate of service innovation, similar to that of product innovation, is generally approximately 40% (Castellion & Markham, 2013; Storey & Hughes, 2013), this can be even higher at BOP because of the lack of a market infrastructure and other contextual factors (Garrette & Karnani, 2010; Karamchandani et al., 2011). This study, however, does not focus on the failure of service innovation to meet customer expectations. Rather, it is concerned with investigating whether barriers to adoption, based on passive innovation resistance, prevent consumers from being motivated to consider the adoption of service innovation. Consumer motivation to evaluate a service innovation is a prerequisite for adoption and the BOP offers an appropriate context to investigate the pre-requisites for innovative services to get adopted (Dean & Indrianti, 2020) and one that has not been widely researched to date (Fisk et al., 2016; Gebauer & Reynoso, 2013).

The BOP is a novel context wherein established theories and frameworks require fresh insights to avoid blind spots in the process of service innovation. Resourceness, the degree to which a specific potential resource is actualized (in a specific context), is one of these blind spots. It refers to the realization of potential resources through human appraisal and action (Lusch & Vargo, 2014), which is an intricate part of the process of innovation appraisal and adoption. Resources are an abstraction (Koskela-Huotari & Vargo, 2016) and their meaning depends on the unique set of practices, symbols and organizing principles in context. Novelties themselves are recursive in the sense that user knowledge is critical and leads to an innovation being modified in the use context through actor interpretation and the incorporation of novelties into social practice (Kim & Mauborgne, 1999).

Collective purchasing power at the BOP is high and millions of micro-level transactions take place daily in subsistence marketplaces (Viswanathan et al., 2010), from which it is imperative to learn whether the market is to be the mechanism of development (Faulconbridge, 2013). Poverty means limitations and a low margin for error in household spending but also rich social capital and creative problem-solving in complex service ecosystems that lack the characteristics of neoclassically defined markets (Gradl et al., 2017; Pels & Mele, 2018). This study is concerned with the actions and motivations of consumers in their own service ecosystem because the actions of consumers are determined and constrained by forces in this social system where value cocreation occurs (Dean & Indrianti, 2020; Helkkula et al., 2018).

Framing the social issue of poverty in terms of a market with a market solution (Dolan & Roll, 2013; Faulconbridge, 2013) implies manifold dimensions of change in consumer practices. New resources must be included in new patterns of resource integration to co-create value that can go so far as to change value categories and perceptions of benefit. Successful service innovation means defining a novelty as an understandable and compelling bundle of benefits (Slater, 2002); for example,

"Soap is not only a cleaning agent but also an antidote to infant mortality" (Dolan & Roll, 2013).

In this study, consumer practices of resource integration at the BOP, in the everyday fulfilment of household consumption needs, are investigated to reveal how resources do or do not obtain their resourceness in the context of BOP service ecosystems and whether this has implications for the adoption and diffusion of service innovations. Following the notion that the adoption of a service innovation implies a need for change for the adopting consumer, addressing the resourceness blind spot can help to understand whether that change is likely to provoke resistance. The findings support further development of service-dominant logic (S-D logic), diffusion of innovation theory and the design of superior service innovations.

## 2.2 Theoretical Background

This section elucidates the BOP context and provides a theoretical underpinning of the concept of resourceness in the S-D logic discourse and innovation adoption resistance; this demonstrates the relevance of the research questions.

### 2.2.1 The Base of the Pyramid Context

Whilst BOP contexts are found in various locations, there are unifying characteristics. Poverty is not merely a shortage of money but a lack of basic elements of well-being (World Bank, 2018b). Resource scarcity is a fact (Pels & Mele, 2018) that BOP consumers cope with daily. Economic constraints (Banerjee & Duflo, 2011; Pels & Kidd, 2012) and low product knowledge (Yunus, 2010) are compensated for by non-market sourcing strategies depending on social capital, social networks (Viswanathan et al., 2010) and the creative use of resources from non-market sources (London et al., 2014). These micro-level transactions are embedded in layers of meso and macro social systems that simultaneously provide direction and constraints on individual actions (Fisk et al., 2016; Lawler et al., 2016; Turner, 2016). This is a novel and complex context, likely to yield patterns of consumer practices beyond current theoretical insights, as the context is seldom covered in extant market theories (Brodie & Peters, 2020; Dean & Indrianti, 2020; Kistruck & Shulist, 2021).

### 2.2.2 Resourceness in the Service-dominant Logic Discourse

S-D logic is an important unifying framework that emphasizes the consumer as a beneficiary, patterns of resource exchange and integration and outcomes such as value in context (Koskela-Huotari & Vargo, 2018). Exchanges are unique and experiential with the value determined by the beneficiary (Axiom 4), who is always a co-creator of value (Axiom 2) (Vargo & Lusch, 2016), as opposed to traditional

views of value propositions predefined by a manufacturer/seller (Kline & Rosenberg, 1986; Toivonen-Noro & Kijima, 2018). Value is co-created in a given context and is conditional upon that context (Helkkula et al., 2018), thus requiring contextual investigation (Brodie & Peters, 2020). S-D logic is, thus, highly appropriate as a framework for the analysis of consumer practices at the BOP, which to date are largely uncharted but assumed to be different from those of consumers at higher levels of economic strata.

In S-D logic, resources are considered abstractions (Koskela-Huotari & Vargo, 2018); resources are not, they become (De Gregori, 1987) and as such, they gain their resourceness (Lusch & Vargo, 2014). This is understood as the ability of potential resources to facilitate the achievement of a desirable outcome, achieving the purpose at hand (Koskela-Huotari & Vargo, 2018; Lusch & Vargo, 2014). This process is driven by service consumer appraisal and action, which is contextual and systemic and depends on the institutional arrangements that are used as a sense-making frame (Koskela-Huotari & Vargo, 2016). Consumers only draw on the potential of resources when they have had the opportunity to develop skills and knowledge to integrate these with other resources (Koskela-Huotari & Vargo, 2018; Peters, 2018). Understanding the motivation and behavior of resource integrators and implications thereof for adoption is, thus, the appropriate starting point for a service innovation process (Kleinaltenkamp et al., 2012; Lusch & Vargo, 2014; Vargo & Lusch, 2017).

Innovation is not about goods or materiality per se but fundamentally about human knowledge and skill development (Lusch & Vargo, 2014). Consumers bring previous experience, skills, knowledge and access to other resources into each service encounter and evaluate functional, technical and image dimensions of quality based on what they experience in that encounter (Bitner et al., 1994; Grönroos, 1990; Kang & James, 2004). The service environment, including ambient conditions and social factors, affects the perception of functional quality (Grönroos, 1990). In the BOP context, environmental factors such as a lack of basic infrastructure, social norms and economic limitations are inseparable from consumer behavior patterns such as lack of motivation for change (Behailu et al., 2017). How consumers navigate the context of a service encounter directly affects their resource use and integration (Lusch & Vargo, 2014; Vargo & Lusch, 2017). It is important to specify the resources that are and are not integrated (Kleinaltenkamp et al., 2012), as their contextual value, and thus their resourceness is conditional on circumstances, access, consumer skills and knowledge (Akaka et al., 2013; Chandler & Vargo, 2011; Vargo & Lusch, 2017). For example, how does illiteracy or a lack of formal education impact operant resources such as consumer knowledge or motivation to reach a positive future state and how does poverty impact the operant resources purchasing power and prioritization of spending?

### 2.2.3 Diffusion of Innovation Theory and Passive Innovation Resistance

Diffusion of innovation theory explains how individuals navigate a decision-making process that goes from the initial knowledge of the existence of innovation to forming an attitude towards it and deciding to adopt or reject (Rogers, 2005; Wejnert, 2002). More recent theoretical discussion is concerned with exploring barriers that impede the innovation-decision process that is driven by resistance towards the change that an innovation embodies (Heidenreich & Spieth, 2013; Laukkanen, 2016; Ram & Sheth, 1989). In the presence of high levels of innovation resistance, for example, the early stages of the innovation-decision process may be disrupted and yield alternative outcomes such as postponement or rejection (Heidenreich et al., 2016; Laukkanen, 2016; Ram & Sheth, 1989; Talke & Heidenreich, 2014). These are decision outcomes reflecting an actor's (un)willingness and (in)ability to integrate resources.

Innovation resistance is considered in active and passive forms. Active resistance occurs when a negative attitude towards a new product or service is formed based on a deliberate, cognitive evaluation of innovation-specific factors (Laukkanen et al., 2008; Talke & Heidenreich, 2014) such as functional or psychological benefits (Heidenreich & Handrich, 2015; Ram & Sheth, 1989). Passive innovation resistance, in contrast, is an individual-level predisposition to resist innovation which is based on the degree to which the adoption of a given new product or service is anticipated to cause discontinuity or change (Heidenreich & Kraemer, 2015). Both passive and active forms of innovation resistance relate to the (un)willingness and (in)ability to integrate resources and are conceptually related to resourceness (Table 2.1).

**Table 2.1**

Conceptual underpinning of resourceness and innovation resistance

Base of Comparison	Resourceness	Innovation resistance
<b>Theoretical underpinning and conceptualization</b>	<p>Originates in S-D logic, Axiom 1.</p> <p>Service is the fundamental basis of exchange, FP4: Operant resources are the fundamental source of competitive advantage (Vargo &amp; Lusch, 2018)</p> <p>Resourceness is the quality and realization of potential resources through the process of human appraisal and action, which then transforms potential resources into realized resources (Lusch &amp; Vargo, 2014)</p>	<p>Originated through the theory of innovation diffusion (Ram, 1989; Ram &amp; Sheth, 1989)</p> <p>The resistance offered by consumers to changes imposed by innovations either in a passive form, stemming from a generic predisposition to resist innovation or in an active form which is an attitudinal outcome that follows an unfavorable new product evaluation (Heidenreich &amp; Spieth, 2013; Talke &amp; Heidenreich, 2014)</p>

**Table 2.1**

Continued

Base of Comparison	Resourceness	Innovation resistance
<b>Relation to processes of service innovation and diffusion</b>	Innovation is about applied knowledge used to create resourceness through integration with other resources and to apply these resources to provide service. Activating resourceness is a key factor in the success of both service innovation and diffusion. (Lusch & Vargo, 2014; Peters, 2018)	Innovation resistance leads to an innovation either not being evaluated or being rejected post evaluation. The process of actor resource integration is hindered, through rejection or postponement of the innovation adoption decision. Passive innovation resistance generates a stronger predisposition to resist innovations (Heidenreich et al., 2016; Heidenreich & Handrich, 2015; Talke & Heidenreich, 2014).
<b>Antecedents</b>	<p>Actor knowledge which, when applied, unleashes potential resources, enabling resources to be applied and integrated.</p> <p>Actor knowledge is dependent on socio-economic status and culture.</p> <p>Access to resources enabling actors to integrate with more resources (accessness).</p> <p>Activation process is necessary to overcome resistance or barriers that hinder the realization. (Lusch &amp; Vargo, 2014)</p>	<p>Passive innovation resistance: <i>Adopter-specific factors</i> Reluctance to lose control, cognitive rigidity, lack of psychological resilience, avoiding short-term effort, preference for low levels of stimulation, reluctance to give up old habits</p> <p><i>Status-quo satisfaction</i> Tendency to prefer existing situation regardless of higher utility of alternative, level of satisfaction with current situation</p> <p>Active innovation resistance: <i>Functional barriers</i> based on perception of value, complexity, compatibility, co dependence, visibility, communicability, amenability, realization barrier</p> <p><i>Psychological barriers</i> based on perception of norm, image, information, personal risk barrier, economic risk barrier, social risk barrier. (Heidenreich &amp; Handrich, 2015)</p>

Source: Authors' own work.

Passive innovation resistance determines the whole course of the adoption process because it is apparent in the early stages and leads to an individual already rejecting an innovation before cognitive evaluation of innovation-specific factors takes place (Heidenreich & Handrich, 2015; Nabih et al., 1997; Ram & Sheth, 1989; Talke & Heidenreich, 2014). It is defined as "the resistance to change imposed by an innovation. It evolves from adopter-specific factors that form personality-related inclination to resist changes and situation-specific factors that determine their status-quo satisfaction" (Talke & Heidenreich, 2014, p. 897). The individual inclination to resist change is an important inhibitor of innovative behavior (Oreg, 2003). The most prominent conceptualization (Heidenreich & Handrich, 2015; Talke & Heidenreich, 2014) is based on six elements:

1. fear of loss of control;
2. cognitive rigidity;
3. lack of ability to cope with change as a stressor;
4. low need for stimulation;
5. desire to avoid effort in the short term; and
6. reluctance to give up old habits (Oreg, 2003).

Further, situation-specific factors such as the general prevailing level of innovation on status quo satisfaction (Heidenreich & Handrich, 2015) and satisfaction with status quo, i.e. products or services currently used, provide an important reference point for the innovation-decision process. When exposed to innovation, individuals frequently prefer tried and trusted approaches (Van Tonder, 2017); meaning that innovations with superior qualities, irrationally, do not get considered (Szmigin & Foxall, 1998).

#### **2.2.4 Research Questions**

The challenges in service innovation and diffusion for BOP beneficiaries are manifold (Garrette & Karnani, 2010). Based on the low level of market infrastructure, new markets must be created through the institutionalization of new patterns of consumption and demand (Dolan & Roll, 2013; Faulconbridge, 2013). This requires change, often towards new preventive behavior (Rogers, 2005) such as saving to avoid financial risk. For the beneficiary, this is highly intangible and potentially represents a large degree of newness. Forces in the social system affect actor appraisal and actions, for example, through lack of market infrastructure or low consumer literacy. This may constitute a barrier to integrating potential resources and enabling resourceness. The nature of the barrier depends on extant patterns of resource integration, as these are powerful indicators of the predisposition

towards new resources (Talke & Heidenreich, 2014). This leads to the following research question:

*RQ1: How do extant patterns of resource integration relate to a lack of resourceness as a result of status quo BOP consumption behavior and what are its antecedents?*

Resourceness is pivotal to service innovation because it is directly connected to the activation of resources in context and patterns of resource integration. Resourceness is an important indicator that can reveal the potential existence of passive innovation resistance at the BOP. This provides a basis for the discussion of implications for practitioners of service innovation and delivery:

*RQ2: How is potential passive innovation resistance revealed through the lack of resourceness of the resources discussed in the BOP sample?*

## 2.3 Method

### 2.3.1 Sampling and Data Collection

Interviewees were recruited through a snowballing approach, which is considered appropriate for BOP contexts (Ingenbleek et al., 2013; Viswanathan et al., 2017), in the city of Ndola in Zambia. With over half the population classified as poor, Zambia represents a BOP context (World Bank, 2018a). A local research assistant supported interviewee selection and the development of inclusion criteria: a) adult, responsible for or involved in household consumption choices, b) having an income, c) urban dweller, d) willing to share information on household consumption; and e) likely to be poor.

At 29 narrative interviews, new insights for the formation of consumption categories and patterns of resource integration were no longer generated and saturation was reached (Boeije, 2009; Ingenbleek et al., 2013). Organization of data and meta findings were shared with two Zambian experts in consumer behavior. This provided important context expertise to avoid misinterpretation based on researcher unfamiliarity (Reynoso et al., 2015) (Table 2.2).

**Table 2.2**

Overview of interviewees

Poverty Category	Interviewee	Characteristics
Extremely Poor	2	Male, 25 years, student, orphaned, household of 2 people
	5	Male, 25 years, casual worker, household of 6
Moderately poor	1	Male, 22, student, household of 4
	7	Male, 45, butcher, household of 4
	9	Female, 62, retiree widow, household of 5
	12	Male, 55, pastor
	13	Female, 50, pastor and trader, household of 6
	15	Male, 67, retiree, household of 5
	16	Female, 60, retiree, household of 5
	17	Male, 49, shopkeeper and pastor, household of 6
	18	Male, 55, pastor, household of 8
	19	Male, 55, teacher and community leader, household of 6
	20	Female, pastor, household of 13
	21	Male, 59, security guard, household of 8
	22	Male, 22, receptionist in hotel, household of 6
	23	Female, 39, chamber maid, household of 6
	24	Female, 36, cleaner, household of 5
	25	Female, 35, domestic staff, household of 1
	26	Male, 40, security guard, household of 8
	27	Female, 43, nurse's aide, household of 5
	28	Male, 22, casual laborer, household of 5
	29	Male 29, gardener, household of 6
Non-poor	3	Female, 21, student, household of 6
	4	Female, 20, student, household of 5
	6	Male, 26, IT specialist, household of 1
	8	Female, 55, housewife, household of 6
	10	Male, 30, office worker, household of 3
	11	Male, 27, office worker, household pf 2
	14	Male, 55, senior manager, household of 6

**Notes:** According to Central Statistics Office, Zambia (2016) and based on consumption reporting:

**Extremely Poor** means households at or below the food poverty line.

**Moderately Poor** means households at or below the basic needs poverty line but above food poverty line.

**Non-Poor** means above the basic needs poverty line.

Source: Authors' own work.

In line with the Zambian census approach, consumption expenditure is used as a proxy for household income, as individuals are more willing to report consumption than income (Central Statistical Office [Zambia], 2016). This results in the categorization of interviewees according to the degree of poverty, reflecting various degrees of inability to afford minimum-basic human needs, comprising food and nonfood items, given total income (Central Statistical Office [Zambia], 2016). Of the 29 interviews, seven were with nonpoor informants, enabling identification of contrasts in patterns of behavior, the average age was 40, with 62% male and 38% female interviewees (see Table 2.2 for an overview).

### **2.3.2 Data Gathering**

Qualitative narrative interviews according to the methodology outlined in Jovchelovitch and Bauer (2000) and based on a format systematized by Schütze (1992) were systematically applied in data gathering. This is a form of unstructured, in-depth interviews with specific features conducted using a four-step elicitation technique (Jovchelovitch & Bauer, 2000). The interview begins with one central question: "Can you tell me how you spent your household budget last month"? To avoid a "question-answer" structure and elicit self-generated narrations on the topic of interest, the interviewer avoids asking "why" and merely uses prompts to keep the story flowing. In a series of "small stories", interviewees recount lived experience in field texts rich in authentic recounts of social life and with a minimum of interviewer mediation (Bamberg, 2006; Dwyer, 2017) and this allowed informants to feel comfortable at their own cognitive level (Viswanathan et al., 2017). All interviews were conducted in Ndola with the support of a local research assistant. The epistemological viewpoint of this study and the low volume of research in this field to date are factors influencing the choice of qualitative research and this phenomenological form of narrative research (Dwyer, 2017; Ingenbleek et al., 2013; Jovchelovitch & Bauer, 2000).

Data were gathered systematically according to the given schema and with a minimum of interviewer intrusion to avoid, as much as possible, that the outcome is an artefact of the chosen method (Dwyer, 2017; Freeman et al., 2007). This constitutes good evidence, as it is consistent with the S-D logic underpinning the study, is collected systematically, is authentic and is compelling (Freeman et al., 2007).

### **2.3.3 Data Analysis**

Narrative interviews generate a wide variety of stories and rich data in the form of spoken words. Interview quotes are the raw material for constructing evocative representations that recreate lived experiences (Dwyer, 2017; Freeman et al., 2007). There is no prescribed procedure for the analysis of such data (Jovchelovitch & Bauer, 2000). The scheme proposed by Schütze (1992), which facilitates the organization and analysis of such diverse material, is adapted to the particularities of this study and applied systematically. This procedure for data analysis is outlined in Table 2.3.

**Table 2.3**

Procedure for data analysis

Step	Analysis task	Output of analysis
1	Organization and review of raw data according to chronological and non-chronological events	Notes per interview
2	Construct order of events for deployment of household budget based on chronological information	Individual trajectories per interview outlining how informants organize tasks associated with household consumption
3	Search for evidence of "reasons why" by adding non-chronological information to the individual trajectories	Description of individual organization of tasks associated with household behavior including evidence-based "reasons why"
4	Comparison across each individual trajectory to identify common patterns of consumption behavior. Basis of comparison used: consumption category	Grouped trajectories according to main consumption categories with a description of pattern of consumer behavior and main "reasons why" for each category (see Table 2.4)
5	Per consumption categories (Table 2.4) identification according to S-D logic concepts of "resource", "resource integration process" and "value in context"	Overview of patterns of resource integration, the respective drivers and value in a context which emerge from evidence: see Figure 2.1
6	Reorganization and grouping of patterns of resource integration according to emergent reasons why and extraction of a system of antecedents to resourceness which emerges from data	Figure 2.1 showing emergent antecedents to resourceness in the BOP sample

Source: Authors' own work.

Findings in relation to research question one – How do extant patterns of resource integration relate to a lack of resourceness as a result of status quo BOP consumption behavior and what are its antecedents? – are summarized in Table 2.4 and discussed in Section 2.4. This provides the basis for discussion on research question two – How is potential passive innovation resistance revealed through the lack of resourceness of the resources discussed in the BOP sample? – which is illustrated and discussed in Section 2.4.

## 2.4 Findings

The findings show that patterns of status quo actor (consumer) practices equate to barriers to the evaluation of service innovation. The functional dimension of a service concept is not evaluated thoroughly because the motivation to change, i.e. the change associated with the adoption of an innovation, is low. Target adapters prevent or postpone the adoption of services that have the potential to improve life circumstances.

### **2.4.1 Status Quo Patterns of Resource Integration**

Four consumption categories, groceries, utilities, financial services and telecommunication, emerged as most significant after the initial steps of organization and analysis of interview material. Table 2.4 provides an initial, condensed overview of the status quo patterns of “what” and “why” in consumption behavior that emerge from the narrative recounts of daily life in the sample.

The next step in the analysis was to express findings in the theoretical frame of S-D logic through the concepts of “resource”, “resource integration” and “value in context”. This enables the grouping of processes and conclusions to be drawn regarding resourceness in the status quo of consumption behavior. These findings are summarized in Figure 2.1. The process of actor appraisal in all four consumption categories led to a reduced set of potential resources becoming actual resources. This reflects the notion that resources, being subject to the availability of other resources and the purpose at hand, are dynamic and contextual (Lusch & Vargo, 2014; Peters, 2018; Vargo & Lusch, 2017).

The fundamental preconditions for resourceness are the possession by actors of the ability to integrate resources together with access to such resources (Lusch & Vargo, 2014). A pattern of resource usage in context with specific traits emerges from this BOP sample. Actor appraisal processes resulted in a bias in favor of the integration of private resources, as opposed to market-facing or public resources, in the fulfilment of household needs in all four categories of consumption (Figure 2.1).

### **2.4.2 Antecedents of Resourceness**

Five categories of antecedents of resourceness emerge from the analysis of actor appraisal and action towards resource integration in this sample. This grounded system of antecedents confirms the notion that resource integration at the BOP is contextually influenced (Helkkula et al., 2018; Koskela-Huotari & Vargo, 2016; Pels & Mele, 2018; Peters, 2018). The following discussion uses samples of interview data for illustration purposes.

#### *Limitations in actor skills and knowledge*

As shown in Figure 2.1, patterns of resource integration that emerge from the analysis of the data indicate that limitations in actor skills, for example, illiteracy or low purchasing power, act as a barrier to the activation of further operand resources. This was frequently and clearly expressed across all narratives and categories. As an example, budget constraints influence the choice of operand resources and the processes of resource integration. The need to gain control through budgeting and self-restraint is pressing. There is no margin for wrong or wasteful spending:

**Table 2.4**

Synthesis of consumption behavior and “reasons why” per category

Consumption category	Brief description of the category	Patterns of status quo consumption behavior and “reasons why”
Groceries Had highest priority in spending, frequently using up the bulk household income.	Household choices regarding a monthly basket of food, drink, toiletries, and basic household needs for example candles.	Secure household grocery needs as soon as money is available by shopping for minimum household needs until the next payday. This requires rigorous budgeting, planning and self-discipline. Transactions happen in informal settings: local grocer, open markets, and single traders. Storable foodstuffs with long shelf life are preferred.
Utilities Mentioned in all narratives. Frequently as a non-purchase decision. Lack of connection to electricity grid, equipment such as electric cooker, fridge or wiring for lighting as reason for not using electricity.	Two different sub-categories of commercial utilities were mentioned. These are electricity and main water (and in connection with this, drinking water).	Commercial utilities were used by a small proportion of the sample households. Reported distrust of the cost and quality of commercial utilities (electricity and water). Traditional substitutes were used by most households, e.g., charcoal and candles and preferred because of tangibility (control of usage), trust and affordability.
Financial Services Mentioned in all narratives.	Different financial service offerings were mentioned. These were offline branch banking services such as bank account and loan, mobile money, private savings clubs (local name: <i>Ichilimba</i> ) and government health insurance and pension schemes.	All respondents had a bank account to receive salary. Further branch banking services were reportedly distrusted and thus not used. In isolated cases, mobile money was used and appreciated. Saving happens either through private saving groups, that also can extend loans, or through investment in assets such as mobile phones and property. Lack of consumer knowledge regarding insurance. Distrust toward state pension fund.
Mobile Phones and Related Services Mentioned in all narratives, but clear difference in prioritization across poverty categories.	The decision to purchase a handset and use either airtime (minutes for making calls) or bundles (data packages to use the Internet).	Aspirational consumption category with a clear appreciation of the advantage of ownership in all narratives. Households at lower levels of poverty lack the cognitive skills to use mobile services. Frequent mention of inability to fund minutes or internet bundles rendering the handset ineffective.

