Invisible rules: how institutional voids in base-of-the-pyramid markets influence adoption and diffusion of transformative service innovations

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Abstract

Purpose – 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 paper aims to create a framework allowing a fundamental understanding of the barriers to adoption and diffusion of service innovations aiming for poverty alleviation in these markets.

Design/methodology/approach – Building on Edvardsson *et al*.'s (2014) seminal framework, this paper explores the role of institutional voids – prevalent at BOP – in adoption and diffusion of service innovations. This paper integrates findings from international management and institutional economics and uses an existing case study to illustrate the problem of low service innovation adoption rates at BOP.

Findings – This paper provides 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.

Research limitations/implications – This paper prepares transformative service research (TSR) for the study of service innovation for poverty alleviation in BOP markets.

Practical implications – 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.

Social implications – The findings enhance the potential of service research to help achieve transformational change, such as poverty alleviation, at BOP.

Originality/value – To the best of the authors' knowledge, 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.

Keywords Base-of-the-pyramid, Transformative service research, Poverty, Institutional theory, Institutional voids

Paper type Research paper

1. Introduction

A substantial proportion of the global population seeks to subside in circumstances of great poverty, defined by the World Bank (Haughton and 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 and 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 (Gebauer and Reynoso, 2013; Reynoso *et al.*, 2015; Fisk *et al.*, 2016; Rosenbaum *et al.*, 2020; Russell-Bennett *et al.*, 2024).

Transformative service research (TSR) (Anderson *et al.*, 2013; Anderson and 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

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Journal of Services Marketing
39/10 (2025) 97–113
Emerald Publishing Limited [ISSN 0887-6045]
[DOI 10.1108/JSM-10-2024-0520]

Research was funded by the Social Sciences and Humanities doctoral grant programme of the Dutch Research Council (NWO). Project number 023.010.050.

Received 4 October 2024
Revised 12 March 2025
15 May 2025
Accepted 16 May 2025

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 and 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 and Karnani, 2010; Simanis, 2011; Arora and Romijn, 2012; Araujo, 2013; Lashitew *et al.*, 2022a). 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 *et al.*, 2022b).

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-cocreating systems of mutual service provision (Vargo and 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 and Prasad, 2016; Mason and Chakrabarti, 2017). Institutional voids are known to affect the capacity of BOP consumers to engage in commercial transactions (Mair and Martí, 2009; Banerjee and Duflo, 2012; Gupta and Khilji, 2013). Little is known, however, about the role and influence of institutional voids in the lack of diffusion of prosocial innovations. In this article, 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.

1.1 Gaps in our understanding of nonadoption behavior at the base (or bottom) of the pyramid

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 (Lowe *et al.*, 2019; Hasan *et al.*, 2020). 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 and Heidenreich, 2014; Heidenreich and Kraemer, 2015). This assumption may not hold in a BOP context, where consumers are intrinsically risk aversive.

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 (Lowe *et al.*, 2019; Hasan *et al.*, 2020). 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 and Lee, 2013; Claudy *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 and Spieth, 2013; Heidenreich and Handrich, 2015). To benefit from service innovations, BOP consumers must be willing and able to change these established practices and adopt such innovations. A more appropriate avenue for service innovation research, therefore, may be to investigate why 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 our study is:

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

1.2 Contributions

By addressing this question, this article 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 article, i.e. BOP consumers' inability or unwillingness to adopt innovative services for poverty alleviation and thus contributing to the fulfillment of sustainable development goal (SDG) 1 (United Nations, 2015).

1.3 Approach

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

2. Literature background

We firstly discuss the suitability of the innovation resistance view for developing new insights on drivers of nonadoption of prosocial service innovations by BOP consumers. Following this discussion, in Section 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.

2.1 The study of innovation resistance

Recent developments in the innovation adoption literature are increasingly based on the paradigm of innovation resistance (Heidenreich and 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 and Sheth, 1989, p.6). Status quo refers to established patterns of practices and belief structures of individuals (Heidenreich and 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 and 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 and 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 (Rogers, 2005; Viswanathan and Sreekumar, 2019; Hasan *et al.*, 2020). 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 and Mele, 2018; Pels and Kidd, 2012). There are significant structural differences between BOP and mature market settings (Pels and Mele, 2018). Because of the absence of strong frameworks to regulate market transactions (Webb *et al.*, 2010; Webb *et al.*, 2020), the established practices of BOP consumers are characterized by a high level of informal, nonmarket consumption practices as the status quo market situation (Viswanathan and Rosa, 2010; Sheth, 2011; Abendroth and Pels, 2017; Pels and Mele, 2018). 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.

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 cocreated between service providers and consumers, i.e. how resources are integrated (Denzau and North, 1994; Vargo and 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 and Vargo, 2016; Vargo and

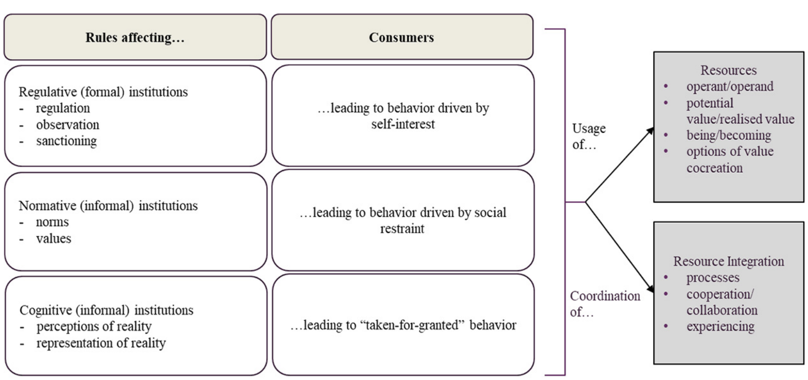
Lusch, 2016; Koskela-Huotari *et al.*, 2020). Service research has since continually drawn on institutional theory to develop an understanding of what institutions are (Kleinaltenkamp, 2018), how they influence resource integration in service ecosystems (Chandler and Vargo, 2011; Edvardsson *et al.*, 2014; Koskela-Huotari and Vargo, 2016; Vargo and 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 (Vargo *et al.*, 2015; Koskela-Huotari *et al.*, 2020; Kleinaltenkamp, 2018; Chandler *et al.*, 2019; As'ad *et al.*, 2024).

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 and 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 and Vargo, 2016; Vargo and Lusch, 2016; Koskela-Huotari *et al.*, 2020). 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 *et al.*, 2022a, 2022b).

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 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 (North, 1990; Denzau and North, 1994) that frame sense-making processes and shape perceptions of reality (Kleinaltenkamp, 2018).

When we assess the suitability of the framework in Figure 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 and 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 and Hammond, 2002), toward the acknowledgement of contextual richness in unique invisible resources and knowledge in BOP communities (Borchardt *et al.*, 2020; Cañeque and Hart, 2015; Gupta and Khilji, 2013). We provide an overview of the development of the BOP concept in the Appendix (Table A1). Because comprehensive sets of institutions comprising the three institutional pillars (