Source: Authors' own work.

*"When we make the budget, we can see that the money is completely finished."* (Interviewee 21)

*"Many people cannot afford three meals per day. Whatever they can buy they call that food. They will not have breakfast and lunch, but they will have supper."* (Interviewee 18)

*"Essentials like electricity have to be cut if the money is not there."*  
(Interviewee 28)

Limitations in consumer knowledge block the integration of further resources. For example, illiteracy constrains the use of browsing services. As with interviewee 18, generalizations to larger groups ("many women [...]") were frequently made in the narrative interviews, presumably to position one's own behavior as the social norm and as a form of explanation:

*"Many of the women are illiterate and they do not know how to use the internet."* (Interviewee 18)

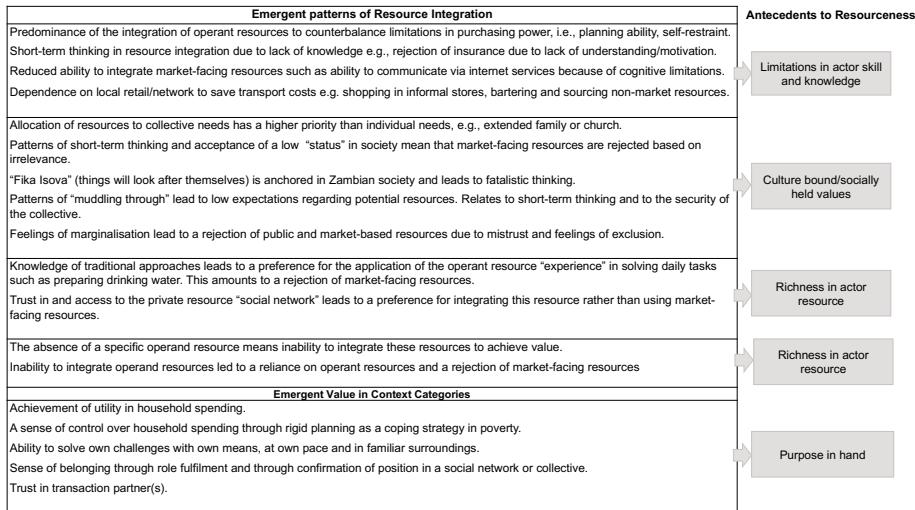
*"I don't know how to browse."* (Interviewee 29)

Low levels of consumer literacy mean low acceptance of commercially available knowledge and financial capacity of experts (market-facing resources) such as insurance. This is an important factor that affects consumer motivation to evaluate a service innovation:

*"Zambians have not thought about health insurance. They don't know about that – they just think about today."* (Interviewee 4)

**Figure 2.1**

Summary of resource integration processes, value in context and emergent antecedents to resourceness



Source: Authors' own work.

### Culture bound/socially held values

Zambian culture is categorized as collectivist and with high power distance (Hofstede, 2020), which is reflected in the evidence. Resources such as household budgets are prioritized towards commitments to family or communities such as the church – even if this means sacrificing own household consumption:

*"One breadwinner in the household who supports the extended family, he supports 6 children, most of them are not his own." (Interviewee 18)*

*"First church offerings; like a routine to me, started when I was a child. I feel bad if I cannot do that, then groceries, then after I save money on my mobile [...] No transport, I walk." (Interviewee 25)*

Evidence in the interview data indicates an acceptance of a "position" in society. Feelings of marginalization leading to a need to transact at one's own level in an atmosphere of familiarity, mutual understanding and trust are apparent in data:

*"We can't afford to shop in a supermarket." (Interviewee 21)*

*"He [shopkeeper of the informal local store] looks at me, he knows me; he knows my home. Then, I'll say, 'I have no money can you please give me*

*these things; He writes it down, he writes your name, you correct and he says when you find the money come and pay me." (Interviewee 12)*

The concept of "Fika Isov" is embedded in Zambian culture, which equates to a belief that "things/details will look after themselves" (confirmed in expert interviews). Interview evidence indicates short-term, almost fatalistic thinking that leads to a rejection of market-facing resources such as commercial financial expertise in the form of services such as savings accounts and insurance. It appears to override an objective evaluation of the good or service. This can be an important factor leading to a lack of understanding of the benefits and the generation of consumer motivation towards the evaluation of service innovation:

*"Most people live for today. It's a day-by-day life. Our salaries are not good enough, so we can't plan for the future. The way out of poverty is doing things bit by bit." (Interviewee 19)*

*"We fear insuring even our lives. If we say that, then we are saying we will die tomorrow [...] Let me eat, tomorrow will take care of itself." (Interviewee 17)*

*"In our upbringing saving was not in the vocabulary [...] it is a modern thing." (Interviewee 12)*

#### *Richness of actor resources*

The narratives reveal a marked preference for the integration of private resources that are abundant in this context, for example, actor resources such as knowledge of traditional methods and strong ties in social networks. These represent tried, trusted and accessible solutions based on private resources, for example, in financial services (private, semi-formal, savings clubs called Ichilimba) or sourcing drinking water (do-it-yourself approaches instead of bottled water). Both non-poor and poor respondents reported a preference for Ichilimba – however, the non-poor respondents could provide objective reasoning for their behavior that was based on an objective evaluation as in Interview 10:

*On participation in informal savings clubs amongst friends (Ichilimba):  
"I have access to money if I need it. I can borrow up to two times the money I have invested at terms which are more flexible than the bank. It's like a cushion." (Interviewee 10)*

*"Don't like mineral water. Don't like the taste. But some companies just fill bottles with tap water. Not clean. I have been boiling for years – before bottled water came in." (Interviewee 16)*

Evidence in the sample indicates a bias towards micro-level transactions conducted in non-market or quasi-market constellations (Turner, 2016), for example, borrowing and bartering as a survival mechanism:

*"You eat [for] two weeks – [then] it is finished. After two weeks you start soliciting or borrowing. You have to live on goodwill." (Interviewee 12)*

The reliance on private resources is reinforced through a reported mistrust of macro-level institutions such as public pension or banking systems:

*(Referring to a government pension scheme) "It's more like taxes."*  
*(Interviewee 11)*

*"Banks are not there to make you rich, not there to help you." (Interviewee 6)*

Of note in the sample is the fact that all interviewees had a bank account as a mandatory channel to receive salary payments. None of the interviewees, however, availed of further financial services through a bank, the reasons for which can be related to the statements above. Both poor and non-poor groups displayed this behavior, albeit driven by different motivations.

#### *Restrictions in operand resources*

Restrictions in the availability of household infrastructures such as electricity or electrical appliances influenced the choice of other operand resources such as foodstuffs or household items such as lighting and cooking fuel. There were frequent reports of the imagined value of having household appliances and utilities, but a recognition that this value cannot be achieved:

*"[You] Miss cooking on [a] stove if you do not have electricity. I don't like cooking outside where people are looking at what you are doing. [We] miss listening to the news – we have to know what is happening in our country." (Interviewee 27)*

Typically, foodstuffs were chosen for their long shelf life. As an example, narratives contained frequent mention of dried and preserved foodstuffs as the staple diet alternative. Nutritional value was not mentioned. Limitations in access to shopping outlets were due to an inability to pay for transport to the next supermarket, perception of marginalization, a lack of the time needed to shop at a location outside the neighborhood and a lack of trust in (overly "anonymous") commercial institutes. This corresponds to the theoretical notion that resourceness is affected by access (Peters, 2018; Vargo & Lusch, 2017):

*"I need to spend money on transport, but I do not manage."* (Interviewee 26)

#### *Purpose in hand*

The identification and analysis of value in context categories in this BOP sample indicates a connection between factors in the context and the purpose in hand against which actors select and integrate resources. As highlighted in Figure 2.1, maximization of utility emerges in all narratives that, given the economic restrictions of the actors, is unsurprising. The need to avoid risk and to establish control and trust in transactions that drive resistance also emerges clearly from narratives, for example, in the patterns of grocery shopping (plan, budget, secure monthly household needs as soon as money is available), the preference for local transactions in familiar surroundings (buying in local informal stores, saving in informal clubs, sourcing water from neighbors to avoid the risk of (intangible) main water) and the preference for trusted micro-level transactions (avoid banks and insurance because of bad image, rely on the collective and prioritize this in resource appraisal and integration behavior).

Service exchanges and value perceptions are embedded in social systems (Fisk et al., 2016), which affects how people perceive the norms and values of social reality, including their thinking and behavior with respect to the cocreation of value (Edvardsson et al., 2011). Categories of value in the context in this sample can be compared to universal transactional needs that an individual seeks to meet in every encounter (Turner, 2016). The prioritization of trust in and control of transactions are striking and can be related to the location of the individual at the micro-level of the social system and the motivational state that emerges over time and is based on previous transactional experience (Turner, 2016). Furthermore, the predominance of fulfilling a role, establishing a sense of belonging and self-reliance in problem-solving stand out and are related to the context. A tendency towards distal bias (Lawler et al., 2016) is apparent in this sample, i.e., reverting away from the meso and macro levels of social reality towards the micro-level in status quo consumption choices. It is expressed in the motivations for control, trust, belonging and self-reliance as

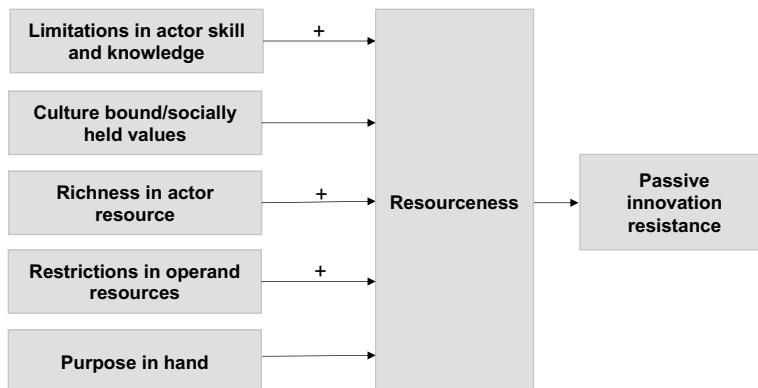
important values in context categories and has a profound effect on actor appraisal of resource integration.

### 2.4.3 Does Resourceness Potentially Drive Passive Innovation Resistance in the Base of the Pyramid Sample?

A comparison is made between resourceness and its antecedents that emerge from the analysis of data in the sample and the concept of passive innovation resistance. Resourceness, the outcome of the way that BOP consumers in this sample assess and integrate resources towards a purpose in hand, in their established, status-quo behavior, means that innovative services are possibly not evaluated for adoption. This leads to postponement or rejection of that innovation adoption decision before a cognitive assessment of the functional or psychological benefit of the given service innovation (Figure 2.2).

**Figure 2.2**

Emergent model of antecedents to resourceness and the relationship to passive innovation resistance



Source: Authors' own work.

The factors that drive resourceness in this BOP sample indicate that a fear of loss of control, lack of ability to cope with change as an emotional stressor, forfeit of long-term benefit to gain short-term security and preference for tried and trusted solutions influence patterns of behavior daily. These relate to established conceptualizations of an individual inclination to resist change (Heidenreich & Handrich, 2015; Oreg, 2003; Talke & Heidenreich, 2014; Van Tonder, 2017). Whilst the literature refers to "personality-related inclination" (Talke & Heidenreich, 2014, p. 897), the sample data indicate that this personal-level inclination is affected by the circumstances of the context in which the consumer takes their consumption

decisions and which has been argued as inseparable from the individual (Behailu et al., 2017).

According to the literature, the current state of consumption provides an important reference point for the innovation-decision process. As an element that drives passive innovation resistance, it is conceptualized as the level of satisfaction with existing products and services and the general prevailing level of innovation (Heidenreich & Kraemer, 2015; Talke & Heidenreich, 2014). The notion of satisfaction, with the positive connotation of a favorable post-purchase/ post-consumption evaluation (Giese & Cote, 2000) is difficult to relate to the narrative data. Rather than expressing a level of cognitively evaluated satisfaction, interviewees expressed a desire for more sophisticated equipment or foodstuffs, which were considered out of their reach; for example, where a lack of household infrastructure such as electricity leads to an inability to use a stove, electric light or media such as radio. Forfeiting new ideas, in this case, is indeed based on an evaluation of the functional and psychological benefit, however, due to restrictions in operand resources, with a non-adoption decision. Interviewees report a preference for tried and trusted approaches based on traditional methods and private resources, for example, boiling water rather than buying bottled water. On the one hand, this pattern of consumption is driven by trust in the transaction and on the other hand by the inability to pay for market resources. Neither of these "purposes in hand" motives can be related to a level of satisfaction with existing products. Thus, it can be concluded that whilst the patterns of behavior displayed in this sample indicate stable patterns of status quo, these are not related to a correspondingly strong degree of "satisfaction". Rather, it reflects the individual perception of limitations in the ability to access or integrate certain resources. This can be an important source of passive innovation resistance.

## 2.5 Discussion

The BOP is a significant target group in the Middle East and Africa, a region where service innovation has an important role to play in the alleviation of poverty. The aim of this chapter is to build a richer understanding of resourceness in a BOP context, the potential existence of resistance to innovation and the implications for service innovation. The findings in this study are in line with other BOP studies (Behailu et al., 2017; Dean & Indrianti, 2020; Van Tonder, 2017) in that they confirm the lack of consumer knowledge, lack of motivation towards new ideas, strong behavioral routines and cognitive conservatism in consumer decision-making; based on the influence exerted by social and economic factors specific to the context of the BOP. Patterns of distal bias, as specifically found in this sample, mean a reliance on private resources and a rejection of market-facing resources. This is

a vital factor to be considered when launching service innovations. The chapter supports the contextualization of service research for the further development of service theory (Brodie & Peters, 2020; Patrício et al., 2018; Previte & Robertson, 2019) and for the successful adoption of solutions unique to these markets.

### ***2.5.1 Theoretical Implications***

The context of BOP is largely unconsidered in theories mainly based on studies in developed market contexts (Burgess & Steenkamp, 2006; Ingenbleek, 2014). The application of S-D logic principles and concepts in this study of consumers/actors at BOP furthers theoretical development. Through zooming in on how actors appraise and integrate resources in context, this study contributes to a deeper understanding of behavior and motivation of actors in this specific context, as well as the availability of resources and the way in which resources are appraised and prioritized for the purpose of resource integration (Kleinaltenkamp et al., 2012). Equally, the findings related to reasons why actors behave as they do deliver important insights into the perception of value at BOP, which is an important design parameter for successful service innovation. This supports the further development of the S-D logic discourse and the development of a richer understanding of service ecosystems in context (Brodie & Peters, 2020). Whilst this study has focused on BOP contexts, it highlights a broader topic, namely, the contextual nature of resources and processes of resources-in-context “becoming”, meaning gaining their resourceness. Consumers/actors must have access to and be able to recognize the resourceness of potential resources to enable resource integration (Koskela-Huotari & Vargo, 2016). Failing this, potential resources cannot be realized in context.

Most studies of diffusion of innovation at BOP have focused on investigating factors that may increase the likelihood of adoption under the assumption that innovation is evaluated for adoption equally in BOP contexts as in non-BOP contexts (Hasan et al., 2020). This study is both novel and valuable in establishing the existence of passive innovation resistance, largely driven by antecedents in context, which prevents the evaluation of innovation. Current conceptualizations of the drivers of passive innovation resistance do not, however, match the drivers that were identified in this study. Further research to develop a robust, BOP specific, conceptualization of the elements that drive passive innovation resistance is needed; for example, to differentiate between personality-based traits that drive a disposition towards innovation and situational factors that limit individual-level behavior under the assumption that actor agency is restricted (Pels & Mele, 2018). The continued application of S-D logic for the study of the BOP phenomenon as a market enables BOP-specific conceptualizations and needs to be encouraged.

### **2.5.2 Managerial Implications**

This study offers a clear indication that a process of service innovation must be based on an in-depth understanding of the target context in which the process of resource integration is intended to take place. Specifically, service ecosystems at BOP are composed of transactions in informal, close social networks that adhere to social norms and display risk-avoidant conservative patterns of behavior. This preference for status quo reflects a lack of trust in broader market mechanisms and leads to a lack of motivation towards change. Service innovations are likely to be ignored initially, meaning that an objective comparison based on functional or psychological benefits will not happen. Thus, the findings of this study indicate that the starting point for a process of service innovation and the development of new service concepts for the benefit of BOP actors must consider the existence of passive innovation resistance.

A first step in the process of service innovation must be to engage deeply with target consumers to generate motivation towards the change which is embedded in that service innovation. On the one hand, to generate an understanding of the potential benefits and on the other hand, to foster an orientation towards market resources and the institutionalization of new patterns of consumption. For example, creating the conditions for adopting health insurance requires consumer education towards grasping the intangibility of the benefits first and then the creation of demand through aspirational marketing.

Service innovation and the introduction of new service concepts for BOP require business practitioners to extend their processes upstream to include a phase of marketing education and demand generation. The practicalities of this approach imply the necessity to design innovative services in collaboration with target groups and to find ways to truly understand the meaning of affordability, access and availability (Prahalad, 2005) for target groups at the BOP.

### **2.5.3 Limitations and Avenues for Further Investigation**

The sample characteristics in this study are specific to urban Zambia and contain different levels of self-reported poverty. Whilst some findings may relate to generalizable context factors, not all findings are applicable to all BOP contexts. Initial indications of important dimensions of actor practice/ consumer behavior, their antecedents and the influences on processes of adoption of service innovations emerge nonetheless. There is a clear requirement to deepen and broaden the future investigation of resourceness and passive innovation resistance at the BOP to inform both the theory and practice of service innovation adoption and diffusion by including studies of further contexts. This can include further qualitative research in a greater diversity of BOP contexts, as well as the

quantitative study of specific concepts at BOP such as resourceness and passive innovation resistance.

## 2.6 Conclusion

Serving the BOP means operating outside of familiar business environments. A lack of familiarity and understanding across contexts may lead to important blind spots that affect the assumptions made regarding the process of service innovation. How resources become, in a given context, the notion of resourceness, has received little research attention and is a blind spot at the BOP. This study shows that factors in the BOP context affect resourceness and can lead to a reduced willingness and ability of consumers to evaluate and adopt new services with the potential to alleviate poverty. A rigorous understanding of the target BOP consumer, constructed through an in-depth study of status quo behavior, must be the starting point of service innovation initiatives if they are to be seen, evaluated and adopted.



## **Invisible Rules: How Institutional Voids in Base-of-the Pyramid Markets Influence Adoption and Diffusion of Transformative Service Innovations<sup>2</sup>**

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*"We fear insuring even our lives. If we say that, then we are saying we will die tomorrow [. . .] Let me eat, tomorrow will take care of itself "*  
(Interviewee 17)

(Greene & van Riel, 2021, p.940)

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## Abstract

In base-of-the-pyramid (BOP) markets, introductions of transformative service innovations – aiming for the alleviation of poverty and to improve wellbeing – are often unsuccessful. This chapter creates a framework allowing a fundamental understanding of the barriers to adoption and diffusion of service innovations aiming for poverty alleviation in these markets. Building on Edvardsson et al.'s (2014) seminal framework, the role of institutional voids – prevalent at BOP – is explored in adoption and diffusion of service innovations. Findings from international management and institutional economics are integrated and an existing case study is used to illustrate the problem of low service innovation adoption rates at BOP. The findings provide a guide to identifying and understanding the nature and influence of formal/informal institutional voids in BOP service ecosystems. Their influence on consumer behavior – which is missing in extant frameworks – is significant and impacts the adoption of transformative service innovations. Through this study, transformative service research (TSR) is prepared for the study of service innovation for poverty alleviation in BOP markets. New key success factors for market-based poverty alleviation at BOP emerge, e.g., triggering actor agency for change to facilitate the adoption of transformative service innovations. These findings enhance the potential of service research to help achieve transformational change, such as poverty alleviation, at BOP. This is the first study to explicate institutional voids in BOP service ecosystems. It addresses calls to better understand the complexity of idiosyncratic and important BOP contexts.

### 3.1 Introduction

A substantial proportion of the global population seeks to subsist in circumstances of great poverty, defined by the World Bank (Haughton & Khandker, 2009, p. 1) as a "pronounced deprivation of well-being". This segment is often referred to as the base (or bottom) of the pyramid (BOP) (Prahalad & Hammond, 2002). For BOP consumers, many types of goods and services that would enable them to build a life free of poverty are either unavailable in that setting, or out of their reach; for example, accessible and affordable healthcare, education, and financial services (Fisk et al., 2016; Gebauer & Reynoso, 2013; Reynoso et al., 2015; Rosenbaum et al., 2020; Russell-Bennett et al., 2024).

Transformative service research (TSR) (Anderson et al., 2013; Anderson & Ostrom, 2015) stresses the potential of service innovation to generate social and/or societal impact, leading to positive transformative change for individuals and communities (Russell-Bennett et al., 2019). Prosocial service innovations, i.e., new services providing for essential needs in areas such as banking, insurance, energy, education and healthcare, enhancing productivity and the ability to generate income for consumers in BOP settings (Ramani et al., 2012), have the potential to alleviate poverty and contribute to an improvement of wellbeing (Prahalad & Hammond, 2002; London et al., 2014).

In spite of the fact that organizations have engaged in designing and launching prosocial innovations in BOP contexts (Follman, 2012; Kolk et al., 2014; Borchardt et al., 2020; Dembek et al., 2020), these innovations often fail to diffuse, and thus fail to make an impact (Garrette & Karnani, 2010; Simanis, 2011; Arora & Romijn, 2012; Araujo, 2013; Lashitew, Narayan, et al., 2022). Successful diffusion of (even highly beneficial) prosocial service innovations appears challenging in the BOP context: companies offering such poverty alleviation solutions are frequently unable to scale up their sales and distribution and the intended societal impact cannot unfold as a consequence (London, 2016; Lashitew, Van Tulder, et al., 2022).

So, what exactly is it that hinders the diffusion of prosocial service innovations in BOP markets? Many attempts have been made to understand how innovations are adopted and diffuse, or why they fail to do so in BOP settings (Hasan et al., 2020), mostly focusing on product and consumer characteristics. So far, however, these attempts have remained largely unsuccessful.

Institutional theory (North, 1990; Scott, 2014) maintains that implicit assumptions grounded in the institutions surrounding the consumption context explain consumer behavior. Within the service dominant (S-D) logic framework, which directs attention to the context wherein value is created and service is valued, a start has been made to investigate the role of institutions in service ecosystems, as dynamic and value-co-creating systems of mutual service provision (Vargo &

Lusch, 2016), and their influence on consumer behavior (Edvardsson et al., 2014). Nevertheless, the role of institutions has not been studied explicitly in the unique context of BOP markets.

BOP markets share a unique and important aspect of the institutional context – an absence or scarceness of formal institutions. This situation is referred to as the presence of institutional voids in international management literature (Khoury & Prasad, 2016; Mason & Chakrabarti, 2017). Institutional voids are known to affect the capacity of BOP consumers to engage in commercial transactions (Banerjee & Duflo, 2012; Gupta & Khilji, 2013; Mair & Marti, 2009). Little is known, however, about the role and influence of institutional voids in the lack of diffusion of prosocial innovations. In this chapter, we contend that taking the idiosyncratic institutional settings of BOP markets seriously may be a first step to understanding this lack of adoption and diffusion of prosocial service innovations.

### **3.1.1 Gaps in our Understanding of Non-Adoption Behavior at the BOP**

From an institutional theory perspective, there appear to be two major issues preventing current research from adequately investigating what hinders the diffusion of innovations at the BOP. First, much of this research has been based on classic diffusion-of-innovation models that were developed in a Western institutional context (Hasan et al., 2020; Lowe et al., 2019). An implicit assumption these models share is that consumers, as potential adopters, are intrinsically motivated toward adopting beneficial innovations, i.e., innovations (better) addressing their needs (Talke & Heidenreich, 2014; Heidenreich & Kraemer, 2015). This assumption may not hold in a BOP context, where consumers are intrinsically risk averse.

Second, another assumption in most research conducted at the BOP is that adoption behavior can be explained by investigating motivators of innovation adoption and diffusion (Hasan et al., 2020; Lowe et al., 2019). Research focusing on facilitators or drivers of adoption, however, may not be well positioned to explain why BOP consumers do *not* adopt innovations even though they have been specifically designed for their assumed needs. Recent research pointing at the asymmetry between facilitators of and barriers to adoption also argues that antecedents of *resistance* deserve research attention in their own right (Chatzidakis & Lee, 2013; Claudio et al., 2015). This approach appears productive in a BOP context, because consumers in these markets often resist innovations. Sometimes they resist innovations actively, but frequently also passively, because they are resisting the change in their status quo practices – mostly based on informal transactions in their local social networks – which is required to adopt the new ideas and develop practices that go along with the innovation itself (Heidenreich & Handrich, 2015; Heidenreich & Spieth, 2013). To benefit from service innovations,

BOP consumers must be willing and able to change these established practices and adopt such innovations.

A more appropriate research question in service innovation research, therefore, may be: why do BOP consumers, actively or passively, resist, rather than 'adopt', innovations? This resistance-to-innovation perspective could prove productive, because drivers of resistance are highly implicit and grounded in the institutional context of consumption at the BOP (Hasan et al., 2019, 2020).

To make further progress in prosocial service innovation research in a BOP context, it is therefore crucial to address these issues, and challenge the fundamental assumptions in existing frameworks of adoption and diffusion that may not hold in BOP contexts, i.e., establish what makes these models unsuitable for explaining (the lack of) innovation diffusion success in BOP contexts, ultimately aiming to adapt them. As already hinted at above, an important factor that distinguishes the BOP from Western markets is the radically different institutional context in BOP markets, so our analysis will focus on the nature of institutions in BOP contexts and the degree to which they drive resistance to innovation. The research question that guides the study in this chapter is:

*How do local institutions in BOP market settings influence BOP consumer resistance to service innovations?*

### **3.1.2 Contributions**

By addressing this question, this chapter aims at advancing the study of service innovation adoption and diffusion for social impact and transformative change by constructing a model of institutions, including institutional voids, and their influence on consumer behavior at the BOP. We identify institutional voids as barriers to service innovation adoption and diffusion at the BOP, as we show how they may cause innovation resistance behavior in BOP consumers. By taking an institutional perspective on innovation adoption, and by connecting existing frameworks from institutional theory with literature from another discipline, international management, we bridge theory and knowledge across disciplines to create new insights. We aim to compellingly connect these insights with the focal societal problem of this chapter, i.e., BOP consumers' inability or unwillingness to adopt innovative services for poverty alleviation and thus contributing to the fulfilment of sustainable development goal (SDG) 1 (United Nations, 2015).

### **3.1.3 Approach**

Assuming an innovation resistance perspective, we evaluate Edvardsson *et al.*'s (2014) conceptual framework of institutions and identify how key implicit assump-

tions limit its strength for application in BOP market settings. In the following section, based on selected literature from research in international management, we develop these missing insights to the institutional setting at the BOP, by discussing formal- and informal institutional voids. We incorporate these new insights into an extension of Edvardsson *et al.*'s (2014) framework and explain how institutional voids influence consumer behavior. Next, based on institutional theory, we connect this new conceptual understanding of institutional voids and how they influence consumer behavior with knowledge of innovation resistance and the process of institutional change. Finally, through a discussion of a previously published case study "Kilimo Salama, index-based agriculture insurance, a product design case study" (IFC Advisory Services, 2011), we develop guiding propositions regarding how institutional voids drive innovation resistance.

## **3.2 Literature Background**

We firstly discuss the suitability of the innovation resistance view for developing new insights on drivers of non-adoption of prosocial service innovations by BOP consumers. Following this discussion, in Section 3.2.2, we discuss the institutional view in service research with reference to Edvardsson *et al.*'s (2014) seminal framework, but also identify inherent weaknesses in its assumptions that limit its potential to explain the institutional setting in BOP market and BOP consumer behavior.

### ***3.2.1 The Study of Innovation Resistance***

Recent developments in the innovation adoption literature are increasingly based on the paradigm of innovation resistance (Heidenreich & Handrich, 2015), defined as "resistance offered by consumers either because it poses potential changes from a satisfactory status quo or because it conflicts with their belief structure" (Ram & Sheth, 1989, p. 6). Status quo refers to established patterns of practices and belief structures of individuals (Heidenreich & Spieth, 2013). Individuals are often hesitant to change this status quo (Oreg, 2003) because it creates a degree of certainty. Through the lens of institutional theory, these established patterns of practices or belief structures are based on institutions – shared, commonly held, rules for interaction – and thus stable and resistant to change (North, 1990). Individual-level innovation resistance can be present in different degrees, but regardless of strength, it is disruptive to the process of innovation diffusion because it drives selective exposure to and/or selective processing of information (Talke & Heidenreich, 2014). When the individual level of resistance to innovation is high, it may drive a potential adopter to reject or postpone the adoption of innovations (Heidenreich & Spieth, 2013).

Notwithstanding the increase in acceptance of the innovation resistance perspective, a majority of studies that investigate innovation adoption and diffusion in BOP settings has taken a traditional innovation acceptance perspective (Rogers, 2005), and focuses on enhancing new product or service features (or benefits), thus trying to increase adoption likelihood in areas such as farming and healthcare (Hasan et al., 2020; Rogers, 2005; Viswanathan & Sreekumar, 2019). Yet it is questionable whether this approach is capable of capturing the complexity of factors in BOP market settings that influence BOP consumer behaviors (Hasan et al., 2020). Markets at the BOP, located mostly in emerging markets and home to mostly low-income consumers, are idiosyncratic (Pels & Kidd, 2012; Pels & Mele, 2018). There are significant structural differences between BOP and mature market settings (Pels & Mele, 2018). Because of the absence of strong frameworks to regulate market transactions (Webb et al., 2010, 2020), the established practices of BOP consumers are characterized by a high level of informal, non-market consumption practices as the *status quo* market situation (Abendroth & Pels, 2017; Pels & Mele, 2018; Sheth, 2011; Viswanathan & Rosa, 2010). The innovation resistance perspective draws particular attention to the *status quo* of consumer practices, as the point of reference which consumers use to estimate the degree of change that the adoption of an innovation implies, and is closely intertwined with the study of institutions, and their role in innovation diffusion in BOP settings.

### **3.2.2 The Role of Institutions in Shaping Consumer Behavior**

The study of institutions as humanly devised rules, norms and meanings that enable and constrain human action (North, 1990; Scott, 2014) has become an important perspective in service research (Koskela-Huotari et al., 2020). Stemming from new institutional theory (North, 1990; Scott, 2014), the institutional view in service research focuses on the way in which institutions, as influential local context factors, shape the value perception of actors and thus drive how value is co-created between service providers and consumers, i.e., how resources are integrated (Denzau & North, 1994; Vargo & Lusch, 2016). Edvardsson et al. (2014) were among the first service scholars to directly link institutions with resource integration and propose that institutions are the coordinating link between multiple actors (Koskela-Huotari et al., 2020). Subsequently, the systemic nature of resource integration in multi-actor service ecosystems, where the actions of resource integrating actors are coordinated and adjusted to each other by institutions, has become an accepted paradigm (Edvardsson et al., 2014; Koskela-Huotari et al., 2020; Koskela-Huotari & Vargo, 2016; Vargo & Lusch, 2016). Service research has since continually drawn on institutional theory to develop an understanding of what institutions are (Kleinaltenkamp, 2018), how they influence resource integration

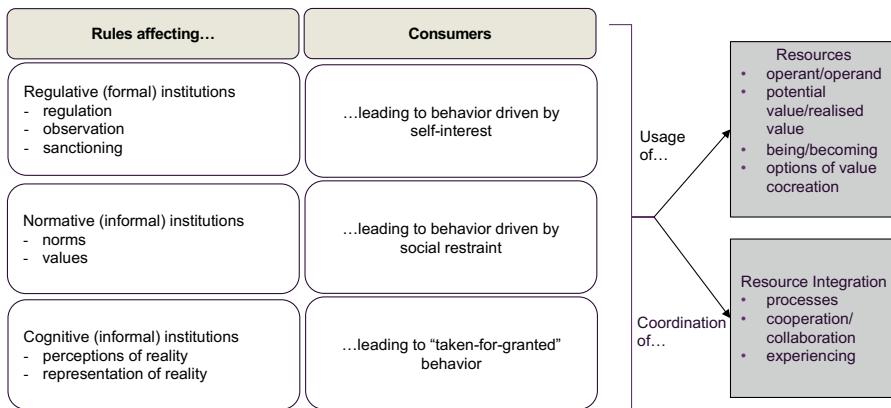
in service ecosystems (Chandler & Vargo, 2011; Edvardsson et al., 2014; Koskela-Huotari & Vargo, 2016; Vargo & Lusch, 2016), and how institutions are closely aligned to *market innovation*, the mechanism through which new institutions emerge and lead to processes of service ecosystem change (As'ad et al., 2024; Chandler et al., 2019; Kleinaltenkamp, 2018; Koskela-Huotari et al., 2020; Vargo et al., 2015).

Institutions are an inherently local phenomenon, because they are embedded in a specific geographic and cultural context and are intricately and recursively connected with broader macro systems, units of organization such as companies, and the practices of individuals, such as consumers (Chandler & Vargo, 2011). Next to this, it is widely accepted that institutions are multifaceted and durable social structures that consist of man-made elements such as laws, norms and values, that define appropriate (local) behavior among actors (Edvardsson et al., 2014; Koskela-Huotari et al., 2020; Koskela-Huotari & Vargo, 2016; Vargo & Lusch, 2016). Edvardsson et al. (2014) propose that "the behavior of actors during resource integration processes, including their value attribution to resources and resource integration processes is shaped and driven by the institutions involved" (p. 298). Firms that try to introduce new services in a BOP context are not necessarily embedded in these local contexts and institutions, leading to differences in institutionally driven norms regarding appropriate behavior (Lashitew, Narayan, et al., 2022; Lashitew, Van Tulder, et al., 2022).

Institutions are categorized in different ways in institutional theory, for example as formal and informal institutions (North, 1990), or as regulative, normative and cognitive institutional pillars (Scott, 2014). According to Edvardsson et al.'s (2014) framework, different types of institutions influence actor behavior in different ways, and in combination they shape resource integration, and thus consumer behavior, in service ecosystems. We illustrate this central relationship between institutions and consumer behavior in Figure 3.1, where Edvardsson et al. (2014) adopt the three institutional pillar approach of Scott (2014). According to this approach, the first pillar consists of *regulative institutions*, which include explicit laws, contracts, and formal regulations that guide behavior, because actors fear formal sanctions when rules are not followed (Kleinaltenkamp, 2018). The second pillar comprises informal, *normative institutions*, that are based on implicit social norms and values that drive internal commitment to adhere to social standards within various social groups (Edvardsson et al., 2014; Scott, 2014). *Cognitive institutions* (Scott, 2014) form the third pillar. They consist of beliefs and ideas that are implicit, leading to repetitive, taken-for-granted behavior (Edvardsson et al., 2014). Cognitive institutions are the basis of established mental models (Denzau & North, 1994; North, 1990) that frame sense-making processes and shape perceptions of reality (Kleinaltenkamp, 2018).

**Figure 3.1**

Conceptual framework of institutions, consumer behavior and resource integration



Source: Authors' own work, based on Edvardsson et al. (2014, p. 297).

When we assess the suitability of the framework in Figure 3.1 for application in BOP market settings, we identify two areas for further development. Firstly, Edvardsson et al. (2014) guide service researchers to anticipate a complex combination of all three institutional pillars that influence actor resource integrating behavior; where it is "typical for all three types of institutional behavior to occur simultaneously during resource integration" (Edvardsson et al., 2014, p. 295). In BOP market settings though, institutional frameworks tend to be incomplete and not comprehensive, because of institutional voids (Liedong et al., 2020). Local sets of institutions in BOP market settings frequently lack formal, regulative institutions and/or even lack adequate informal, normative/cognitive institutions for the efficient coordination of actor transactions (Khoury & Prasad, 2016). While such institutional settings have been a subject of research in the field of international management (Liedong et al., 2020; Webb et al., 2020), this knowledge has not yet been infused into service research. Equally, literature on the BOP as a market for prosocial innovations shows a gradual shift from transactional, profit-focused approaches in early publications (Prahalad & Hammond, 2002), toward the acknowledgement of contextual richness in unique invisible resources and knowledge in BOP communities (Borchardt et al., 2020; Cañequa & Hart, 2015; Gupta & Khilji, 2013) (see Appendix A3). Because comprehensive sets of institutions comprising the three institutional pillars (as in Figure 3.1) are not *typically* present in BOP settings, a context-specific understanding of the institutional pillars and institutionally driven behavior in BOP settings is missing in current frameworks of institutions in service research.

Secondly, in Edvardsson *et al.*'s (2014) framework it is implicitly understood that actors have full agency over their choices to engage in learning experiences – which is an instrumental step toward a process of institutional change: "actors learning processes and the need for institutional change are based on favorable or unfavorable outcomes, intended and unintended results, and positive as well as frustrating value co-creating experiences, but also experiences from other actors' resource integration insights including innovation" (Edvardsson *et al.*, 2014, p. 299). The process of institutional change must be initiated and completed when an innovation diffuses to become a new "norm" of institutions and practices (Vargo, Koskela-Huotari, *et al.*, 2020). It is understood that institutions both enable and constrain consumer behavior (Edvardsson *et al.*, 2014; Seo & Creed, 2002). Specifically for BOP contexts there is little research insight on the influence of institutional voids on consumers' need for (institutional) change nor on how the institutional setting in BOP could be a constraint on actor agency for change. Thus, there is a need to evaluate the role that institutional voids play in BOP consumer behavior and innovation toward institutional change, and how their presence is related to BOP consumer innovation resistance.

### **3.3 Proposed Conceptual Framework of Institutional Voids in Shaping Consumer Behavior**

To provide an understanding of the institutional setting at BOP, we explore the concept of institutional voids guided by findings in selected international management literature. Following this discussion, we develop a framework of the influence of institutional voids on consumer behavior and resource integration as an addendum to the framework proposed by Edvardsson *et al.* (2014).

#### **3.3.1 BOP Market Settings and Formal- and Informal Institutional Voids**

The term 'institutional void' was coined by Khanna and Palepu (1997), referring to the absence of institutions, or the presence of inefficient institutions to support effective market transactions. Institutional voids were observed, and labelled, by internationally-active firms during processes of international expansion to emerging market settings (Doh *et al.*, 2017; Liedong *et al.*, 2020; Mair *et al.*, 2012; Webb *et al.*, 2020). The term '*void*' reflects the view that comprehensive sets of institutions are *normal* to consistently enable the efficient functioning of a market, and that where this normal is not fulfilled, a *void* exists. An important point arises here; the wording institutional *void* suggests a complete absence of institutions (Roll *et al.*, 2021). However, this is inaccurate. In situations where institutional voids prevail, non-comprehensive sets of local institutions are nonetheless present and these sets form the basis of explicit and implicit local rules that guide human interactions and

economic transactions (Khoury & Prasad, 2016; Liedong et al., 2020; Webb et al., 2010, 2020). In international management literature, reference is made to the way in which these implicit local rules for doing business are unexpected, confounding, a source of uncertainty and risk and a reason for increased transaction costs – from the perspective of companies from affluent contexts expanding to emerging market settings. Institutional voids can also be present in affluent market settings to some degree, making their study even more relevant (Liedong et al., 2020; Webb et al., 2020). While institutional voids have been widely researched in international management literature, they have received little attention in service research and in the study of prosocial service innovation (Lashitew, Van Tulder, et al., 2022; Mair & Marti, 2009). Thus, before we can link institutional voids with resource integration, it is first necessary to fill this gap in service research knowledge and develop an explanation of both *formal-* and *informal institutional voids* and build a context specific understanding of the institutional pillars in BOP settings.

From literature in the domain of international management we learn that formal institutions, such as governance mechanisms that prevent corruption, protect property rights and ensure rule-of-law, are frequently either absent or weak in emerging markets and BOP settings (Ahlstrom et al., 2014; Hill & Mudambi, 2010; Young et al., 2014). In such settings, *formal institutional voids* (Khanna & Palepu, 1997) are present, leading to a disruption of information flows, power asymmetries, and high transaction costs (Khoury & Prasad, 2016; Peng & Khoury, 2009). Individuals in settings of formal institutional voids have a lower willingness to innovate or invest in productive assets (North, 1990). Where formal institutional voids exist, informal institutions (cognitive and normative institutional pillars) emerge as the basis of commonly agreed rules that essentially fill the gaps created by missing formal regulative institutions (Bothello et al., 2019; Khoury & Prasad, 2016; Mair et al., 2012; Webb et al., 2010).

When informal institutions are robust, they can be a sufficient basis for the regulation of human interactions (North, 1990) – and the local rules for interaction that emerge are driven by social restraint and implicit taken-for-granted assumptions (Scott, 2014). These are implicit and highly tacit sets of institutions (Mair et al., 2012) that are shared in wider social groups and communities – and for this reason they are deeply embedded – but also very hard to decipher for external observers or participants in transactions. Robust informal institutions lead to the establishment of local market practices that are based on trust amongst actors in social networks as opposed to formal market rules. Examples of such “market” practices that emerge because of formal institutional voids include informal trading and bartering within one’s social network (Viswanathan & Rosa, 2010) or hybrid market structures, such as informal lending and resource-sharing arrangements in local communities (Greene & van Riel, 2021).

*Informal institutional voids* (Webb et al., 2020) can arise when informal institutions (cognitive and normative institutional pillars) that govern economic and social interactions are not robust enough and *fail* to support stable and effective transactions (Webb et al., 2020). Such voids can emerge, for example, as mistrust within social networks, culturally and/or ideologically determined expectations, social exclusion, and/or traditional business practices that lead to unfavorable conditions for transactions (Lund, 2006). Informal institutional voids are highly localized, less codified, and resistant to change due to their embedded nature (Roland, 2004). Above all, informal institutional voids hamper efficient market transactions, because they are a further source of uncertainty and high transaction costs (Webb et al., 2020). In international management research, formal institutional voids have been more frequently investigated than informal institutional voids (Webb et al., 2020). Because they are less known, we provide an overview of examples and manifestations of informal institutional voids in the international management literature (Table 3.1) as a source of reference for service researchers. As presented in Table 3.1, manifestations of informal institutional voids include social exclusion (Khoury & Prasad, 2016) or prescriptive behaviors that are influenced by ideological domains (Banerjee & Duflo, 2012) that create high levels of uncertainty and incentives to adhere to existing norms and taken-for-granted behaviors, even though these are potentially inefficient.

We illustrate the mutually reinforcing relationships between “formal institutional voids”, “robust informal institutions” and “informal institutional voids” (North, 1990; Scott, 2014; Webb et al., 2020) in Figure 3.2. This visual representation makes clear how local sets of institutions and practices emerge from the presence of a non-comprehensive set of institutional pillars, providing examples of each and their impact. For example, in BOP settings weak banking regulations create a formal institutional void in the banking market, making it difficult and expensive for individuals and businesses to access credit through official channels. Because of this void, widely-held informal institutions become established, as an alternative rule system, and lead to practices such as lending from family, local moneylenders and community-based savings groups. These practices are based on trust rather than on legal contracts. Over time, dependence on these informal practices erodes trust in the formal banking practices, reducing the incentive to adhere to formal regulative guidelines and reinforcing both formal and informal institutional voids. This cycle perpetuates financial exclusion as a further example of an informal institutional void.

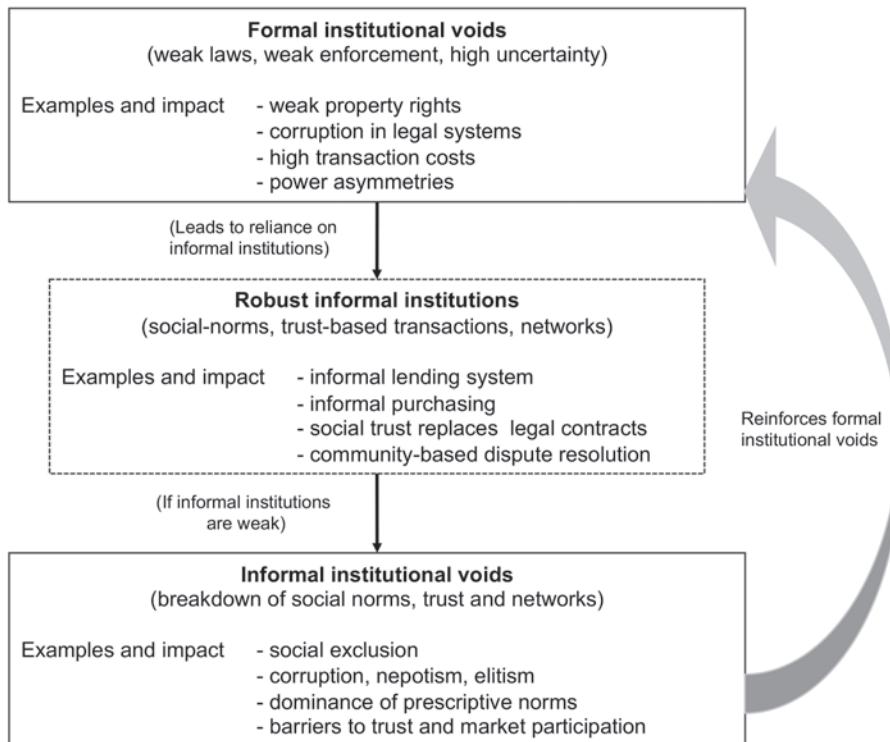
**Table 3.1**

Origin and manifestations of informal institutional voids

Category of informal institutional void	Origin	Manifestation
Social obligation	Informal institutions emerge as a coordination mechanism, replacing formal institutions to support efficient market transactions. They cause social obligations and block individuals from changing behavior (Portes & Sensenbrenner, 1993).	Social norms such as lending and resource sharing in private networks are pervasive and bind consumers. This affects the appraisal and application of resources.
Relationship barrier	Lack of trust in certain social groups deters economic activity by undermining the value and potential for cooperation and social cohesion (de Soto, 2006).	Corruption that breeds mistrust toward certain groups of people. Exclusion/inclusion from social exchange based on perceived "in" and "out" groups.
Social exclusion	Social demands and obligations are underpinned by societal norms that exclude certain groups from participating in economic transactions (Khoury & Prasad, 2016).	Creates barriers to participation in the market for affected groups, for example, because of caste systems, gender exclusion, and spatial isolation.
Sharing and sanctioning norms	Actors are disadvantaged in their access to resources because of a hierarchy based on elites who leverage power to misappropriate resources (Platteau & Gaspart, 2003).	Disrupt the flow of resources and hamper, for example, local development efforts. Imbalanced access to resources and markets for actors at different hierarchical levels of a system.
Prescriptive behaviors influenced by domains	New ideas can be met with skepticism based on prescriptive norms anchored in organized domains of informal institutions, such as religion, family, and markets (Banerjee & Duflo, 2012).	Resistance or rejection of new ideas that do not match the prescriptive norm based on fear of sanctioning.

Source: Authors' own work.

**Figure 3.2**  
Mutually reinforcing formal and informal institutional voids



Source: Authors' own work.

### 3.3.2 Institutional Voids and Consumer Behavior

We now turn to investigating the influence of institutional voids on resource integration, and innovation, by integrating our findings in international management literature with Edvardsson et al.'s (2014) framework. Through this process, we intend to broaden the scope of application of institutional thinking in service research to contexts, such as the BOP, where institutional voids are apparent.

An initial, important conceptual task is to develop an understanding of how institutional voids can be positioned in a framework of institutions for service research. As discussed in the previous section, institutional voids do not mean an absence of institutions (Liedong et al., 2020; Webb et al., 2020). Rather, as outlined in Figure 3.2, institutional voids are local forces that influence the presence and weighting of the different institutional pillars (formal (regulative), informal (cognitive, normative)) in local sets of institutions. Because they are mutually reinforcing, informal institutional voids can emerge and these constrain efficient

transactions. We thus formulate the following guiding definition of institutional voids: *Institutional voids shape local, context-specific and idiosyncratic sets of institutions (regulative (formal), normative and cognitive (informal)) that are mutually reinforcing. These non-comprehensive, local sets of institutions vary according to the intensity of the formal and informal institutional voids that are pervasive in that setting.*

The second important conceptual task is to construct an understanding of how these local, non-comprehensive sets of institutions influence consumer behavior and resource integration. In contrast to the expectations that emerge from Edvardsson et al. (2014), we focus on the idea that local and non-comprehensive sets of institutions, shaped by the presence of institutional voids, will *not* typically include all three institutional pillars, and thus they will *not* lead to all three types of institutional behavior occurring during resource integration.

In institutional settings that are shaped by the presence of institutional voids, such as BOP market settings, consumer actions are largely guided by norms based on social restraint and “taken-for-granted” assumptions about behavior (Scott, 2014). Informal institutional voids, which represent a breakdown in social norms and their inability to regulate market transactions, equally drive behavior based on social restraint and “taken-for-granted” rules, but these norms can be based on, amongst others, an absence of trust networks, corruption, exclusion of certain groups and prescriptive behaviors based on locally embedded ideological domains such as religious beliefs (Webb et al., 2020) (see further examples in Table 3.1).

To discuss how this relates to consumer behavior, we draw on institutional theory that emphasizes individual mental models as “internal representations that individual cognitive systems create to interpret the environment” (Denzau & North, 1994, p. 2). These models are shaped by the institutional setting and influence both how individuals perceive their environment and how they believe it should function (Denzau & North, 1994; North, 1990). Mental models are closely tied to perceived incentives, influencing institutionally-driven behavior based on the expected value of different actions. Consequently, institutions shape consumers’ valuation of potential resources and provide incentives for behavior (North, 1990).

North (1990) proposes that where robust informal institutions exist, monitoring and enforcement mechanisms arise in social networks, and these can facilitate well-functioning-transactions. The informal institutions that govern these transactions are local, highly tacit, very stable and highly resistant to change (Roland, 2004). Thus, in the absence of formal institutions, informal institutions incentivize consumer behavior driven by social restraint and “taken-for-granted” practices, and to resist new regulative institutions.

Where informal institutional voids exist, informal institutions are unable to regulate human interactions through a shared set of norms (Webb et al., 2020). For

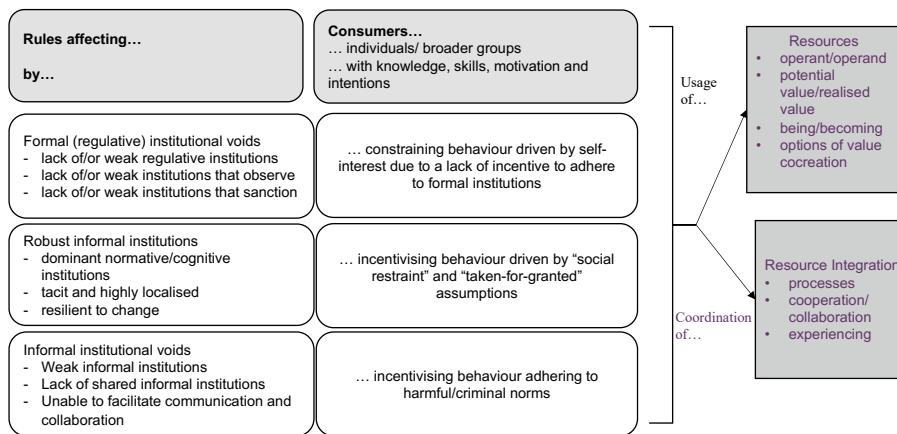
consumers, this can lead to multiple barriers to communication and collaboration, because the informal institutions are too weak to prevent fractionalization and illegitimate power structures in markets (Webb et al., 2020). This leads to lack of transparency for consumers, a disruption of access to and allocation of resources, and a disincentive to embrace new institutions. In such settings, consumers are constrained by the institutions that guide their actions and are unable to change them (Seo & Creed, 2002).

In Figure 3.3, we construct a new framework of institutional voids in line with the underlying principles of Edvardsson et al.'s (2014) original framework (Figure 3.1). We firstly insert three new types of institutions that can be anticipated at the BOP, and frame them as rules that affect consumers on the left-hand side of Figure 3.3.

These are formal institutional voids, robust informal institutions and informal institutional voids (see Figure 3.2). Next, we align each with their anticipated influence on consumer behavior in the central column of Figure 3.3. We complete the figure by repeating the central influence of institutions on the usage of resources and co-ordination of resource integration on the right-hand side of Figure 3.3, as originally proposed in Edvardsson et al.'s (2014) framework. In this way, we provide a new framework of institutional voids, consumer behavior and resource integration.

**Figure 3.3**

A new framework of institutional voids, consumer behavior and resource integration



Source: Authors' own work.

### 3.4 Institutional Change and Innovation Resistance at BOP

In this section we integrate the ideas developed above and focus on institutional change as the process through which new ideas, e.g., prosocial service innovations,

are adopted and diffused and become established as new institutions leading to the establishment of new practices and markets. We identify forces for innovation resistance and by discussing the launch of a prosocial service innovation, Kilimo Salama in Kenya, we illustrate key concepts and develop new guiding propositions on the influence of institutional voids on consumer behavior and institutional change.

### ***3.4.1 Theory of Institutional Change and Institutionalization***

Institutionalization refers to the process by which practices, rules or values become established and embedded within a context – be that an organization, society or system – and become institutions (Kleinaltenkamp, 2018). Innovation, as the “collaborative recombination of practices” (Vargo et al., 2015, p. 93), leads to the emergence of new institutions and is an integral element of institutional change. The introduction of the new institutions and practices associated with a prosocial service innovation, for example, does not automatically lead to a change in institutions and practices in that BOP service ecosystem (Siltaloppi & Wieland, 2018). This only occurs when a wider acceptance leads to new practices becoming commonly-held norms and rules (Vargo et al., 2015).

The process of institutionalization comes about through the interplay of actions of individual actors with those of many other actors in a wider social setting, that produces shared norms and rules (Siltaloppi & Wieland, 2018). This process is proposed to take place in three steps (Tolbert & Zucker, 1996). Firstly, new patterns of problem-solving behaviors, referred to as *habitualization* (Tolbert & Zucker, 1996), are developed by individual actors, who are reacting to a stimulus for change. This stimulus comes from either a negative feedback loop, which signals dissatisfaction with existing institutions/practices (Edvardsson et al., 2014), or from the external introduction of new institutions, such as a service innovation (As'ad et al., 2024; Edvardsson et al., 2014; Koskela-Huotari & Vargo, 2016). Proto-institutions emerge initially, as “(new) practices, technologies and rules that have narrowly diffused and only weakly entrenched but that have the potential to become institutionalized” (Lawrence et al., 2002, p. 283). At this stage, new institutions and practices are being “tested” by individual actors and have not yet achieved stability, recognition or legitimacy in a wider social group (Kleinaltenkamp, 2018; Lawrence et al., 2002). In order for proto-institutions to develop further, a wider adoption of these new problem-solving behaviors and the development of more general, shared social meanings in a wider social group, referred to as *objectification* (Tolbert & Zucker, 1996) must happen. To ensure that new institutions become deeply embedded in a social system, they have to be widely accepted, trusted and integrated into existing (formal) systems. This degree of integration depends on the degree to which these new institutions *sediment* (Tolbert & Zucker, 1996) and find broad legitimization to

become “taken-for-granted”, as commonly held norms and rules (Vargo et al., 2015). This is the point where the development of shared meanings and understandings in a wider social setting enables the transfer of the new institutions/practices as routine, problem-solving behaviors, beyond their point of origin in a service ecosystem (Berger & Luckmann, 1991). We visualize the steps in this process as part of Figure 3.4 (right-hand side of the figure) and highlight the interplay between the needs of an individual actor for institutional change and the role that both immediate and wider social groups play in legitimizing new institutions and practices in furthering the process of institutionalization.

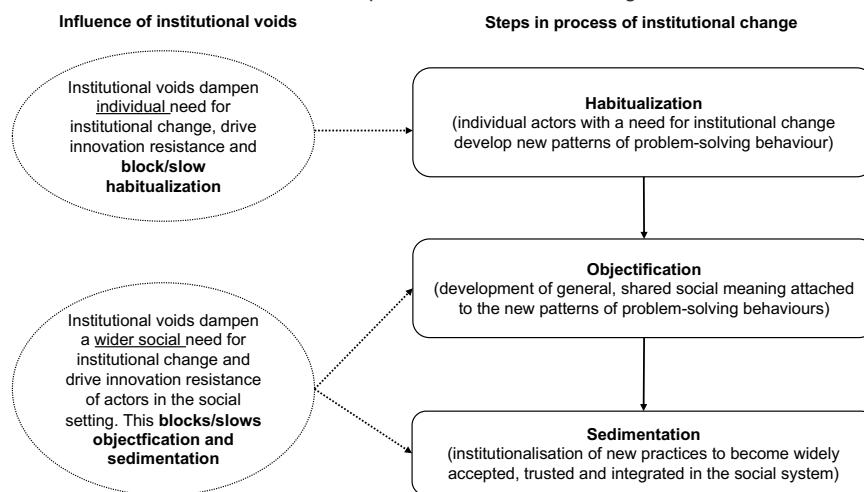
### ***3.4.2 Institutional Change and Innovation Resistance***

There are key moments in a process of institutional change, where both an individual-level of innovation resistance, or the accumulation of individual innovation resistance of many actors, can disrupt the transitions between the three stages in the process, hindering the emergence of new institutions and practices. In Figure 3.4, based on the three-step process of institutional change (Tolbert & Zucker, 1996), we map the points of disruption in this process that arise because of the way in which the presence of institutional voids influences both the individual-level and the wider social need for institutional change. This clarifies how institutional voids can hinder the transition from one stage to another and act as bottlenecks at each of the stages of a process of institutional change. In support of this conceptual model, these mechanisms are discussed in the next paragraph and in the illustrative case of Kilimo Salama.

At the level of the individual, when actors are satisfied with current institutions, positive (reinforcing) feedback loops signal approval and this feedback generates resistance toward change when new institutions are introduced (Kleinaltenkamp, 2018; North, 1990). In a wider social setting, resistance toward new proto-institutions is driven by a collective level of approval of current institutions, leading to a lack of acceptance and legitimacy of the new patterns of problem solving in broader groups of actors (Lawrence et al., 2002). This frequently happens because of the incompatibility of new ideas (patterns of problem-solving behaviors) with broadly accepted mental models and formal/informal systems (Lawrence et al., 2002; North, 1990; Scott, 2014; Suddaby et al., 2013). In this case, actors in the wider social setting demonstrate a preference for extant institutions, and this positive feedback acts as a barrier to institutionalization of new practices because it causes resistance to change (Siltaloppi & Wieland, 2018). In the next section, based on the illustrative case study ‘Kilimo Salama’, we analyze the way in which institutional voids influence innovation resistance and cause a disruption in the process of institutional change.

**Figure 3.4**

The influence of institutional voids on a process of institutional change



Source: Authors' own work, with reference to Tolbert and Zucker (1996) on the right side of the figure.

### 3.4.3 Institutional Change, and Innovation Resistance under Influence of Institutional Voids

Through discussing an example of the launch of a prosocial service, Kilimo Salama (IFC Advisory Services, 2011), in a BOP setting (Kenya), we build an illustrative, practice-based explanation of how institutional voids can disrupt the transition between the stages of institutional change to complement Figure 3.4. By using a case discussion approach, we provide real examples of formal- and informal institutional voids to deepen our understanding of these concepts (Gilson & Goldberg, 2015; Jaakkola, 2020). And we develop new propositions, in line with Figure 3.4, and with respect to the influence of institutional voids on resource integration and innovation, and propose these as an addition to the existing propositions in Edvardsson et al.'s (2014) framework.

#### *The illustrative case*

Kilimo Salama was launched in 2009 in Kenya as a collaboration between the Syngenta Foundation for Sustainable Agriculture, UAP (an insurance group), and Safaricom (a telecom operator). The aim was to empower farmers in Africa to thrive in spite of climate challenges that lead to crop failure and financial vulnerability. This innovative service couples the concept of insurance with new technology, making micro-insurance of crops (as little as 1 kg of seed can be insured) financially viable for both the insurer and the small-scale farmer (IFC Advisory Services,

2011). Data from on-the-ground weather stations is the basis of insurance payout, which is implemented and delivered via mobile technology (Kubzansky et al., 2019). This system enables small insurance premiums to be profitable in remote locations because no site visit is required. It was the first index-based microinsurance program for small-scale farmers based on 100% mobile technology. It is an innovative prosocial service solution that protects farmers against risks like drought, floods and excessive rainfall, and aligns with SDG 1 (United Nations, 2015) of eradicating poverty. As of 2017, more than 1 million smallholders in Kenya, Tanzania and Rwanda have been able to access climate insurance under the name ACRE (International Food Policy Research Institute, 2025).

#### *Development of propositions through case study discussion*

Before Kilimo Salama was launched in Kenya, market research data from focus groups and trials showed that target consumers, small-scale farmers, neither trusted nor understood the concept of crop insurance (Kubzansky et al., 2019). Having had no previous experience with insurance, they lacked knowledge and word of mouth type of information from reference groups in their social networks (IFC Advisory Services, 2011). As no previous market for insurance existed, the launch of Kilimo Salama was carefully designed to meet the assumed needs of the inexperienced and mostly illiterate target group, making the service as accessible and easy to use as possible. Local agricultural stockists were leveraged as brokers because they had the proximity to and a relationship with the farmers. MPESA, an agent-assisted, mobile-phone-based, person-to-person payment and money transfer system (Bateman et al., 2019) which was widely known, was used for transactions (both purchase and insurance payout). A free trial of the micro-insurance was offered, as an incentive for the consumers to overcome uncertainties and engage with the service in a low-risk manner. However, the initial launch was unsuccessful and led to it being withdrawn from the market, and relaunched at a later date (IFC Advisory Services, 2011).

Taking an institutional view of the initial launch supports an explanation of the BOP consumer reactions in this example and the development of a perspective on institutional drivers of innovation resistance. Despite the socially positive goal of micro crop insurance to reduce the vulnerability of small-scale farmers, they themselves lacked a rational incentive to adopt new norms. Traditionally, in cases of bad weather and crop failure, they relied on family, social networks, or local seed stockist for loans to tide them over. Although this approach was risky, it was familiar and trusted. Formal institutional voids, such as the absence of a regulatory framework and an insurance market, reinforced reliance on these informal mechanisms. Consequently, localized institutions shaped the mental models of the small-scale farmers and their interpretation of risk. Additionally, persistent informal

institutional voids, such as unequal resource distribution, as well as overreliance on cultural norms (distrust of anything for free), further entrenched reliance on fate over insurance-driven risk management. This can be related to institutional theory, where it is understood that individuals are constrained by the institutions that govern their actions and must determine if and how to change them (Seo & Creed, 2002; Siltaloppi & Wieland, 2018). These voids slowed the emergence of practices as new patterns of problem solving (habitualization) as illustrated in Figure 3.4. Thus, we propose:

*Proposition 1. Formal and informal institutional voids at BOP dampen an individual need for institutional change, leading to resistance to innovation and forming a barrier to (prosocial) service innovation adoption and diffusion.*

To facilitate institutional change, Kilimo Salama was relaunched in a partnership with agricultural stockists and microcredit agencies. The redesign integrated the microinsurance as a part of seed sales, as well as requiring the farmers to have microinsurance as a condition for obtaining microloans. Agricultural stockists acted as change agents, emphasizing self-interest and leveraging their institutional alignment with the farmers. By embedding microinsurance in familiar systems, broader legitimization took place. The points of legitimization came from formal institutions, e.g., microinsurance as condition for microloan, inclusion in extant systems like MPESA, part of the seed purchase, as well as from informal institutions, e.g., personal recommendations from agricultural stockist and word of mouth recommendations from other users. The relaunch was considered a success.

Institutional change depends not only on rational actors but also on institutional influence, as roles and resource control are institutionally determined (Siltaloppi & Wieland, 2018). The success of the relaunch illustrates how aligning new institutions with consumer roles and resources enables institutional change (Karpen & Kleinaltenkamp, 2018). By incorporating incentives (insurance bundled with seeds, and making microloans conditional upon microinsurance) and informal legitimacy (endorsement of stockist and other new users), new practices gained acceptance and stability. Without this, the small-farmers would have remained skeptical and resisted the service innovation.

For Kilimo Salama to become deeply institutionalized, it must gain widespread acceptance, trust and integration into financial and social systems. Only at that stage has the new institution sedimented, i.e., transitioned from an innovation to a taken-for-granted practice. However, persistent institutional voids – such as weak financial service regulations, lack of policy and deeply entrenched informal norms, pose challenges. The presence of formal- and informal institutional voids leads to

stable, non-comprehensive sets of local institutions. Their stability comes from the degree to which they are based on informal institutions and deeply embedded in the social system, and this means that they do not change easily or quickly. In many BOP contexts, entrenched norms favoring informal risk-sharing, such as community lending groups, continue to constrain the adoption of formal insurance. As illustrated in Figure 3.4, the presence of institutional voids can create positive feedback loops that reinforce established local sets of non-comprehensive institutions and dampen a wide social need for institutional change. Thus, we propose:

*Proposition 2: Formal and informal institutional voids at BOP dampen a wider social need for institutional change, leading to resistance to innovation and forming a barrier to (prosocial) service innovation adoption and diffusion.*

### **3.5 Discussion, Conclusion and Implications**

Following the earlier presented discussion, introducing a new framework of institutional voids, consumer behavior and resource integration (Figure 3.3) and a model showing the influence of institutional voids on a process of institutional change (Figure 3.4), which illustrates two propositions on the impact of institutional voids on resistance to change, we summarize our findings in this section and point to the implications for theory and practice.

#### **3.5.1 Discussion**

Through this study we have developed a new framework of institutional voids, consumer behavior and resource integration that adds two important new perspectives for transformative service research; firstly, we make clear that the idiosyncratic institutional settings at BOP and the local and highly tacit sets of institutions are influential on BOP consumer behavior. This step is important, because BOP market settings are often unfamiliar to service researchers from affluent market settings (Burgess & Steenkamp, 2006; Sheth, 2011), and could easily be overlooked. Secondly, we show how institutional voids influence BOP consumer behavior, because they drive innovation resistance and are a barrier to the adoption and diffusion of prosocial service innovations. This is a new explanation for the slow adoption and diffusion of prosocial service innovations at the BOP.

Furthermore, we have formulated two guiding propositions for the influence of institutional voids on innovation and the process of institutional change (see also Figure 3.4), that equip service researchers with new insights to strengthen prosocial service innovation in BOP market settings.

### **3.5.2 Theoretical Implications**

Not all BOP research is intended to alleviate poverty, and not all prosocial service research is conducted in BOP markets (Valdés-Loyola et al., 2021). Nonetheless, the intersection between these two research streams is a fruitful ground for the further theoretical development of each. BOP market settings have idiosyncratic characteristics (Mele et al., 2015; Pels & Kidd, 2012) that generally do not correspond to neo-classically defined markets. Established theories, mostly based on research in affluent contexts, are unable to fully explain and predict the actions of BOP consumers (Ingenbleek, 2014; Pels & Mele, 2018). In BOP literature, calls to establish a deeper understanding of the context of poverty and its impact on consumer behavior are increasing (Chmielewski et al., 2018; Dembek et al., 2020; Joncourt et al., 2019). At the same time, service research increasingly turns its attention to addressing global social problems (Fisk et al., 2016; Gebauer & Reynoso, 2013; Reynoso et al., 2015; Rosenbaum et al., 2020; Russell-Bennett et al., 2024) increasing the relevance of studying institutional voids and their influence on consumers. The application of an institutional perspective to the investigation of BOP market settings focuses the perspective of the researcher on the interwoven fabric of individuals and organizations that are exchanging service to create value in the context of their everyday lives (Chandler & Vargo, 2011; Dean & Indrianti, 2020). This study provides service research with a new and broader perspective on institutions by providing a framework for understanding how institutional voids lead to local sets of non-comprehensive institutions that are highly influential on local consumer behavior, even leading to innovation resistance. This addition to both BOP literature and theoretical principles of service research serves to overcome the constraints imposed by the narrow perspective taken on institutions in extant frameworks.

The level of abstraction of S-D logic and service research has been mainly metatheoretical, seeking to provide a new coherent and cohesive theoretical framework for marketing (Lusch & Vargo, 2018). Because we extend the premises of Edvardsson et al.'s (2014) framework of the influence of institutions to cover contexts where institutional voids prevail (e.g., BOP), we contribute to the development of S-D logic and service research toward a midrange theory (Pels & Mele, 2018). The high degree of generalizability is now complemented by a new ability to interface with empirical research (Brodie et al., 2011; Brodie & Peters, 2020) and greater proximity to the "observable reality" (Brodie et al., 2011, p. 80) in BOP market settings. The distinction between general and midrange theories has received little explicit attention for the application of marketing approaches as part of the solution to development problems, such as poverty alleviation (Alkire (Née Nasr) et al., 2019; Hammedi et al., 2024; Ingenbleek, 2014; Kistruck & Shulist, 2021; Mick, 2012; Pels & Mele, 2018). Thus, this is a timely extension.

The perspective taken in this study is that resources are an abstraction, the meaning of which is socially constructed; dependent on a unique set of practices, symbols, and organizing principles in context; and framed by institutions (Koskela-Huotari & Vargo, 2016; Vargo & Lusch, 2016). The illustrative example demonstrates how the institutional perspective can yield new and valuable insights regarding consumer behavior in settings with non-comprehensive sets of institutions, such as BOP.

Historically, institutional voids have been viewed as a hindrance to change with respect to the formation of markets, because an institutional framework, as the fabric of habitual behavior, is stable (North, 1990). This makes the process of change incremental, consisting of marginal adjustments to a complex set of rules and norms. This study steers toward a new theoretical perspective on institutional voids as an opportunity for innovation driven, market-based poverty alleviation at the BOP (Liedong et al., 2020). BOP markets are synonymous with informal economies that are mainly created by institutional voids and, in turn, reinforce the norms of institutional voids (Mair & Marti, 2009; Webb et al., 2020). The new perspective that has been developed in this study, offers significant opportunities for service research on how institutional voids can also enable market and non-market actors to strive toward transformational outcomes and how institutions that spur market informality can be strengthened.

There has been a need to find a new approach to explaining the failure of prosocial service innovation at BOP, with the majority of studies to date based on a pro-innovation perspective (Hasan et al., 2020). This study provides new insights on this old challenge, by nudging the perspective of research toward the influence of context on innovation adoption and consumer innovation resistance. This is an enrichment of the theoretical understanding of reasons for resistance that goes beyond established frameworks such as individual disposition resistance (Oreg, 2003) and status-quo satisfaction (Heidenreich & Handrich, 2015). We add an institutional driver of innovation resistance that rests on the individual and also on factors in a wider social setting of an innovation adoption decision.

Finally, we add a new conceptual perspective on the way in which institutions provide structure and stability in a system and are thus resistant to change (North, 1990), because they are a driver of innovation resistance at an individual-level. This is a novel and interesting combination of new institutional economics, international management and innovation resistance theory.

### **3.5.3 Practical Implications**

The thought that an individual in poverty resists an innovative service that has the potential to improve their well-being is counterintuitive, unless we view established and deeply ingrained practices/institutions as the norm against which a BOP

consumer compares new, innovative alternatives. We have demonstrated that the presence of institutional voids leads to non-comprehensive sets of local institutions that are mainly implicit and informal and drive local consumer practices. Such institutions are tacit and probably unfamiliar to service researchers from affluent contexts. At the same time, these established practices are stable and resistant to change. Multiple calls for deeper insights into the unique context of BOP markets exist (Gupta & Khilji, 2013; Ramani et al., 2023), and our findings provide a new framework for practitioners that firstly sensitize to the existence of institutional voids and secondly encourage the application of the institutional perspective as a basis to develop more effective market interventions. Our findings lead to three calls to action for practitioners

The first is to anticipate institutional voids and local non-comprehensive sets of institutions, that lead to informal BOP consumer practices as a mandatory element in preparing and launching prosocial innovations in BOP settings. These institutions and practices are not obvious to service researchers and service providers from affluent settings and there is a risk of not studying them or underestimating their influence. But, as our study has shown, they shape the perceptions and actions of BOP consumers. New and locally appropriate approaches are needed to research BOP consumer needs and roles and resources, as well as researching ways to trigger consumer need for institutional change, in advance of designing and launching prosocial services.

Second, it is important not to underestimate the degree of perceived change that a BOP consumer attaches to the potential adoption of a prosocial innovation. This perception is institutionally driven, and is based on a comparison (even subconsciously) with status quo practices, meaning that the likelihood of a rational, benefit-driven evaluation of an innovation is low. Equally, it is important to understand the marketing challenge and the speed at which new services can establish in BOP market settings. The launch of micro-insurance, as an example, is not just the introduction of a new and adapted service, it is a socio-technical undertaking that must lead to the emergence of new widespread practices, and new markets. Because institutional voids can block the process of institutional change and the formation of new formal markets, it is realistic to expect that services for poverty alleviation will require gradual and even iterative processes of implementation, learning, and reimplementation, among other processes, before the social impact can unfold.

Thirdly, our study exposes how institutional voids affect collective perceptions of what constitutes value in BOP market settings. When launching prosocial service innovations at BOP, it is vital to understand the behavior of the individual consumer but also how the influence of people in the broader social setting can slow or block the process of institutional change. We provide an example of this

phenomenon in the discussion of Kilimo Salama launch and re-launch activities. As in this example, practitioners can leverage institutional voids as an opportunity for novel approaches to partnering in BOP service ecosystems. Such approaches are in stark contrast to existing push marketing recommendations for marketing poverty alleviation solutions at the BOP, which focus on concepts such as affordability, accessibility, and availability (London & Hart, 2011; Prahalad, 2005). While these aspects are important, they do not acknowledge the necessity of understanding and possibly deconstructing established institutions/practices before new products and services can gain widespread use.

### **3.6 Agenda for Future Research**

Although previous work in service research has clearly shown the influence of institutions on consumer behavior (Edvardsson et al., 2014; Vargo, Koskela-Huotari, et al., 2020; Vargo & Lusch, 2016), there has been a lack of conceptual discussion of the nature and influence of non-comprehensive sets of institutions. Institutional voids are a frequent phenomenon in markets such as the BOP, but can also be present, to a certain degree, in institutionally robust markets; for example, in the case of radical innovations, such as the use of AI in services. This makes their study highly relevant from a service research and TSR perspective. This chapter has taken a first step in developing a mid-range theory explaining the relevance and considering non-comprehensive sets of institutions for service research and service innovation. We propose directions for further research along four global themes.

The first theme centers on developing a deeper understanding of – and approaches to operationalizing – formal- and informal institutional voids. Can we construct an ethnology of institutional voids and the implicit sets of non-comprehensive institutions at the level of BOP consumers? Implicit sets of non-comprehensive institutions are embedded in systems of behavior (traditions) and practices, rather than in explicit communications. A suggested avenue for future research could be a comprehensive mapping and analysis of (relations between) practices through field work designed to explicate the motivations, norms and assumptions held in BOP communities, that drive individual-level and collective behavior.

Our second proposed research theme is concerned with developing approaches to understanding the effects of institutional voids, i.e., how they drive status-quo practices and resistance to change. How can we construct a deeper, conceptual understanding of which (types of) formal and informal institutions exist and how BOP consumer behaviors are institutionally driven? Causality could be inferred by comparing and contrasting practices between institutional contexts. In-depth investigations through methods such as case study can mark a start of such an approach. Taking a broader, system-level view, future research could explore how informal institutions and informal institutional

voids, e.g., informal trading, child labor, informal lending, that arise because of weak formal institutions, paradoxically benefit a wider group of people (e.g., the informal traders, families relying on money from child labor), and reinforce innovation resistance. How can we research the complex relationships between established practices in one activity and the collective need and impact for that practice in a community? Deep, context-rich qualitative approaches such as participatory action research, participant observation and embedded multi-case study, can be used for this purpose.

The third research theme that we propose is to investigate the nature of BOP consumer learning processes vis-à-vis practices and institutions. How do BOP consumers acquire/construct practices – and what is the nature of their positive (reinforcing) vs. negative (adjusting) feedback loops? How and when does an individual need for institutional change arise? Which barriers are instrumental? How does the broader institutional setting (e.g., the soci(et)al network), with established practices, influence an individual need for institutional change and influence processes of habituation, objectification and sedimentation? What measures could trigger individual agency towards change? Intervention studies could be designed to investigate these areas.

In this study we have focused on consumer behavior under the influence of institutional voids. A fourth avenue for future research is to further investigate how institutional voids (may) lead to institutional misalignment amongst different actors in service ecosystems when they come from diverse institutional backgrounds. What are sources of institutional misalignment and how can such gaps be overcome?

An overarching theme for future research is the further development of research methods and designs that are adequate for the investigation of institutions, and the lack of these, in BOP contexts.

Future research could address not only the single themes but also the interplay among them, looking from the perspective of service ecosystem wellbeing. The awareness of this interplay allows for a suitably comprehensive view on the complex influence of institutions. In short, it is through opening up a perspective to local complexities in context that the construction of mid-range theories becomes possible. By helping to better understand what hinders the diffusion and adoption of prosocial innovations, this chapter has strong societal relevance.



# **Uncovering Barriers to Adoption of Pro-Poor Service Innovations in BOP Markets: An Empirical Investigation<sup>3</sup>**

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“...the BoP problem is embedded in all levels of human systems. Individuals, groups, families, communities, organizations, and institutions all dynamically interact and participate in complex social and economic environments, which all have a role in the failure of these service systems to serve the poor.”

(Fisk et al., 2014, p.45)

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<sup>3</sup>. This chapter was submitted to the Journal of Cleaner Production as Greene, M., Van Riel, A. C. R., & Bloemer, J. M. M., Uncovering Barriers to Adoption of Pro-Poor Service Innovations in BOP Markets: An Empirical Investigation.

## Abstract

This chapter aims to identify and measure institutional barriers to the adoption of pro-poor innovations in the context of a BOP service ecosystem in Zambia. In this study we develop and validate a theoretical model combining theory of passive innovation resistance with a new construct “distrust of formal institutions” as a context antecedent in BOP service ecosystems to investigate the outcomes of the innovation adoption decision of 402 BOP consumers toward an innovative financial service, using partial least squares (PLS) structural equation modelling. In line with previous studies, our findings show that distrust of formal institutions drives PIR, as well as influencing consumer evaluation intention and attitude formation toward an innovation directly. Furthermore, we provide empirical evidence that PIR is a considerable inhibitor of the innovation adoption process, because it directly influences negative attitude formation toward an innovation as well as mediating the effect of distrust of formal institutions on attitude formation toward an innovation. This study is among the first to empirically investigate PIR, its institutional antecedents and its influence on adoption outcomes in BOP settings. This study contributes to a deeper understanding of local institutions on BOP consumer behavior, reveals new and important drivers of barriers to innovation adoption, while broadening innovation resistance theory and S-D logic to idiosyncratic BOP settings and consequently contributes to further theoretical development in each field. Through this chapter we add new insights that can increase the potential impact of market-based poverty alleviation approaches.

## 4.1 Introduction

Many organizations develop pro-poor innovations, i.e., innovations that provide particular benefits for populations living below the poverty line (Luiz et al., 2021). Notwithstanding their potential for improving the living circumstances of base- or bottom-of-the-pyramid (BOP) consumers, many of these innovations fail to diffuse (Garrette & Karnani, 2010; Lashitew, Narayan, et al., 2022). The reasons for this failure are poorly understood. To accomplish sustainable development goals (SDGs) 1 and 8, it is crucial to develop a better understanding of the drivers of and barriers to innovation diffusion in BOP environments. This chapter therefore tries to develop a better understanding of why consumers living in the unique institutional context of a BOP market resist the adoption of pro-poor innovations.

Research on the adoption of innovations has traditionally and mainly focused on positive antecedents, or drivers, of adoption, and mostly investigated the role of features of the new product and how these satisfy the needs of the potential adopter (Lowe et al., 2019). Recently, research is turning to the barriers to diffusion, in particular research into passive innovation resistance (PIR) (Heidenreich & Handrich, 2015). Although this research presents a big step forward in the understanding of drivers and barriers of innovation diffusion, little research attention has gone to understanding resistance to the adoption of innovations specifically in BOP contexts. BOP literature however points to contrasting consumer behavior that arises due to the influence of the circumstances of poverty (Uttam & Rahul, 2024). Recent theoretical developments in institutional theory help us understand how the unique institutional context in BOP markets, characterized by so-called institutional voids (Mair et al., 2012; Mason & Chakrabarti, 2017) – referring to absence or dysfunction of institutions that typically support market transactions (Khanna & Palepu, 1997) – may affect innovation diffusion. In this chapter, we empirically investigate if and how a salient and under-researched determinant of the institutional context, distrust of formal institutions (Chapter 3), acts as a barrier to innovation adoption in a BOP context. We do this by addressing the following research question:

*What is the role of distrust of formal institutions in driving resistance to the adoption of pro-poor innovations in BOP markets?*

This chapter intends to contribute to recent developments in the innovation adoption and diffusion literature by developing a better understanding of barriers to adoption of pro-poor innovations – specifically the role of distrust of formal institutions – thus potentially making innovation diffusion and adoption theories better suited for BOP markets.

First, classical innovation adoption theory is discussed and extended with the concept of PIR. Then the unique circumstances in the BOP market are clarified based on institutional theory, to better understand why and how these unique circumstances, e.g., distrust of formal institutions, may drive resistance to pro-poor innovation in BOP markets. A set of hypotheses is formulated, and tested, for a financial service innovation, as an example of a pro-poor innovation, in a typical BOP market. Based on the findings a research agenda is formulated as well as some theoretical implications, and more practical implications for firms that wish to launch innovations in a BOP context.

## **4.2 Literature Review and Hypothesis Development**

### ***4.2.1 Theory of Innovation Adoption and PIR***

In classical innovation theories, the intentions to adopt an innovation are seen as the outcome of a cognitive process, which involves information search and processing on the part of an individual or other decision-making unit (Rogers, 2005). It is assumed that potential adopters go through stages of awareness and getting knowledge about an innovation, evaluating it, forming an attitude toward it, developing intentions to adopt or reject the innovation, and then to eventually implement and confirm their decision to adopt (Rogers, 2005). Studies of diffusion of innovations can be broadly categorized into research around innovation adoption (Rogers, 2005) and consumer resistance to innovation (Ram & Sheth, 1989). Reasons for resisting innovations have been positioned as manifestly different, equating to barriers to innovation adoption, than reasons for adopting an innovation (Claudy et al., 2015; Garcia et al., 2007). In a BOP context, where many innovations fail, it is therefore important to empirically investigate antecedents to resistance and/or how these factors influence consumers' adoption intentions (Hasan et al., 2020).

High failure rates of new products and services are to be expected to some degree, because innovation, as an idea that is new to the unit of adoption (Rogers, 2005), requires consumers to adopt changes in price, functionality, design, and to change their habits or even break with entrenched norms (Garcia et al., 2007). Consumer resistance to innovation is a specific form of a generic individual-level tendency to resist change (Oreg, 2003). It is most frequently defined as "resistance offered by consumers, either because it poses potential changes from a satisfactory status quo or because it conflicts with their belief structure" (Ram & Sheth, 1989, p. 6). If the level of innovation resistance is too high, an innovation is rejected and the innovation adoption process ends before it has begun (Koch et al., 2021). Thus, resistance to change has to be overcome before innovation adoption can begin (Laukkanen, 2016).

Consumer resistance to innovations can be both *passive* and *active* (Heidenreich & Handrich, 2015). Passive innovation resistance (PIR) is a predisposition to resist the change that is associated with the adoption of an innovation. It forms, unconsciously, before a deliberate process of new product evaluation starts and thus influences the adoption decision process at the knowledge stage (Talke & Heidenreich, 2014). If present in sufficiently high levels, PIR drives an individual to passively reject an innovation, without evaluating its potential benefits (Heidenreich & Handrich, 2015; Talke & Heidenreich, 2014). Already at lower levels, PIR leads to a higher likelihood of a negative evaluation of innovation features in later stages of the innovation adoption decision process (Claudy et al., 2015). Thus, PIR is influential on active innovation resistance (AIR) which refers to the tendency of a potential adopter toward the formation of a negative attitude during a deliberate process of new product evaluation (Laukkanen et al., 2008), leading to a higher likelihood of innovation rejection.

Passive innovation resistance has gained increased research attention in recent times (Huang et al., 2021; Koch et al., 2021). A range of empirical studies show that PIR is a considerable inhibitor in the innovation adoption process and provide insight into antecedents and consequences of PIR (Heidenreich & Handrich, 2015; Heidenreich & Kraemer, 2015; Koch et al., 2021; Labrecque et al., 2017; Van Tonder, 2017). The relevance of PIR in BOP contexts, however, has remained unexplored. This gap is critical, as BOP consumers operate within highly idiosyncratic institutional settings that shape the status quo of actor practices of consumption and norms. Given the disappointing diffusion of pro-poor innovations, understanding PIR at BOP helps explain barriers to innovation adoption as an addition to what is already understood through application of innovation adoption models.

#### **4.2.2 Institutional Theory**

Institutional theory explains how institutions – the humanly devised rules, norms and meanings that enable and constrain human action (North, 1990; Scott, 2014) – shape the behavior of individuals and organizations. In the institutional perspective, actors do not just behave rationally and seek efficiency, but often act in ways that are seen as legitimate, accepted, or expected by society or other relevant reference groups. Institutions are categorized in new institutional economics as formal and informal rules (North, 1990), that shape economic outcomes because they act as incentives, influence transaction costs and influence efficiency of transactions in an economy (Coase, 1991; North, 1990). Scott (2014) is noted for the further development of institutional thinking toward understanding how norms, legitimacy and informal practices shape organizational behavior (Scott, 2014). Through this perspective of sociological institutionalism, institutions are not just

about rules and transaction costs, but also about cultural-cognitive, normative and regulative pillars that shape organizational behavior (Scott, 2014).

Although the explicit application of institutional thinking is not widespread in marketing and consumer behavior research (Kleinaltenkamp, 2018; Vargo & Lusch, 2016), more recently, in service research, institutions are acknowledged as a central mechanism that coordinates the actions of actors in service ecosystems (Vargo & Lusch, 2016). Institutions represent the embedded rules of the system that shape and drive the way that actors attribute value to resources and how they go about coordinating resource integration (Edvardsson et al., 2014). Each of the regulative, normative, and cognitive institutional pillars (Scott, 2014) influence human behavior in a different way. Formal, regulative institutions include laws, contracts, and regulations, regulate behavior out of self-interest to avoid negative consequences (Kleinaltenkamp, 2018). Normative institutions are based on social norms and values that drive internal commitment to adhere to social standards within various social groups (Edvardsson et al., 2014; Scott, 2014). Cognitive institutions consist of beliefs and ideas that are taken for granted, and they frame sense-making processes and shape perceptions of reality (Kleinaltenkamp, 2018). Institutions at different levels in a social system influence each other, guiding and constraining behavior toward the institutionalization of practices to make social life predictable and meaningful (North, 1990; Scott, 2014). This perspective draws attention to the role of institutions not only as the man-made rules of the game (North, 1990) but also the outcome of and context for social action (Edvardsson et al., 2014; Vargo, Akaka, et al., 2020).

#### **4.2.3 Institutional Change**

Many studies have applied an institutional theory lens to the process of organizational change (Dimaggio & Powell, 2004; Greenwood et al., 2002; Tolbert & Zucker, 1996; Westphal et al., 1997), leading to the establishment of a connection between institutional thinking and the adoption of new ideas, albeit in an organizational context. This notion has been further developed in service research where the diffusion of innovation has been framed as an institutional change process (Vargo, Akaka, et al., 2020), that is based on the institutionalization of new social norms, rules, values etc. The existence of an embedded set of institutions in a context is an indication that the structure of economic exchange has been established (Kleinaltenkamp, 2018). This is reflected in status quo practices that have been institutionalized, and which reduce the uncertainty of transactions for those involved (North, 1990; Scott, 2014). As soon as actors move away from established practices, the uncertainty about the potential outcome increases. The more complex and unique the new institutions are, the greater the degree of uncertainty for the actor (North, 1990; Siltaloppi & Wieland,

2018). The greater the gap between the competence of the actor to decipher the new institutions and select a preferred alternative, the more likely that the actor will adhere to established practices and institutions which dampens their need for institutional change (North, 1990). Institutions thus are an important influence on actor agency and motivation for change (North, 1990). While assessing an economic decision, institutions “alter the price individuals pay and hence lead to ideas, ideologies and dogmas frequently playing a major role in the choice individuals make” (North, 1990, p. 22). Actors display a tendency to make choices that conform to the institutional norm, for reasons of self-interest and social restraint, as opposed to making choices in a rational manner and to maximize economic utility (Seo & Creed, 2002).

#### ***4.2.4 Institutional Setting in BOP Contexts***

Because of the relevance of prevailing institutions as both the outcome and context for social action, a discussion of the typical characteristics of the BOP institutional context, which is highly influenced by institutional voids, is a necessary addition to our discussion. Institutional voids refer to the absence or dysfunction of institutions – such as regulatory systems, property rights and enforcement mechanisms – that typically support efficient transactions (Khanna & Palepu, 1997; Webb et al., 2020). Institutional voids are particularly prevalent in BOP contexts, where institutional infrastructure tends to be underdeveloped or inconsistent (Liedong et al., 2020). Based on studies in the field of international management, the effect of institutional voids on organizational behavior is an increase in transaction costs, reduced trust and transparency, barriers to entering such markets and widespread inefficiency in the allocation of resources (Liedong et al., 2020). These institutional voids significantly influence how individuals and organizations behave in markets. One major implication is a lowered willingness to engage in innovation or invest in productive assets. Without reliable formal institutions to enforce contracts, protect property rights, or ensure fair competition, actors may perceive the risks of market participation as too high (North, 1990; Peng & Khoury, 2009). Instead, short-term strategies and risk-aversion often dominate decision making, limiting the emergence of new solutions.

While the term institutional void might suggest a complete absence of institutional infrastructure, the reality is more nuanced. Firstly, it is a question of perspective; if a full set of regulative, cultural-cognitive and normative institutions is the benchmark for expectations, then absences or inconsistencies are referred to as voids. Secondly, in response to absent or weak formal institutional frameworks, informal institutions emerge to fill regulatory gaps (Roll et al., 2021). These informal mechanisms (cultural-cognitive, normative institutional pillars), examples of which include community norms, trust-based agreements and social networks, can

be sufficiently strong so as to coordinate reliable transactions and reduce actor uncertainty in the absence of formal governance (Bothello et al., 2019; Mair et al., 2012). These informal institutions shape localized practices that, while they function in the local context, at the same time foster distrust of new ideas and possibly drive resistance to change or discourage experimentation.

In some cases, informal institutions fail to support reliable transactions leading to informal institutional voids. These arise when local norms, values or social networks are insufficient to promote trust, cooperation, or stability (Webb et al., 2020). The existence of informal institutional voids leads to the emergence of cultural values, social networks, and coping strategies (Lund, 2006) that are highly localized, less codified, and resistant to change due to their embedded nature (Roland, 2004). Examples include, high degrees of social obligation that block individuals from changing behavior (Portes & Sensenbrenner, 1993), a dominance of prescriptive behaviors influenced by domains such as religion, family and market (Banerjee & Duflo, 2012), social exclusion from participation in economic transactions (Khoury & Prasad, 2016), as well as forms of corruption that breed distrust of certain groups of people (de Soto, 2006). As the examples show, informal institutional voids are typically tacit, deeply locally embedded and resistant to external influence (Roland, 2004).

#### **4.2.5 BOP Consumer Distrust of Formal Institutions**

While the influence of institutional voids has been studied in fields such as international management, their influence on actor/consumer behavior has received little explicit research attention in marketing or consumer behavior literature. Selected studies (Khanna & Palepu, 1997; London & Hart, 2004; Viswanathan et al., 2005, 2008) have uncovered the influence of institutional voids on consumer behavior in BOP-like contexts, albeit in an implicit manner. Table 4.1 presents an overview of these selected studies that have implicitly explored the influence of institutional voids on consumer responses and consumer choices. These studies reveal patterns of established practices as well as institutional norms that typify consumer responses to the existence of institutional voids, as well as the implications for consumer choices. As presented in Table 4.1, a commonality of the studies is that the presence of formal and/or informal institutional voids influence consumer distrust of formal institutions (such as government systems, formal retail, and commercial providers of services), which drives informal practices. In support of this finding, recent developments in service research indicate that formal institutional voids hamper actors' motivation toward institutional change because they drive a reliance on highly informal practices (Greene et al., 2025), resulting in resistance to innovations (see Table 4.1). For the purpose of this study,

we develop a contextual understanding of distrust of formal institutions in BOP settings, in line with extant definitions of distrust (Deutsch, 1958; Lewicki et al., 1998). Therefore, our working definition of distrust of formal institutions is worded as follows; a confident negative expectation regarding the motivations, intentions and behaviors of formal institutions, such as formal retail and commercial providers of services.

**Table 4.1** Findings on the influence of institutional voids on consumer choices

Type of institutional void	Consumer response	Implication for consumer choices	Supporting literature
<b>Weak regulatory systems</b> (formal institutional void)	Reduced trust of formal institutions, reliance on interpersonal trust networks	Preference for relationship-based services; slow adoption of formal financial or digital tools	Khanna & Palepu, 1997; Viswanathan et al., 2008
<b>Lack of financial infrastructure access</b> (informal institutional void)	Practices based on coping strategies like shared resources, pay-as-you go, informal credit	Exclusion from formal markets, leading to distrust of these formal markets; preference for flexible, low-cost options and informal alternatives	Khanna & Palepu, 1997; London & Hart, 2004; Viswanathan et al., 2005
<b>Information asymmetry</b> (informal institutional voids based on social exclusion and power inequalities)	Distrust of formal communications, dependence on informal sources such as word-of-mouth, community advice	Exclusion from formal markets leading to distrust of the same, preference for flexible, low-cost options and informal alternatives	Reinartz et al., 2019; Viswanathan et al., 2008
<b>Absence of consumer protection mechanisms</b> (formal institutional void)	Skepticism towards new or unknown providers; distrust toward formal market mechanisms	Choice of providers with local presence or community validation; low brand loyalty and frequent switching	Viswanathan et al., 2008

Source: Authors' own work.

#### 4.2.6 Hypothesis Development

To formulate guiding hypotheses for the empirical investigation, we explore and propose relationships between distrust of formal institutions and PIR, and between PIR and innovation adoption decision outcomes.

*BOP Consumer Distrust of Formal Institutions and PIR*

We start from the assumption that distrust of formal institutions in BOP consumers is driven by the presence of institutional voids in a BOP market setting, as discussed in section 4.2.5. Distrust triggers a strong emotional response (Lewicki et al., 1998; Moody et al., 2017), leading to an exaggerated expectation of unfavorable outcomes (Lewicki et al., 1998). This occurs even if the intentions of the distrusted institution are positive (Six & Latusek, 2023). Distrust prevents an individual from accepting the uncertainty and vulnerability required to try new solutions, and leads to actions that generate a state of self-preservation (Six & Latusek, 2023). Thus we assume that distrust toward formal institutions is a driver of resistance to the change associated with adoption of an innovation which is marketed by a commercial organization. In the prevailing institutional setting in BOP, a predisposition, as a habitus, toward stability rather than change (North, 1990) is evident, and drives PIR.

Where BOP consumer distrust is directed toward formal institutions, such as government bodies or retail outlets, we propose its presence drives a negative emotional response to the change associated with the adoption of innovations, or PIR. We therefore propose:

H1: BOP consumers' degree of distrust of formal institutions is positively associated with PIR

*Distrust of Formal Institutions in BOP Contexts and Innovation Adoption Outcomes*

In terms of the adoption of innovations, this study focuses on the stages where potential adopters evaluate it, form an attitude toward adopting it, and then develop intentions to adopt or reject the innovation (Rogers, 2005). It is generally acknowledged that these stages are sequentially linked and positively related (Ajzen, 1991).

We contend that the willingness to evaluate a pro-poor innovation is negatively affected by distrust of the formal institutions offering the innovation, such as a retailer, because of the confident negative expectations regarding the motivations, intentions and behaviors of such formal institutions. We therefore propose:

H2a: The degree of distrust of formal institutions is negatively associated with BOP consumers' intentions to evaluate an innovation

As argued by Denzau & North (1994) an individual's interpretation of their environment reflects institutionally driven learning. In line with these authors, we infer that individual level distrust of formal institutions is learned in environments of shared mental schemata. This drives negative attitude formation toward

an innovation as a new type of service (e.g., an unknown category, such as commercially offered financial services) and the retailer as a representation of a (distrusted) formal institution. We propose:

H2b: The degree of distrust of formal institutions is negatively associated with BOP consumers' attitude formation toward an innovation

The normative structures that are represented by institutions and practices, lead to collective "taken-for-grantedness", which is in conflict with the individual actions of actors, referred to as agency (Battilana & D'Aunno, 2009). Thus, actor agency for change is constrained by the institutional environment that causes homogeneity in the actions of the actors (Meyer & Rowan, 1977). This homogeneity of actions, for example informal practices of managing finances and reliance on cash, means that there is a lack of consumer experience, feelings of exclusion from and distrust of commercial financial services as norms (Greene & van Riel, 2021). Because these norms are shared in a wider social group, they lead to a strong sense of homogeneity, which constrains individual actor agency such as adoption intentions. We thus propose:

H2c The degree of distrust of formal institutions is negatively associated with BOP consumers' innovation adoption intentions

#### *PIR and Innovation Adoption Outcomes*

Consumers who display PIR lack the motivation to engage in information search (Heidenreich & Spieth, 2013; Ram & Sheth, 1989). They strive to maintain a status quo and thus develop a negative bias toward new products and services (Godefroid et al., 2022; Kim & Rha, 2018; Samuelson & Zeckhauser, 1988), leading to unconscious passive, or, later in the innovation adoption decision process, active rejection. The immediate outcome of PIR is an unconscious perceptual and cognitive mechanism that disrupts processing of innovation information (Claudy, 2011; Clady et al., 2015; Laukkanen, 2016) just before, or at the stage of, awareness of an innovation (Huang et al., 2021). This disposition hinders evaluation of the innovation, and increases the probability of developing a negative attitude towards the innovation, which reduces the likelihood of adoption (Ajzen & Fishbein, 2000). We formulate the following hypotheses regarding the direct effect of PIR on innovation adoption outcomes;

H3a: PIR is negatively associated with BOP consumers' evaluation intentions toward innovations

H3b: PIR is negatively associated with BOP consumers' attitude formation toward adopting innovations

H3c: PIR is negatively associated with BOP consumers' adoption intentions toward innovations

*Evaluation Intention, Attitude Formation and Adoption Intention Toward Innovation*

We conceptualize the adoption of an innovation among BOP consumers as a sequential process comprising three key outcomes; intention to evaluate the innovation, attitude formation toward adopting the innovation and intention to adopt the innovation, in line with established models of innovation such as the Theory of Planned Behavior (TPB) (Ajzen, 1991). The initial step of intention to evaluate facilitates learning and social comparison, both of which contribute to the formation of attitudes toward innovation (Ajzen, 1991). Therefore, we propose a positive relationship between evaluation intentions and attitude formation:

H4a Evaluation intentions toward innovations is positively associated with BOP consumers' attitude formation

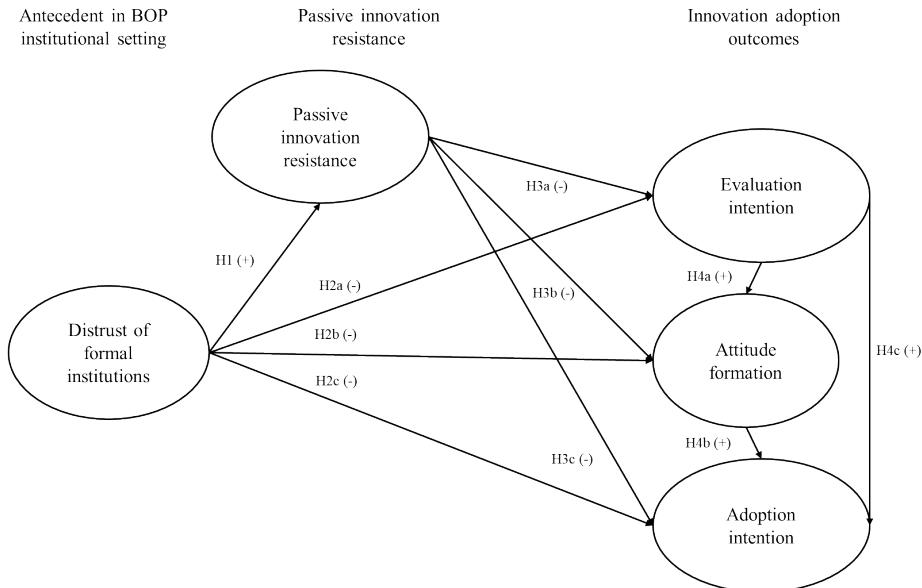
Attitudes toward an innovation – comprising cognitive and affective evaluations such as perceived usefulness, ease of use and trust, are theorized to positively influence adoption intentions consistent with existing models such as the Technology Acceptance Model (Davis, 1993), thus we propose a positive relationship between attitude formation and adoption intentions:

H4b Attitude formation toward innovations is positively associated with BOP consumers' adoption intentions

However, given the reliance of BOP consumers on established practice which act as heuristic cues, consumers may at times form adoption intentions even with limited attitude development. Thus, we propose a direct effect of evaluation intention on adoption intention, recognizing an intuitive or socially driven decision route.

H4c Evaluation intentions toward innovations is positively associated with BOP consumers' adoption intentions

**Figure 4.1**  
Conceptual model



Source: Authors' own work.

### *The Mediating Role of PIR*

In the previous section, we argued that distrust of formal institutions triggers a strong emotional response in BOP consumers leading to an exaggerated expectation of unfavorable outcomes. These generate a state of self-protection, which directly drives BOP consumer levels of PIR. This argumentation resulted in hypotheses about the direct effects of distrust of formal institutions on BOP consumer intentions to evaluate, attitude formation and intentions to adopt an innovation. However, we contend that there are indirect effects via PIR, because of how this construct adds the effect of resistance to change in practices associated with adoption of innovations. As a consequence, the combined effects of distrust of formal institutions and PIR strongly inhibit the innovation adoption process (Heidenreich & Kraemer, 2016; Labrecque et al., 2017; Van Tonder, 2017). Because of the assumed direct and indirect effects, we propose that PIR mediates the relationship between BOP consumer distrust toward formal institutions and innovation decision outcomes:

H5a: PIR mediates the relationship between distrust of formal institutions and BOP consumers' innovation evaluation intentions

H5b: PIR mediates the relationship between distrust of formal institutions and BOP consumers' attitude formation toward innovation

H5c: PIR mediates the relationship between distrust of formal institutions and BOP consumers' innovation adoption intentions

Following the formulation of hypotheses for this study, we empirically test the conceptual model presented in Figure 4.1.

### 4.3 Methods

The purpose of the empirical study was to explore the effects of distrust of formal institutions on PIR (H1), and on adoption outcomes (H2a-c), as well as the direct effects of PIR on adoption outcomes (H3a-c), the sequential influence of innovation adoption outcomes (H4a-c) and finally the effect of PIR in mediating the relationship between distrust of formal institutions and adoption outcomes (H5a-c).

The context for the study was BOP consumers in Zambia where 71.8% of the population experience, or are at risk of, multidimensional poverty (United Nations Development Program (UNDP), 2023). Respondents were asked about an innovative mobile money service (MMS), understood as an agent-assisted, mobile-phone-based, person-to-person payment and money transfer system (Bateman et al., 2019). Such services have been developed to enable access to financial services, particularly for low-income individuals, because they provide a way for anybody with a mobile phone to send, receive and store money easily and without a bank account and at a very low transaction cost (Demir et al., 2022; Demirgürç-Kunt et al., 2022). According to the World Bank Group (2018), 76% of the Sub-Saharan population displays non-consumption of financial products and services that can build individual financial stability and improve livelihoods. MMS offer the advantage of enabling access to financial services through digital channels and technologically assisted means and thus can potentially reach currently underserved target groups (Gupta & Kanungo, 2022). While the usage of MMS has spread rapidly in BOP contexts, BOP consumers in low economic strata remain excluded (Demir et al., 2022; Demirgürç-Kunt et al., 2022). Thus investigating barriers innovation adoption will deliver new insights toward more successful diffusion of such transformative innovations.

#### 4.3.1 Sampling

Data were collected in November 2022 in Ndola, Zambia and its surrounding rural areas. A total of 436 paper-based, interviewer-administered questionnaires were completed by locally trained interviewers under the supervision of Northrise University. Survey participants were selected, in their everyday settings, through

convenience sampling guided by predefined criteria: (1) adults, (2) involved in household spending decisions, (3) from “moderately poor” or “very poor” households, and (4) from both urban and rural areas. Convenience sampling is suitable in BOP settings where reliable population data and communication infrastructure are limited (Chikweche & Fletcher, 2012; Ingenbleek et al., 2013).

Local interviewers facilitated trust, consent, and survey comprehension (Ingenbleek et al., 2013; Viswanathan et al., 2017), aligning with best practices for BOP research, especially regarding low levels of literacy in respondents and lack of experience with surveys (Viswanathan et al., 2017). The study received the mandatory approval from University of Zambia Humanities and Social Sciences Research Ethics Committee, adhering to local ethical standards.

During consent, respondents were informed about the study’s purpose and could ask questions before agreeing to participate. No incentives were offered. Interviewers were trained to use the questionnaire and instructed on study objectives, anonymity, consent, and identifying response patterns (Ingenbleek et al., 2013). After removing ineligible and incomplete responses (e.g., non-poor households), 402 valid responses remained and were coded for analysis.

#### **4.3.2 Demographics**

We selected a range of covariate questions to indicate age, gender, economic welfare, urban/rural living status, household size and levels of education. We developed measures based on the standards used in the Zambian census (Central Statistical Office [Zambia], 2016) for example categories for household size and self-reported household welfare status based on categories of “non-poor”, “moderately-poor” and “very poor”. Interviewers received a full explanation for each category and advice on how to support respondents in answering this question.

The sample for the study comprised adults in the moderately poor (49.5%) and very poor (50.5%) categories of welfare. 63.1% of the respondents belonged to households with more than five persons, with a slightly higher proportion of male respondents (56.2%), and a slightly higher proportion of rural dwellers (58%). In the sample, 36.6% of respondents had no or primary level education only, while 40.8% had achieved secondary level education.

**Table 4.2** Sample demographics

Household (people)	%	Level of welfare	%	Education Status	%	Age (years)	%	Gender	%	Location	%
1-2	6.7	Moderately poor	49.5	no / primary education	36.6	18-24	20.1	Male	56.2	Urban	42.0
3-4	30.1	Very poor	50.5	secondary education	40.8	25-34	30.1	Female	43.8	Rural	58.0
5-6	32.8			tertiary education	22.6	35-44	26.4				
7+	30.3					45+	23.4				

Source: Authors' own work.

### 4.3.3 Measures

#### *Distrust of Formal Institutions*

To explore a new construct in the unique institutional setting at the BOP, distrust of formal institutions, our first step was to develop measurement items. As no previous scales existed, we used a process of triangulation of data from literature and data from focus group discussion to develop 33 new items that relate to institutionalized consumer practices and norms in a BOP setting (see Appendix A4.1). These were reviewed in a first round for context validity (Zambian expert panel) and in a second round for validity and reliability of the measures (academic panel). Twelve ambiguous or inappropriate items were eliminated, leaving 21 items. These questions were designed as five-point Likert scales, the wording of which was varied in order to reduce respondent fatigue and common method variance (MacKenzie & Podsakoff, 2012). We placed emphasis on indicators of distrust in formal institutions in the survey data and settled on 11 items. We conducted exploratory factor analysis (EFA) in SPSS on these 11 items and using Eigenvalues of  $>1$ , we examined a possible two or one factor model. On elimination of three cross-loading items and one item that now loaded below our own 0.6 threshold, we settled on one construct measuring distrust of formal institutions reflected in seven items (see Appendix A4.1a).

#### *PIR*

An existing, validated, 18-item measurement scale for PIR (Heidenreich & Handrich, 2015) was contextualized for “mobile money services” and, following recommendations of the Zambian expert panel, some wording adjustments were made to fit local use of language. In line with Heidenreich and Handrich (2015), items were organized in two reflective dimensions: individual resistance to change (IRC), and status quo satisfaction (SQS).

#### *Adoption Outcomes*

In line with previous studies of innovation resistance (Claudy, 2011; Claudio et al., 2015), three sets of relevant adoption outcomes were measured: evaluation intentions, attitude formation, and adoption intentions. Existing measurement scales (Claudy, 2011; Claudio et al., 2015), were adapted to the object and context of this study. Thirteen items were used to measure three adoption outcomes.

### 4.3.3 Content Validity

All measurement items for the survey were reviewed for meaning and relationship of concepts, wording, suitability for low-literate respondents, interpretation and

sensitivity by a panel of Zambian experts (Chikweche & Fletcher, 2012; Ingenbleek et al., 2013). This led to semantic adaptations and exclusion of some newly developed items, as discussed in the next section. Questionnaires were translated from the original English to Bemba using the recommended back-translation approach (Behr, 2017) and were administered in Bemba, by researchers fluent in both languages.

The measurement model was assessed through several stages. Appendix A4.1a provides an overview of descriptive statistics for the constructs and measurement items and shows that the outer loadings mostly exceed 0.70 and can be considered significant (Hair et al., 2011). In some cases, we accepted outer loadings  $>0.6$  in line with the early stage, exploratory nature of this study and the domain content. Next, reliability was evaluated on the basis of coefficient alpha and composite reliability (Hair et al., 2019). As in Appendix A4.1a, all constructs demonstrate high reliability, exceeding the cutoff level of 0.7 for the coefficient alpha and composite reliability. Following this analysis, we tested the convergent validity using the average variance extracted (AVE). All values exceed the threshold  $>=0.5$  (Hair et al., 2019). Discriminant validity was assessed using the Heterotrait-Monotrait (HTMT) ratio of correlations, as recommended by Henseler et al. (2017). All HTMT values were below the threshold of 0.85 (Table 4.3), indicating acceptable discriminant validity among the constructs.

**Table 4.3**  
Discriminant validity

	Adoption Intention	Attitude	Distrust of Institutions	Evaluation Intentions
<b>Attitude</b>	0.665			
<b>Distrust of Institutions</b>	0.346	0.355		
<b>Evaluation Intentions</b>	0.460	0.346	0.334	
<b>PIR</b>	0.318	0.324	0.725	0.210

*Note: Heterotrait-monotrait ratio (HTMT). Values below 0.85 (conservative threshold) suggest adequate discriminant validity between constructs (Henseler et al., 2016).*

*Source: Authors' own work.*

#### 4.4 Data Analysis and Findings

We tested the measurement model and hypotheses with partial least squares structural equation modelling (PLS-SEM) in SmartPLS-4 (Sarstedt et al., 2021), because its predictive orientation (Hair et al., 2019) is appropriate for the goals of this study. It minimizes the errors in endogenous constructs (Henseler et al., 2016) and accurately estimates mediation effects (Hair et al., 2011), whereby a sample size of 200 is esteemed sufficient to validate a model using PLS-SEM (Hair et al., 2019).

Thus, the sample size of 402 in our study meets this requirement. We used a 10,000 bootstrapping sample to generate t-statistics and confidence intervals (CI) to examine the significance level of path coefficients (Streukens & Leroi-Werelds, 2016).

#### 4.4.1 Structural Model

The structural model was gauged using and (see Table 4.4) to assess the models explanatory and predictive power (Hair et al., 2013; Wetzels et al., 2009). The values indicate that the model explains a small to moderate amount of variance in levels of passive innovation resistance and innovation adoption outcomes (evaluation intentions, attitude formation, and adoption intentions). The values explain the predictive relevance of the endogenous constructs, and because the same variables had  $>0$ , predictive relevance for out-of-sample prediction could be confirmed (Hair et al., 2019). The validated model is presented in Figure 4.2.

**Table 4.4**

$R^2$  and  $Q^2$  values for endogenous constructs

Endogenous constructs	R <sup>2</sup>	Q <sup>2</sup>
<b>Passive Innovation Resistance</b>	0.343	0.337
<b>Evaluation Intention</b>	0.057	0.048
<b>Attitude formation</b>	0.157	0.088
<b>Adoption Intention</b>	0.357	0.072

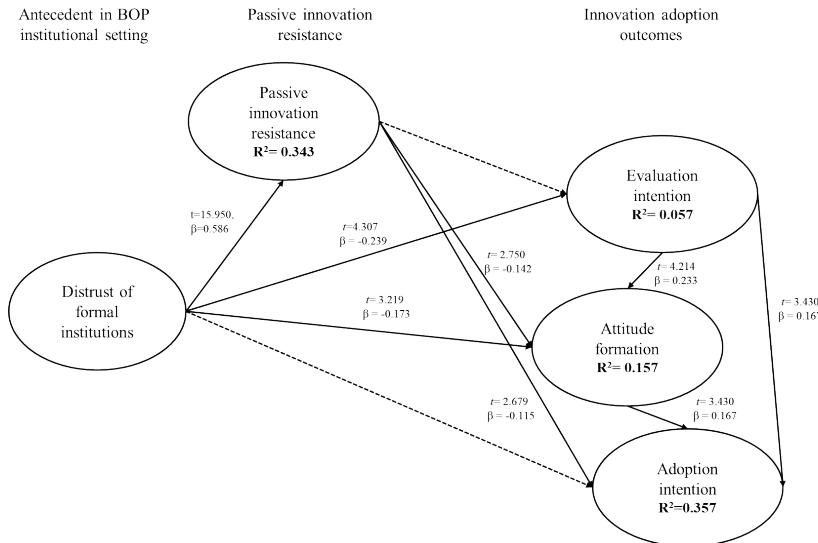
Notes:  $R^2 \approx 0.75$  = substantial,  $\approx 0.50$  = moderate,  $\approx 0.25$  = weak explanatory power,  $Q^2 = >0.02$  weak,  $>0.15$  moderate,  $>0.35$  strong predictive value (Hair et al., 2013). Source: Authors' own work.

#### 4.4.2 Hypothesis Testing

We applied PLS-SEM (Sarstedt et al., 2021) to test hypotheses, and summarize the results in Table 4.5. We first evaluate the relationship between the exogenous construct *distrust of formal institutions* and PIR ( $\beta = 0.586$ ,  $t=15.950$ ,  $p<0.001$ ), supporting H1: The degree of distrust of formal institutions that BOP consumers display is positively associated with PIR.

Secondly, we examine the relationship between the exogenous construct and adoption outcomes. H2a: The degree of distrust of formal institutions is negatively associated with BOP consumer intention to evaluate an innovation ( $\beta = -0.239$ ,  $t=4.307$ ,  $p<0.001$ ) is supported, as is H2b: The degree of distrust of formal institutions is negatively associated with BOP consumer attitude formation toward an innovation ( $\beta = -0.173$ ,  $t=3.219$ ,  $p<0.001$ ). The relationship to adoption intention was non-significant ( $p<0.519$ ), meaning that H2c which posits that the degree of distrust of formal institutions is negatively associated with BOP consumer innovation adoption intention, is rejected.

**Figure 4.2**  
Validated model



Source: Authors' own work.

As a next step, we examine the relationships between PIR and adoption outcomes. H3a, proposing that PIR is negatively associated with BOP consumer evaluation intentions toward commercially offered pro-poor innovation, is not supported by the data, because the relationship is non-significant ( $p < 0.073$ ). In contrast, the negative relationship between PIR and the adoption outcomes; attitude formation ( $\beta = -0.142, t = 2.750, p < 0.006$ ), and adoption intention ( $\beta = -0.115, t = 2.679, p < 0.007$ ) is supported by the data and can support H3b: PIR is negatively associated with BOP consumer attitude formation toward commercially offered pro-poor innovations, and H3c: PIR is negatively associated with BOP consumer adoption intentions toward commercially offered pro-poor innovation.

We then analyzed the relationships between the different adoption outcomes. The relationship between evaluation intention and attitude formation is positive and significant ( $\beta = 0.233, t = 4.214, p < 0.001$ ), as well as the relationship to adoption intention ( $\beta = 0.167, t = 3.430, p < 0.001$ ), supporting H4a, evaluation intention toward commercially offered pro-poor innovations is positively correlated with attitude formation, and H4c, evaluation intention toward commercially offered pro-poor innovations is positively correlated with adoption intention. Equally, H4b, attitude formation toward commercially offered pro-poor innovations is positively correlated with adoption intention, can be supported based on the results of hypotheses testing ( $\beta = 0.488, t = 8.169, p < 0.001$ ).

As a final step of hypothesis testing, we analyzed the indirect effects. The analysis revealed a significant negative indirect effect of distrust of formal institutions on attitude formation through PIR ( $\beta =-0.083$ ,  $t=2.655$ ,  $p<0.01$ ), indicating that PIR mediates the relationship in the theorized direction. No indirect significant effects were found of distrust of formal institutions on evaluation intention and adoption intention.

**Table 4.5**  
Structural model

Hypotheses	Relationship	P Values	Significance
H1	distrust of formal institutions > PIR	0.000	significant
H2a	distrust of formal institutions > intention to evaluate an innovation	0.000	significant
H2b	distrust of formal institutions > attitude formation toward adopting an innovation	0.001	significant
H2c	distrust of formal institutions > innovation adoption intention	0.519	non-significant
H3a	PIR > intention to evaluate an innovation	0.073	non-significant
H3b	PIR > attitude formation toward adopting an innovation	0.006	significant
H3c	PIR > innovation adoption intention	0.007	significant
H4a	intention to evaluate an innovation > attitude formation toward adopting an innovation	0.000	significant
H4b	attitude formation toward adopting an innovation > innovation adoption intention	0.000	significant
H4c	intention to evaluate an innovation > innovation adoption intention	0.001	significant
Indirect effect			
H5b	distrust of formal institutions >PIR > attitude formation toward adopting an innovation	0.008	significant

*Notes: significance is established for values  $p<.05$ .*

*Source: Authors' own work.*

#### 4.4.3 Control Variables

We tested the effect of the control variables gender, household size, education status, poverty status and rural/urban living on adoption outcomes. Gender and household size have a non-significant relationship with the innovation decision outcomes (evaluation intentions, attitude formation, and adoption intentions) with  $p > 0.05$  in each case. Education status displays a significant relationship

with evaluation intentions ( $t=2.152$ ,  $p=0.031$ ), poverty status displays a significant relationship with attitude formation ( $t=2.305$ ,  $p=0.021$ ), and urban/rural dwelling displays a significant relationship with adoption intentions ( $t=2.32$ ,  $p=0.02$ ) and evaluation intentions ( $t=3.158$ ,  $p=0.002$ ).

#### 4.5 Discussion

The findings of this study empirically confirm the existence of barriers to the adoption of pro-poor innovation in BOP settings that are driven by antecedents in the unique institutional context at BOP. Influential direct relationships between distrust of formal institutions and individual-level PIR, as well as the adoption outcomes evaluation intention and attitude formation can be confirmed, which confirms the importance of institutional norms in driving consumer behaviors toward pro-poor innovation. These findings contribute to building a more comprehensive and valid understanding of the institutional context at BOP. This includes drawing attention to institutions as the context for social action (Edvardsson et al., 2014), and their importance as a barrier to the achievement of social impact through the diffusion of pro-poor innovation (Vargo, Akaka, et al., 2020). Through this study, it can be confirmed that 34.3% of the variance in PIR is driven by the context antecedent distrust of formal institutions. Our approach provides input for the multiple calls in BOP literature for deeper research on the unique characteristics of the BOP setting (Gebauer & Reynoso, 2013; Joncourt et al., 2019; London et al., 2014; Pels & Mele, 2018; Valdés-Loyola et al., 2021; Yurdakul et al., 2017) and deeper investigation of drivers of BOP consumer behaviour that arises in the context of poverty induce deprivations (Uttam & Rahul, 2024).

This study confirms the occurrence of PIR in BOP consumers, as well as empirically demonstrating its influence on the adoption outcomes, attitude formation and adoption intentions toward MMS, as an example of a pro-poor innovation. While not all hypotheses could be confirmed, our findings provide further evidence that PIR is a considerable inhibitor in the innovation adoption process (Heidenreich & Handrich, 2015; Heidenreich & Kraemer, 2015; Koch et al., 2021; Labrecque et al., 2017; Van Tonder, 2017). In our study, PIR drives negative attitude formation as well as negative adoption intentions, which explains a moderate amount of the variance in the adoption intention toward pro-poor innovation (33.2%), based on the subconscious resistance toward the change associated with a pro-poor innovation. Further, PIR mediates the effect of distrust of formal institutions, as a context-antecedent, on attitude formation toward adopting an innovation. This effect indicates that PIR influences a tendency of a potential adopter toward the formation of a negative attitude, referred to as active innovation resistance (Laukkanen et al., 2008). When coupled with the influence of negative evaluation intentions, 35.7% of the variance in adoption intentions can be explained. This is an important new insight into the

innovation adoption process of BOP consumers, based on the identification of barriers to adoption, and follows the call to generate new explanations for BOP consumer innovation behaviors, with due consideration for unique characteristics in the environment (Hasan et al., 2020). Overall, our study takes an important step toward deepening an understanding of how to accelerate efforts to achieve social impact based on transformative innovation in low infrastructure contexts, and in doing so support progress on the achievement of SDGs 1 and 8.

#### **4.5.1 Theoretical Implications**

Our study provides a new and alternative explanation for the low adoption levels of pro-poor innovation in BOP contexts, by identifying institutional barriers that hinder adoption and limit the achievement of social impact. Using institutional theory, we reveal structural detail in the BOP context that is not apparent in a dyadic, micro-level view – but at the same time make the micro-level view more understandable (Chandler & Vargo, 2011). Specifically, we highlight the role of distrust of formal institutions, emphasizing the importance of institutional change for successful innovation adoption in the BOP setting. Thus, our findings contribute a new construct to the study of innovation adoption at BOP, and advances theory development contexts marked by institutional voids.

We also contribute to the theoretical development of PIR by testing it in a BOP context. While the measurement scale for PIR was previously validated in affluent markets (Claudy et al., 2015; Heidenreich & Handrich, 2015) our findings show a different performance. Only seven of the original 18 measurement items (Heidenreich & Handrich, 2015) displayed satisfactory loadings in the sample for this study. Three items relative to satisfaction with overall level of innovation were eliminated, as well as eight items relative to individual resistance to change (Oreg, 2003). This suggests that status quo bias, and individual resistance to change, as conceptualized in affluent settings, may not translate well to BOP contexts, calling for an adapted measure that reflects these unique market realities.

#### **4.5.2 Practical Implications**

Our findings highlight that for pro-poor innovations to succeed, companies must focus on appropriate functional design *and* address the broader challenges that BOP consumers face because of their weak institutional setting. The institutional influences, such as distrust of formal institutions, contribute to emotional stress and reduced agency for change – factors which influence negative attitudes and negative adoption intentions toward pro-poor innovations.

To counter lack of innovation adoption, respectful, context-sensitive communication, promotion and delivery strategies are essential. They should directly engage

with the realities of BOP consumers helping to build trust and alleviate innovation resistance.

It is also important for practitioners to anticipate an initial phase of (passive) innovation resistance, even when offering superior, well-designed solutions. Pro-poor innovation adoption among BOP consumers involves a complex decision process shaped by the constraints of their social and institutional environment, which flavor the rational evaluation of the benefits of adopting a pro-poor solution.

Our findings make institutional influences visible and actionable, offering new insights to shape a clearer path for improving the design, promotion and diffusion of pro-poor innovations.

#### **4.6 Limitations and Future Research**

This research has several methodological limitations that must be acknowledged. The first is the use of non-random sampling techniques. While consistent with approaches used previously in BOP contexts, the study yields results, which we should interpret cautiously when considering generalization. The second is our approach and use of newly developed measurement items for distrust in formal institutions. While the approach to the development of measurement items was rigorous, the validation process was restricted due to time and resource constraints. Third, given the exploratory nature of the empirical study, we have uncovered new and important constructs and relationships. Equally, in this study we emphasized the analysis of responses regarding MMS, which was the best known innovation included in the survey, putting respondents in a strong position to answer innovation adoption related questions. Further, this chapter also has the limitation of having been conducted in one country only focusing on one mobile financial service. While this limitation is shared by other BOP-focused studies, it is necessary to warn other researchers against extrapolating the results to other countries or continents and different services. Future research should aim to overcome these limitations.

Overall, our study provides further, stark evidence of the need for context-sensitive approaches to research, in particular when engaging with BOP-type settings. Based on our experience with established measurement scales such as that for PIR, a further finding is the need to develop context-appropriate measures that are suitable for BOP. As our study shows, the unique institutional context at BOP acts as a barrier to the diffusion of innovation. In light of the proportion of global population that subsides in BOP contexts, estimated at around 4 billion (Hammond et al., 2007), and the urgency of progressing on SDGs 1 and 8 toward a better and more sustainable future, research must continue to highlight barriers which hold BOP consumers from embracing the potential of pro-poor innovation

for sustainable development. This includes further application of institutional theory for a deeper understanding of drivers of consumer actions, as well as further development of innovation resistance theory to explain underlying, sub-conscious drivers of non-adoption behavior. In line with these research areas, investigation of appropriate marketing measures targeted to alleviate passive innovation resistance at BOP can bring substantial improvements in innovation adoption behaviors and further the creation of social impact by providing pro-poor innovation.



# Summary and Conclusion

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*"As emerging markets evolve from the periphery to the core of marketing practice, we will need to contend with their unique characteristics and question our existing practices and perspectives, which have been historically developed largely in the context of industrialized markets."*  
*(Sheth, 2011, p. 166)*

In this chapter, a summary of findings is presented and put into perspective alongside other research streams that were used in this dissertation. Following this, the limitations of the research in this dissertation are addressed, as well as the implications for theoretical development, practice, and future research.

## 5.1 Introduction

In recent decades, the urgency of alleviating global poverty has spurred interest in market-based solutions, particularly as put forward in the BOP thesis. It proposes that companies can make a profit and generate social impact when they leverage innovation and marketing capabilities to create pro-poor innovations that improve daily life and foster entrepreneurship in impoverished communities. However, more than two decades after Prahalad and Hammond's (2002) foundational work, many BOP ventures have failed.

Scholars increasingly point to the complexity and unique institutional setting of BOP markets as a key challenge. These settings differ significantly from developed economies, driving contrasting consumer behavior and often rendering Western-based marketing theories ineffective (Burgess & Steenkamp, 2006; Sheth, 2011). Researching the institutional setting at BOP represents a rich opportunity for advancing theories like S-D logic and innovation adoption theory, and for advancing TSR in the context of poverty alleviation. This dissertation investigated the question:

*"How do institutional factors in BOP market settings influence BOP consumer processes of innovation adoption toward market-based poverty alleviation solutions?"*

To explore this, three studies were completed. The first, a qualitative study, was conducted to build a grounded understanding of the status quo practices of BOP household consumer decisions, and how these relate to resourceness and innovation resistance (Chapter 2). In the second study, looking deeper into the institutions that are recursively related to consumer practices, a framework of institutional voids for service research and their role as a barrier to the adoption of transformative service innovation was developed (Chapter 3). The third study empirically examined a newly developed construct, distrust in formal institutions, as a driver of PIR and negative outcomes of the innovation adoption decision (Chapter 4). These analyses have been conducted using different methods (e.g., narrative interviews, conceptual development, and interviewer-assisted survey).

## 5.2 Summary and Discussion of the Findings

A summary of findings, how they address extant gaps in knowledge, and how they contribute to a further development of literature is presented in the following sections.

### 5.2.1 Chapter 2: Learning from the Resourceness Blind Spot for Service

#### ***Innovation at the Base of the Pyramid***

In this chapter, we developed a grounded understanding of BOP consumer behavior by examining established, status quo practices for fulfilling household consumption needs. By analyzing how BOP consumers appraise and integrate resources to achieve specific consumption goals, we established that patterns of status quo practices can be inhibitors to resourceness and consequently drive PIR.

The first objective was to explore extant patterns of resource integration (framed as practices), connect these to a lack of resourceness and identify relevant contextual antecedents. Findings revealed non-random, context-specific patterns of resource integration at BOP, with a marked preference for private over market-facing or public resources. These behaviors were influenced by contextual factors such as trust in social networks, as well as the need for trust in transaction partners and the desire for control and reliability in transactions. This indicates that resource integration practices and resourceness at the BOP are contextually influenced. These findings are in line with other BOP studies; however, the findings in the sample for this study newly indicate that BOP consumers rely on private resources to the point of preferring these and consequently rejecting market-based resources.

The second aim of the study was to investigate whether patterns of resourceness contribute to PIR. The study found that innovation resistance may not stem solely from aversion to change per se, but rather from a perceived inability to access or effectively integrate new resources. These findings point to a contextually grounded antecedent to innovation resistance that is not captured in existing models (Heidenreich & Handrich, 2015), specifically an individual perception of limitations in the ability to access or integrate certain resources.

In conclusion, this chapter underscores the need for deeper contextual understanding when examining BOP consumer innovation behavior. It challenges prevailing assumptions regarding consumer motivation toward innovation and highlights how overlooking embedded, status quo practices can potentially hamper the success of market-based poverty alleviation initiatives. The study contributes to advancing theoretical and practical discourse around innovation, resourceness, and poverty alleviation in low-income contexts. The study was conceptually informed by concepts in the S-D logic framework; value in context and resourceness, as well as innovation resistance theory. Empirical data were gathered through narrative

interview in a BOP context (Zambia), addressing a significant gap in literature concerning grounded studies of BOP consumer status quo practices.

### **5.2.2 Chapter 3: Invisible Rules: How Institutional Voids in Base of the Pyramid Markets Influence Adoption and Diffusion of Transformative Service Innovations**

The objective of Chapter 3 was to develop a conceptual framework for understanding barriers to the adoption and diffusion of transformative service innovations in settings where institutional voids prevail, such as BOP. Building on the findings of Chapter 2, where contextual antecedents of PIR were identified, this chapter aimed to broaden theoretical development in BOP scholarship by integrating and bridging multiple disciplinary perspectives. The focal theory of the study is the S-D logic framework which, as a process view of exchange, is well suited for TSR. However, a theoretical framework of institutional voids suited to typical BOP market settings was lacking. To address this gap, institutional theory was used to deepen the understanding of institutional environments at BOP, and drawing on insights from selected international management literature, a new framework of institutional voids for service research was developed. Finally, theoretical findings are related to innovation adoption/resistance theory to deliver new explanations for low levels of innovation adoption at BOP.

This chapter advances the field of service research, in particular for TSR, in several key ways. First, it offers a guiding definition of institutional voids for service research: *institutional voids shape local, context-specific and idiosyncratic sets of institutions (regulative (formal), normative and cognitive (informal)) that are mutually reinforcing. These noncomprehensive, local sets of institutions vary according to the intensity of the formal and informal institutional voids that are pervasive in that setting.* Second, it demonstrates how institutional voids influence consumer behavior, and their innovation processes. Building on more recent service research literature that frames innovation diffusion as an institutional change process (Vargo, Akaka, et al., 2020; Vargo et al., 2015), the chapter explores how voids can obstruct such change by diminishing both individual and collective motivation for institutional transformation.

Through the development of a conceptual model and discussion of an (already published) illustrative case, the study shows how institutional voids act as a barrier to the adoption of innovation.

In conclusion, this chapter further develops the institutional perspective in service research by contributing new frameworks for examining transformative innovation in underserved markets. While grounded in BOP contexts, the insights

are also relevant to underserved segments in developed economies where institutional voids can prevail, expanding the applicability of the findings.

### **5.2.3 Chapter 4: Uncovering Barriers to Adoption of Pro-Poor Service**

#### ***Innovations in BOP Markets: An Empirical Investigation***

Building on the outcomes of Chapters 2 and 3, which identified the institutional setting at BOP as influential to innovation resistance, Chapter 4 was constructed with the aim to empirically test the influence of local sets of institutions at BOP on processes of innovation adoption. The objective was to contribute to recent developments in the innovation adoption and diffusion literature by developing a better understanding of barriers to adoption of pro-poor innovations – specifically the role of distrust of formal institutions – thus potentially making innovation diffusion and adoption theories better suited for BOP markets. Data for this study were collected from BOP consumers in Zambia using an interviewer administered survey of their attitude and intentions toward an anonymized example of pro-poor innovation, MMS.

In this chapter, the influence of the institutional setting at BOP on consumer innovation adoption behavior is further examined. As a first step, a new institutional construct, referred to as distrust of formal institutions, was identified and defined as: *a confident negative expectation regarding the motivations, intentions and behaviors of formal institutions, such as formal retail and commercial providers of services*. Subsequently, hypothesized relationships between this exogenous construct, PIR and innovation adoption decision outcomes were formulated and tested. The findings show that distrust of formal institutions is a driver of PIR, as well as influencing consumer evaluation intention and attitude formation toward an innovation directly. Similarly, this study provides empirical evidence that PIR, in line with extant studies (Heidenreich & Handrich, 2015), is a considerable inhibitor of the innovation adoption process as it directly influences negative attitude formation toward an innovation as well as mediating the effect of distrust of formal institutions on attitude formation toward an innovation.

In conclusion, this chapter contributes to the further development of innovation adoption and diffusion literature because it draws attention to the importance of institutional change for successful innovation adoption in the BOP setting. It is one of the few studies to empirically investigate barriers to innovation adoption and find new approaches to explaining the low adoption rates of pro-poor innovations at BOP. The findings contribute a new construct to the study of innovation adoption at BOP, but also enrich theories such as S-D logic and innovation resistance theory, for application in all contexts marked by institutional voids.

### 5.3 Contributions and Implications

In addition to the specific theoretical and managerial contributions detailed at the end of Chapters 2-4, the following section provides an overarching view of the theoretical and practical contributions of this study.

#### 5.3.1 Theoretical Contributions

The present research makes contributions to several bodies of literature that collectively advance BOP scholarship by developing a theoretically grounded understanding of institutions in that market setting and their influence on BOP consumers. At the same time, this dissertation demonstrates how extant theories can be further developed for application toward the achievement of transformational social impact in a wider range of settings.

The first contribution is to the BOP discourse on market-based poverty alleviation. As discussed in Chapter 1, Paragraph 1.2.1, although this field is expanding, it remains at an early stage of conceptual development. This dissertation has explored the institutional environment at BOP as a key determinant of consumer behavior and developed conceptually grounded insights into the institutional characteristics of BOP market settings and their influence on individual-level economic behavior. By integrating multiple theoretical perspectives, including the transcending perspective of the S-D logic framework, the local perspective of institutional theory, and the new perspective of innovation resistance theory, this study advances our understanding of consumer innovation adoption in BOP contexts and responds to ongoing calls for theoretical development in BOP scholarship (Borchardt et al., 2020; Joncourt et al., 2019; Kolk et al., 2014; Pels & Mele, 2018; Uttam & Rahul, 2024). This dissertation marks a strong start to developing new conceptual models and constructs, and extending extant theoretical frameworks that help us to better understand the novel (from a Western perspective) market setting at BOP from a theoretical stance.

The second area of theoretical contribution of this dissertation is toward the S-D logic framework. The achievement of wellbeing improvement through transformative services has gained increasing research attention, including the advancement of poverty alleviation through service research (Fisk et al., 2016; Ostrom et al., 2010). As discussed in Paragraph 1.2.2, while the S-D logic framework is suited for research at BOP, it was not yet fully equipped with the concepts required for study of idiosyncratic institutional settings that are present at BOP. Each chapter (2-4) of this dissertation was designed to highlight the local practices and institutions at the BOP which provide stability and consistency for BOP consumers and, by linking them to key constructs within the S-D logic framework, making them visible and relatable to service researchers. Because BOP consumer

practices are largely non-market transactions and based on private resources, there is a danger otherwise that they are considered irrelevant for the study of marketing to BOP. In Chapter 2, to counteract this, a picture of status quo practices of BOP consumers is constructed, and it is discussed how these patterns are linked to resource integration decisions and resourceness, forming barriers to the adoption of innovation. In Chapter 3, a deep dive into the institutional setting at BOP, which is recursively related to practices, leads to the development of a new conceptual framework of institutional voids and guiding propositions for institutional change at BOP. This step of making invisible rules visible is an important conceptual development for the advancement and application of S-D logic to the achievement of transformative change at BOP. Chapter 4 then serves to empirically test the effect of institutions as well as contributing a new and influential construct to the study of innovation adoption at BOP. This equips service researchers with a deeper appreciation of newly uncovered antecedents to BOP consumer behavior. Through context specific studies leading to new conceptual developments, this dissertation contributes to the development of

S-D logic toward a mid-range theory, with an increased ability to interface with empirical research (Brodie et al., 2011).

The third theoretical contribution is toward the further embedment of institutional thinking in marketing-oriented disciplines. Important, new connections between institutional theory and innovation resistance theory are established by providing a conceptual and empirical study of the influence of institutions on consumer innovation behavior. Further, the conceptual connection between institutional theory and S-D logic is deepened by exploring the application of institutional thinking to consumers in settings of pervasive institutional voids, leading to an increase in the predictive power of service research.

The fourth contribution is to the further development of a theory of innovation resistance. Through the consideration of barriers to innovation adoption, evidence was found that the diffusion of innovation is to be understood as the institutionalization of new solutions. This indicates the importance of studying institutions alongside technology when investigating innovation diffusion. While this perspective is not new (Vargo et al., 2015), this dissertation has developed the specific view of institutional voids as barriers to innovation adoption as a new theoretical contribution. In addition, in Chapter 4, the PIR construct was tested in a new, non-affluent setting, revealing limitations in its application at BOP. This finding is crucial as a critical assessment of this construct and provides impulses for future theoretical development of PIR.

A fifth contribution comes from the fruitful combination of different theoretical perspectives from the emerging research streams of S-D logic and

innovation resistance theory. Coupled with recent research insights on formal and informal institutional voids (Webb et al., 2020), the findings of this dissertation deliver truly new insights, both conceptual and empirical, on the institutional barriers to institutional change in service ecosystems. As discussed in Chapter 4, institutional voids exist to some extent in most market settings, and because of this commonality, the findings of this dissertation also serve as a catalyst for future overarching research themes. Amongst others, those pertaining to the application of innovation to drive institutional change in service ecosystems and, as the findings show, the need to understand the institutional barriers to the achievement of transformative well-being outcomes for vulnerable consumers such as refugee populations, those socially disadvantaged, the elderly, and many more.

Overall, this dissertation reveals that the theoretical frameworks applied in the studies throughout Chapters 2-4 have important shortcomings when applied in the BOP market setting for analysis of BOP consumer innovation behavior. S-D logic was lacking a conceptual framework of institutional voids; the construct of PIR within innovation resistance theory could not be fully confirmed when tested with BOP consumers; and the institutional view in marketing (service research) required further development. At the same time, the combination of these theoretical perspectives has prompted a reassessment of assumptions that underpin these theories and led to the development of important new insights on institutions, how they influence consumers, and how they constitute a barrier to institutional change. This can form the basis for further investigation in market settings beyond the BOP. These findings motivate future avenues for research which are discussed further in Paragraph 5.4.2.

### **5.3.2 Practical Implications**

In the course of this dissertation, several valuable implications for the advancement of practical service innovation interventions toward market-based poverty alleviation have been developed.

The first contribution has been the development of new explanations for the disappointing rates of adoption of pro-poor innovations, based on barriers to innovation adoption. This finding has a high practical relevance because it indicates new practical ways to improve adoption rates. Focusing on the reduction or removal of barriers to innovation adoption places emphasis on catering to both factors in the institutional setting as well as individual level factors, as opposed to the further enhancement of functional features of an innovation. As an example, in Chapter 2, the importance of taking stock of the status quo of BOP consumption practices and the degree of change that a BOP consumer perceives in order to understand the innovation adoption setting was shown. In Chapter 4, empirical evidence

of the influence of distrust of formal institutions on both PIR and on innovation adoption outcomes was provided. The findings further equip practitioners with insights on a newly defined context antecedent, as well as the moderator PIR, as new and important concepts to be included in their service innovation and service marketing preparations.

The second contribution is in making institutional voids “visible” and making their study relevant to service providers. Through the development of a framework of institutional voids and guiding propositions regarding institutional change, service providers are supported in grasping the relevance of and working with prevailing institutions. The studies in Chapters 3 and 4 pertain specifically to BOP, as in the case example in Chapter 3, which illustrates how practical solutions can overcome barriers to innovation adoption. Institutional voids also exist to some extent in affluent markets, and are generally relevant to service providers. Thus, while highlighting institutional voids as barriers, this dissertation also offers inspiration on how institutional voids can be opportunities for new forms of partnering, for example. The conclusion is that practitioners can better serve the needs of the poor, and other vulnerable consumer groups, by paying attention to context conditions and priorities as forces that have the most potential to empower and lift people out of vulnerable situations.

The third contribution of this study serves as a form of expectation setting for companies and organizations intending to engage with BOP settings for the achievement of social impact. Such initiatives are not merely about extending market offerings and adapting to local circumstances. The application of innovation for development and the achievement of social impact has been referred to as the slow race to making technology work for the poor (Leach and Scoones, 2006) because entering BOP with a market-based poverty alleviation solution is about making a market by creating a capacity to consume (Prahalad, 2005). Thus, it is vital to understand the (possibly) non-rational drivers of consumer behavior that stem from the institutional setting, and acknowledge the importance of practices based on informal transactions. Further, as the findings of this dissertation show, weak or missing institutions at BOP drive PIR, and consequently the launch and diffusion of new market-based poverty solutions will take longer than a launch of solutions in markets with lower levels of institutional barriers. It is also likely that pilot phases will be required to build familiarity with the BOP setting and to develop trust building measures with partners and target groups.

The final contribution of this study for practitioners is to carefully consider poverty alleviation by considering the complexity of multidimensional poverty. What we learn from the institutional perspective is that practices and institutions, once established, are the basis of stability in a social system. Thus, the role of the

informal economy must be acknowledged. The institutionalization of new solutions is a change in the system and may have unintended consequences. As an example, the introduction of a clean fuel source to replace charcoal may unintentionally deprive people who make and sell charcoal of a means to earn money informally. The application of a service ecosystems view is needed to help practitioners develop a sufficiently wide perspective.

## **5.4 Limitations and Avenues for Future Research**

In this section, a reflection on the limitations of this study is provided, and next to the avenues for future research that were introduced in Chapters 2, 3 and 4, overarching avenues for future research are proposed.

### **5.4.1 Limitations**

This dissertation has several methodological limitations that must be acknowledged. The first of these is concerned with the sampling techniques used in Chapters 2 and 4. The use of non-random sampling techniques is recommended and consistent with approaches used in other studies at BOP; nonetheless, the results that are produced through these studies should be carefully interpreted regarding their generalizability. Equally, the empirical studies in Chapters 2 and 4 were conducted in one BOP market setting only, and in Chapter 4 were based on one pro-poor innovation service type only. While this approach is similar to that taken in other BOP studies, it is appropriate to caution against the extrapolation of these findings to other market settings and services.

The second limitation lies in our predominantly exploratory approach to the studies in Chapters 2 and 4. While due care was taken to execute a rigorous process of research, some of our efforts were restricted to lack of previous research in the same area, and validation efforts were restricted due to a lack of resource and time. As an example in chapter 4, due to the higher level of familiarity of MMS financial service in the sample, we based the initial analysis on this data only. Comparison across all four categories has the potential to yield further insights in future study.

The third area of limitation can be found in the focus on central elements of conceptual frameworks, as in Chapter 3, with the aim to extend an understanding of a range of different manifestation of institutions, including institutional voids. In relative terms, further important components of Edvardsson *et al.*'s (2014) framework were neglected, such as resources and resource integration. Chapter 3 emphasizes institutional influences, at the cost of elaborating further on resources in BOP contexts. A unifying thought across Chapters 2, 3 and 4 is that resources are not; rather, they become (De Gregori, 1987, Zimmermann, 1951). As previously

stated in Paragraph 1.2.1, resource scarcity at both an individual and organizational level is a defining characteristic of BOP market settings (Abendroth & Pels, 2017). Future research into resources in BOP settings and deeper investigation of resource integration processes will be beneficial to the findings in this dissertation.

Finally, throughout the dissertation, the focus has been on the micro level of the individual BOP consumer, whereby service ecosystems are embedded in a social system comprised of different and interrelated levels. Further investigation of the way in which the system shapes individual actions, and how individual actions shape the system, will be beneficial to the findings of this study.

#### **5.4.2 Avenues for Future Research**

The objective of this dissertation was to further BOP scholarship by making extant theoretical frameworks more suitable for application to the challenge of market-based poverty alleviation at BOP. Through this dissertation, a vision is emerging of the need and ways to connect this currently globally disconnected community to the power and goodwill of global business. While good progress toward this goal was made, considerable future opportunity to learn for the BOP setting could also be identified. Further studies are needed to develop more robust theoretical explanations, and applicable practical recommendations for consumer actions in BOP settings based on S-D logic, innovation resistance theory, and institutional theory. Concurrently, considerable opportunity to learn from the BOP market setting has become evident because the findings of this dissertation also serve as a catalyst for future overarching research themes. Six themes as avenues for future research are outlined.

Firstly, a shift of paradigm is needed for the task of market-based poverty alleviation, away from developing and selling pro-poor innovation toward one of driving the process of institutional change needed to institutionalize new solutions. This shift of paradigm is generally applicable to the task of TSR, and the achievement of service ecosystem wellbeing in a wide range of sectors, e.g. health-care (McColl-Kennedy et al., 2012), and relative to different groups of vulnerable actors. What steps are needed to investigate TSR as a process of institutional change? What resources and actors are implicated? How does a process of service innovation need to be adjusted in order to account for institutional change? How can forecasting be made more accurate in light of this paradigm shift?

Secondly, future research can concentrate on building a research-based inventory of institutions as a reference framework for service research. This is a necessary element in order to make the step from acknowledging that institutions coordinate human behavior in social systems (Edvardsson et al., 2014; Vargo, Akaka, et al., 2020), to establishing the study of institutions as an integral part of

the marketing process, both in BOP and non-BOP settings. How can institutions be mapped? Which dimensions of an institutional setting are universally relevant across diverse settings and service ecosystems? To what extent can institutions be included in extant frameworks of marketing? How can institutional misalignment in service ecosystems be detected and mapped? How can institutions be included in the study of service ecosystems, for example furthering the study of tensions and trade-offs in multi-actor service ecosystems (McColl-Kennedy et al., 2020)?

Thirdly, in-light of the stark scarcity of operand resources in BOP settings, a research-based inventory of resources in BOP communities, including resources that arise in social networks and communities (including operant resources), must be constructed as a guide for service research at BOP. Which type of resources do BOP consumers have access to and how are they socially constructed? How do BOP consumers prioritize resources for resource integration? In light of resource scarcity, how do BOP consumers maximize the usefulness of their resources? What type of resources are available in BOP communities and how can they be accessed by individuals? What resources do BOP consumers/BOP communities need for an improvement in welfare? How can we learn from good examples of frugal resource integration for a universally more sustainable use of resources? Can the findings on unique sets of resources in BOP communities inform research on other vulnerable consumer groups and their resource situation, e.g. homeless individuals and their communities?

Fourthly, it can be drawn from this dissertation that the presence of weak or incomplete sets of institutions in BOP settings leads to unique sets of operant resources such as dependencies on social networks, and unique practices such as informal transactions. In how far do these findings at BOP compare with other categories of vulnerable consumers in non-BOP settings? Systematic mapping and analysis of the composition of service ecosystems in BOP and non-BOP settings will build a deeper understanding of these connections. What actors are involved in a service ecosystem? What role does each actor play? Which practices and institutions are the basis of stability in a given service ecosystem? Which actors are impacted by institutional change in a service ecosystem, and in what way? How can the consequences of institutional change through the institutionalization of new solutions be anticipated and unintended consequences be avoided?

A fifth area for further research constitutes the development of insights on appropriate empirical methods for investigation of BOP-like settings. There is a notable shortage of quantitative studies of BOP consumer behavior (Borchardt et al., 2020; Dembek et al., 2020; Follman, 2012; Kolk et al., 2014), which limits the potential for the further advancement of theoretical frameworks for BOP scholarship. However, such empirical methods may equally be applicable for the investigation of settings, drivers and barriers to institutional change in non-BOP

settings. Future research can further develop intervention methodologies for the investigation of the achievement of social impact in vulnerable consumer groups.

A final area for further research is the investigation of innovation resistance in a wider range of innovation situations. As was shown in this dissertation, innovation for development pursues the purpose of generating societal change through the introduction of new ideas embedded in innovative products and services, and will likely prompt individual-level resistance to the change in status quo practices and institutions. There are many applications of innovation for the achievement of social impact, e.g. making health care more accessible through remote technologies, the application of smart technologies to reduce loneliness in isolated groups such as the elderly, and many more. These situations share similarities with innovation for development. How can the study of institutional barriers to innovation adoption be further developed and become more universally applicable? How can the PIR construct be developed to become even more universally applicable?

In conclusion, this dissertation has contributed truly new insights for BOP scholarship, whilst also generating important impulses for future research streams beyond BOP; supporting the urgency, but also the richness of insights to be gained by researching in the novel BOP setting. The opening quote (Sheth, 2011) to this chapter speaks to the necessary evolution of marketing practices and perspectives that is driven by need to cater to emerging markets. In this dissertation, this notion is expanded to the BOP specifically, but leading to the same conclusion; as global economies evolve, so too does the challenge for marketing to cater to the diversity of needs and situations of consumers around the globe. Not only must the marketing discipline learn to adapt toward novel marketing settings, but it must also learn how to learn from novel marketing settings by questioning assumptions that underlie existing marketing perspectives and practices.

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## About the Author

Michelle Greene is a senior lecturer at Fontys University of Applied Sciences (The Netherlands) with considerable experience in working in international environments, including industry experience and international development work. In 2017 she was awarded a doctoral grant by the Dutch Research Council (NWO) to conduct her PhD project at the Institute for Management Research at Radboud University (the Netherlands). Her research focus is in the further exploration of international contexts as a setting for marketing interventions and the application of marketing for the achievement of social impact. Michelle is an Irish national, living in Germany with her husband and two children.

A

## Appendices

### Chapter 2

#### A2: Narrative Interview Protocol

Phase of interview	Instruction
<b>Preparation</b>	
Introduction of two researchers	5- 10 minutes
Ask for introduction of the interviewee. Need to get information regarding life circumstances, schooling, activities/employment status, get an impression of earning levels	Record or make notes
Explain procedure of interview	
<b>Initiation</b>	
Single, open, initial question which is an invitation to tell a story.	2-5 minutes
Our Question: Could you tell us about how you spent the household budget in the month of April? Using this picture might help you to reconstruct the month.	Show pictures containing prompts of typical categories of household spending: food and drink, utilities, transport, personal care, education and other services.
<b>Main Narration</b>	
In this part the interviewee is asked to respond freely and tells the story of household consumption in the last month	10-15 minutes Interviewer non-verbal prompting (nodding, smiling)
Interviewer takes notes which will help to structure the next section.	No interruptions Active listening allowed Wait for interview to finish this phase
<b>Questioning Phase</b>	
Using free association and the language of the respondent to pick up on topics of interest and explore the value in use concept. This is based on notes which were made during the story in the previous section.	10-15 minutes Avoid asking "why" Use these questions to prompt further narrative: ...what happened then. ...so, tell me more about... ...what do you do then ... who else was involved... ...what did they do then...
Focus on weekly basics, monthly recurring items, financial services, mobile usage, extraordinary spending	Avoid opinion or attitude questions
Projection techniques can be used to explore	No arguing or contradictions
Probe for	Examment to immanent questions
<ul style="list-style-type: none"> <li>- What interviewee does with each of the categories</li> <li>- How are they integrated into daily life so that value emerges</li> <li>- Who else is involved in the process?</li> <li>- How did others react?</li> <li>- What do you think of the price</li> <li>- Was this purchase worth it</li> </ul>	
<b>Concluding Talk</b>	
Put interviewee at ease. Conclude the conversation through small talk. Stay alert any try to pick up on topics where you would like to ask WHY?	10 minutes Stop recording Why questions allowed Memory protocol immediately after interview
Finishing, wrap up, thanks, assure privacy	

Interview protocol was developed based on the guidelines by Jovchelovitch & Bauer, 2000.

## Chapter 3

### A3: The Evolution of BOP Concept and Role of Context

	BOP 1.0	BOP 2.0	BOP 3.0	BOP 4.0
Influential authors	Prahalad, 2005; Prahalad & Hammond, 2002	Arora & Romijn, 2012; Simanis & Hart, 2008	Cañequer & Hart, 2015; Chmielewski et al., 2018; London, 2016	Borchardt et al., 2020; Gupta & Khilji, 2013
Underlying logic	Untapped opportunity in latent consumer markets	Co-designing products and services to provide the poor with the opportunity to co-create value	Inclusive and impactful BOP ventures in social enterprise	Ethical, authentic and sustainable production, sourcing, marketing, development and benefit-sharing
Key thought	Sell to the poor by creating new capacity to consume	Empowering local communities and development of local entrepreneurship	Learning from local enterprises in BOP context of multidimensional poverty	Recognizing and connecting unique, traditional knowledge systems with global value chains
Main BOP context characteristics	Low purchasing power, lack of market infrastructure	Social and environmental problems	Social, political, emotional and cultural aspects	Unique operant resource and knowledge networks, local communities
Risks	Achieving cost and scale, ethical considerations	Sharing control, sufficient sensitivity to complexity of local context	Costs of social entrepreneurship, ideological challenges	Vulnerability of local knowledge networks to global markets



## Chapter 4

### **A4.1: Development of Measurement Items for Distrust of Formal Institutions**

In the first qualitative step, we aimed to identify and operationalize antecedents to PIR in the institutional setting of BOP. Several data sets comprising BOP market/consumer literature, analysis of case studies outlining launch of pro poor innovations (n=5) and transcript of focus group discussion with participants in Zambia (6 participants each in two rounds) were confronted in a multiple triangulation approach (Denzin, 2009), which encourages several methods to collect data and multiple research participants with varied expertise. Phase I of the study focused on synthesizing literature-based findings to establish a substantiated list of general BOP market and consumer characteristics. The second phase involved discussion of pro poor innovation case studies (5x) with Zambian experts (n=6) to identify institutional challenges faced. In the third phase, focus groups discussions were conducted using projection techniques to gather further insight into drivers of consumer reactions to the products and services in the case study. The final phase included a workshop to feedback findings.

Data were coded and thematically analyzed. Literature analysis provided insight into generally accepted characteristics of BOP markets and consumers, which were complemented by the findings in the practical case studies. These observations were supplemented by focus group discussions adding deeper explanation to the previous findings. Each research method exposed one aspect of reality (Denzin, 2009) and yielded a layered inspection of the institutional context (Boeije, 2009). This multimethod, collaborative approach was insightful, permitted cross-validation and facilitated exploration of antecedents to PIR in the institutional setting at BOP.

**Table A4.1a: Steps in development of construct and measurement items of BOP social context antecedents to PIR**

Step	Action	Data type	Sources/Examples/Participants	Output
I	Synthesize extant BOP literature	Academic articles and books	Banerjee & Duflo, 2011; Ben Letaifa & Reynoso, 2015; Beninger & Robson, 2015; Chikweche et al., 2012; Chikweche & Fletcher, 2012; Greene & van Riel, 2021; Hammond et al., 2007; Jaiswal & Gupta, 2015; Joncourt et al., 2019; London et al., 2010; London & Hart, 2011; Pels & Kidd, 2012; Pels & Mele, 2018; Prahalad, 2005; Prahalad & Hammond, 2002; Sheth, 2011; Subrahmanyam & Gomez-Arias, 2008; Viswanathan et al., 2007, 2010; Viswanathan & Sridharan, 2008; Weidner et al., 2010	List of BOP market/consumer characteristics.
II	Analysis of case studies:	Published case studies, company sites	MTN Airtime (Nigeria) MPESA (Kenya), Kilimo Salama (Kenya), Finca village loans (Zambia), Airtel Money (Zambia), Musoni Mobile Micro Credit (Kenya)	List of barriers to launch and marketing measures taken to overcome these.
III	Online focus group discussion of case studies	Transcript of discussions	Zambian participants with knowledge of BOP institutional context and the financial services in the cases	Coded data
IV	Triangulation of findings to define constructs and formulate items	All previous output	Main researcher and two Zambian researcher assistants	Proposed list of constructs and measurement items for BOP context antecedents to PIR
V	Feedback and review per email	Proposed list of constructs and items	Round 1: Focus group participants Round 2: Academic experts	Revised list of constructs and measurement items for BOP context antecedents to PIR

Source: Authors' own work.

## A4.2: Data Gathering Instrument

### Introduction Section

Good morning /Good Afternoon. My name is \_\_\_\_\_. I am a student from Ndola and I would like to ask you some questions if you have time. We are conducting a survey for an international university research project about how people perceive financial services. We do not represent a commercial company and the information in the survey is anonymous. Do you have time to take part? The survey will take about 30 minutes of your time.

**Certificate of Informed Consent** I have been invited to participate in research about how people in the Copperbelt think about financial services.

**(This section is mandatory)** I have read the foregoing information, or it has been read to me. I have had the opportunity to ask questions about it and any questions I have been asked have been answered to my satisfaction. I consent voluntarily to be a participant in this study. My data will be anonymized.

**Print Name of Participant** \_\_\_\_\_

**Signature of Participant** \_\_\_\_\_

**Date** \_\_\_\_\_

Day/month/year

*If illiterate*<sup>4</sup>

I have witnessed the accurate reading of the consent form to the potential participant, and the individual has had the opportunity to ask questions. I confirm that the individual has given consent freely.

**Print name of witness** \_\_\_\_\_ **Thumb print of participant**

**Signature of witness** \_\_\_\_\_

**Date** \_\_\_\_\_

Day/month/year

<sup>4</sup>. A literate witness must sign (if possible, this person should be selected by the participant and should have no connection to the research team). Participants who are illiterate should include their thumb print as well.

## Statement by the researcher/person taking consent

I have accurately read out the information sheet to the potential participant, and to the best of my ability made sure that the participant understands.

I confirm that the participant was given an opportunity to ask questions about the study, and all the questions asked by the participant have been answered correctly and to the best of my ability. I confirm that the individual has not been coerced into giving consent, and the consent has been given freely and voluntarily. A copy of this ICF has been provided to the participant.

**Print Name of Researcher/person taking the consent** \_\_\_\_\_

**Signature of Researcher /person taking the consent** \_\_\_\_\_

**Date** \_\_\_\_\_

Day/month/year

## Administrative Section

Date of Questionnaire: Day\_\_\_\_ Month \_\_\_\_ Year \_\_\_\_

Interviewer number \_\_\_\_\_ Questionnaire# \_\_\_\_\_

+

Filter Demographics:

*If under 18, ask if it is possible to speak to another member of the household. If not possible, terminate interview.*

D1a. Which age group do you fit into?

under 18 \_\_\_, 18-24 \_\_\_, 25-34 \_\_\_, 35-44 \_\_\_, 45-54 \_\_\_, 55-64 \_\_\_, 65+ \_\_\_

D1b. What is your role in your household spending decisions? *Only continue with respondents that take part in household decisions.*

I take part in household spending decisions \_\_\_ I do not take part in household spending decisions \_\_\_

## Current Status of financial services used

Q1. The question is about what financial services you use now. Do you use any of the following retail or non-retail financial services? You can answer yes to more than one type of financial service, if that corresponds to what you use.

		Yes	No
1	Bank account		
2	Bank loan		
3	Health insurance		
4	Life insurance		
5	Insurance for your business (e.g. crop insurance or other)		
6	Mobile money		
7	Private savings club with friends		
8	Other (please indicate)		

## Current level of awareness

Q2. We would like to ask you if you know about some examples of new financial services. Please indicate the degree to which you agree with the statements below

	explanation	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly Agree
1	I know a lot about mobile money services	<i>Through a local agent and not a bank, and using your mobile phone to transfer money, pay bills and save even small amounts.</i>				
2	I know a lot about mobile micro credit	<i>Entirely mobile microfinance for example for small-scale farmers and micro entrepreneurs.</i>				
3	I know a lot about group loans	<i>A loan is applied for by a group and dispersed to each member of the group individually. Available for small loans to a business and without capital or collateral. Available locally through agents and using a mobile phone.</i>				
4	I know a lot about agricultural micro-insurance	<i>Agricultural micro-insurance program for small-scale farmers based on 100% mobile technology. Allows small crop size (starts at 1 Acre) to be insured against crop failure because of bad weather conditions.</i>				

### Current usage of these services

Q3: Do you use these financial services now?

		<i>explanation</i>	Never	Rarely	Sometimes	Often	Always
1	Mobile Money Services	<i>Through a local agent and not a bank, and using your mobile phone to transfer money, pay bills and save even small amounts.</i>					
2	Mobile micro credit	<i>Entirely mobile microfinance for example for small-scale farmers and micro entrepreneurs.</i>					
3	Group loans	<i>A loan is applied for by a group and dispersed to each member of the group individually. Available for small loans to a business and without capital or collateral. Available locally through agents and using a mobile phone.</i>					
4	Agricultural micro-insurance	<i>Agricultural micro-insurance program for small-scale farmers based on 100% mobile technology. Allows small crop size (starts at 1 Acre) to be insured against crop failure because of bad weather conditions.</i>					

### Evaluation Intention

Q4 I would like to ask you about all four innovative financial services. What is your first reaction to each financial service?

*Interviewer read out:* This survey is conducted to measure peoples' reactions to new services for banking and insurance such as <random choice>. There are no "right" and "wrong" answers. For each statement, please tell me if, for you, this statement is likely or unlikely, using the scale



## Q4.1 Mobile Money Service

		Very unlikely	Unlikely	Neither likely nor unlikely	Likely	Very likely
OC10	You intend to find out more about the benefits of using mobile money service in the near future					
OC11	You will think about mobile money service and maybe get more information later					
OC12	You will not search for further information about mobile money service					
OC13	You will not spend time thinking about mobile money service					

REPEAT FOR : Q4.2 Mobile Micro Credit, Q4.3 Group Loans, Q4.4 Agricultural Micro Insurance

### Attitude Formation

Q5. I am going to read out statements people make about using each of the innovative financial services at some stage in the future.

Interviewer read out: For each statement, please tell me if you agree or disagree with this statement, using the scale. The different options are "Strongly disagree", "disagree", neither agree or disagree", "agree", "strongly agree".

## Q5.1 Mobile Money Services

		Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
OC4	Using Mobile Money Services in the next 12 months would be very good.					
OC5	Using Mobile Money Services in the next 12 months would offer a lot of advantages.					
OC6	Using Mobile Money Services in the next 12 months would be beneficial to me					
OC7	Many people like me will use Mobile Money Services in the next 12 months					
OC8	I do not see any problems with using Mobile Money Services in the next 12 months					
OC9	For me it would be easy to start using Mobile Money Services in the next 12 months					

REPEAT FOR Q5.2 Mobile Micro Credit, Q5.3 Group Loans, Q5.4 Agricultural Micro Insurance

## Adoption Intention

Q6. For this part we want to ask about your intentions to use each of the innovative financial services.

Interviewer read out: For each statement, please tell me if, for you, this statement is likely or unlikely to occur using the scale. The different options are "Strongly disagree", "disagree", neither agree nor disagree", "agree", "strongly agree".

### Q6.1 Mobile Money Services

		Strongly Agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree
OC1	I will most certainly use Mobile Money Services in the next 12 months					
OC2	I intend to use in Mobile Money Services the next 12 months					
OC3	I will most certainly not adopt Mobile Money Services					

REPEAT FOR: Q6.2 Mobile Micro Credit, Q6.3 Group Loans, Q6.3 Agricultural Micro Insurance



## Passive Innovation Resistance: Individual Resistance to Change

Q.7 In this section I would like to ask about how you think about new financial services in general – not specific to any one financial service.

Interviewer read out: These are statements that people make, and I would like to ask you to indicate your opinion by picking a statement on the scale from "strongly disagree" to "strongly agree". There are no "right" and "wrong" answers. The different options are "Strongly disagree", "disagree", "neither agree nor disagree", "agree", "strongly agree".

		Strongly disagree	Neither agree nor disagree	Disagree	Agree	Strongly agree
P7	When I hear about changes in the financial services that I use I think this is a bad thing					
P8	I like to do the same old things rather than try something new when it comes to financial services					
P9	I'd rather be bored than surprised when it comes to financial services					
P10	If I were to be informed that there is going to be a big change regarding the financial services I use, I would probably feel very stressed.					
P11	I am nervous when I am informed about a change in my financial plans					
P12	When things don't go according to plans, I am stressed about it.					
P13	Often, I feel very uncomfortable even about changes that may likely improve my life for example with the financial services that I use					
P14	When someone forces me to change something with the financial services I use, I resist it, even if I think the change may finally benefit me					
P15	I sometimes find myself avoiding changes that I know will be good for me for example in the way I use financial services					
P16	I often change my mind about financial services					
P17	I don't change my mind easily about financial services					
P18	My views about financial services are very consistent over time					

## Passive Innovation Resistance: Status Quo Satisfaction

Q8. In this section I would like to ask about how satisfied you are about financial services that are available.

These are statements that people make, and I would like to ask you to indicate how you feel by picking a statement on the scale. There are no "right" and "wrong" answers. For each statement, please tell me if, for you, this statement is likely or unlikely, using the scale.

		Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree
P1	Overall, I consider the number of innovations in the field of financial services as being far too low					
P2	Overall, I consider the rate of innovation in the field of financial services as far too fast					
P3	In the past, I was very satisfied with financial services available to me					
P4	In my opinion, past forms of financial services were completely good so far					
P5	Past financial services fully met my requirements					
P6	Overall, my personal need for innovative financial services has, by far, not been covered in the past					

## Institutional Setting

In this section I would like to ask about your circumstances. These are statements that people make about themselves, and I would like to ask you to indicate how you feel by picking a statement on the scale from "strongly disagree" to "strongly agree". There are no "right" and "wrong" answers.

		Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree
SC1	Always, when we do our household planning, we see that the salary covers necessities only					
SC2	I never try out new things because I can't risk the budget					
SC4	I do not really, fully understand what financial services are					

## Q.8 Continued

		Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree
SC5	I would not be able to understand how new financial services work with the help of the manual book from the company					
SC6	Financial services are only for people with a lot of money					
SC7	None of my family or friends use innovative financial services					
SC8	I am never able to read the information that companies give, for example about innovative financial services					
SC9	I always feel financial service companies give me too much information					
SC10	I always have difficulty calculating amounts of money					
SC11	I always need to ask another person to explain something new like financial services					
SC12	I feel that financial service companies give too detailed information					
SC16	I generally trust close people like family and friends, more than others					
SC17	In general, for financial services, I prefer to deal with people who understand my situation like my local shopkeeper					
SC18	I always get the feeling that people in financial service retail look down on you if you ask a question					
SC19	I generally don't trust information that comes from the commercial provider of financial services					
SC20	In general, I don't like dealing with strangers for my day-to-day dealings in financial services					
SC21	In general, I don't think banks are there to help you					
SC22	It is always better to organize money matters with friends and family rather than to go to a bank					
SC23	Financial services institutions like banks are too expensive for people like me					
SC24	Government services like health insurance cost me money, but they don't serve my needs					
SC25	I always must focus on my short-term needs					
SC26	I always ask my family first when I need financial help					
SC27	I always use up the things I have before I buy new things					

## Q.8 Continued

		Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree
SC28	If there are problems, things always work out for themselves					
SC29	I always keep my distance from people I don't know					
SC30	I always shop with my local (informal) stores					
SC31	I always first ask my close friends and family for product and service recommendations					
SC32	I always use pictures to help me understand something					
SC33	I always feel shy to ask questions in retail stores					

**Demographic and covariate questions**

For the last section of questions, we would like to ask some questions about you and your household

D2: *Record gender:*

Male \_\_\_\_ or Female \_\_\_\_

D3: How big is the household that you live in?

- 1-2 people
- 3-4 people
- 5-6 people
- 7-8 people
- 9 or more

D4: What is your employment status?

- waged employee
- self-employed
- farming/fishing/forestry
- unpaid/piece work
- unemployed
- inactive

D5: What is your education status?

- no education
- primary education
- secondary education
- tertiary education

D6: How would you describe the level of welfare of your household? (this question will be developed further).

- Non poor
- Moderately poor
- Very poor

D7. Urban /Rural (observation)

“urban” \_\_\_\_ or “rural” \_\_\_\_

### A4.3: Descriptive Statistics of Constructs and Measures

Constructs and measurement items independent variables	Item loading	t-Value	Mean	Standard Deviation
<i>Distrust of formal institutions</i> ( $\alpha=.834$ , $CR=.875$ , $AVE=.502$ )				
I always get the feeling that people in financial service retail look down on you if you ask a question	.758	28.895	2.781	1.335
I generally don't trust information that comes from the commercial provider of financial services	.686	17.727	2.903	1.267
I always use up the things I have before I buy new things	.637	16.237	3.182	1.345
I always feel shy to ask questions in retail stores	.773	32.320	2.485	1.415
Financial services are only for people with a lot of money	.756	28.704	2.572	1.374
None of my family or friends use innovative financial services	.657	17.002	2.562	1.233
I always have difficulty calculating amounts of money	.678	18.194	2.134	1.170
Constructs and measurement items passive innovation resistance	Item loading	t-value	Mean	Standard Deviation
<i>Passive Innovation Resistance</i> ( $\alpha=.738$ , $CR=.817$ , $AVE=.394$ )				
<i>Status Quo Satisfaction</i> ( $\alpha=.900$ , $CR=.937$ , $AVE=.833$ )				
In the past, I was very satisfied with financial services available to me	0.904	56.128	2.771	1.181
In my opinion, past forms of financial services were completely good so far	0.908	58.465	2.838	1.200
Past financial services fully met my requirements	0.927	94.427	2.721	1.210
<i>Individual Resistance to Change</i> ( $\alpha=.739$ , $CR=.837$ )				
When I hear about changes in the financial services that I use I think this is a bad thing	0.711	18.369	2.968	1.238
I like to do the same old things rather than try something new when it comes to financial services	0.857	46.733	2.896	1.176
I'd rather be bored than surprised when it comes to financial ser. vices	0.857	45.891	2.888	1.161
Often, I feel very uncomfortable even about changes that may likely improve my life for example with the financial services that I use	0.552	9.533	2.900	1.287
Constructs and measurement items innovation adoption outcomes	Item loading	t-value	Mean	Standard Deviation
<i>Attitude Formation</i> ( $\alpha=.877$ , $CR =.909$ , $AVE=.629$ )				
Using mobile money services in the next 12 months would be very good.	0.854	37.050	4.400	0.766



Continued

<b>Constructs and measurement items innovation adoption outcomes</b>	<b>Item loading</b>	<b>t-value</b>	<b>Mean</b>	<b>Standard Deviation</b>
Using mobile money services in the next 12 months would offer a lot of advantages.	0.885	47.982	4.400	0.731
Using mobile money services in the next 12 months would be beneficial to me	0.881	32.458	4.413	0.729
Many people like me will use mobile money services in the next 12 months	0.734	18.557	4.263	0.873
I do not see any problems using mobile money services in the next 12 months	0.543	10.053	3.808	1.224
For me it would be easy to start using mobile money services in the next 12 months	0.808	35.510	4.311	0.847
<i>Adoption Intention (α=.754, CR=.864, AVE=.692)</i>				
I will most certainly use mobile money services in the next 12 months	0.944	81.597	4.440	.758
I intend to use mobile money services in the next 12 months	0.952	106.806	4.440	.725
I will most certainly not adopt mobile money services	0.527	8.267	3.963	.939
<i>Evaluation Intention (α=.648, CR=.791, AVE=.488)</i>				
You intend to find out more about the benefits of using mobile money services in the near future	0.684	7.317	4.443	0.83
You will think about mobile money services and maybe get more information later	0.602	5.323	4.174	0.995
You will not search for further information about mobile money services	0.700	7.691	3.458	1.269
You will not spend time thinking about mobile money services	0.794	11.738	3.565	1.251

**Notes:**  $\alpha$  = Cronbach's Alpha, CR = Composite reliability, AVE = average variance extracted

## Image references

### Image on outer cover

Mwape, Bernard (Photographer). (2021, May 1). African vendors street market [digital image].

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### Image on page 42 (excerpt) and on page 68 (excerpt)

Milosk50 (Photographer). (2012, October 9). People in the market in Livingstone City in Zambia [digital image].

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### Image on page 16 (excerpt) and on page 122 (excerpt)

Henzdel, Tatsiana (Photographer). (2015, March 27). Women sell vegetables: potatoes, cabbage and tomatoes at the African street market [digital image].

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### Image on page 26

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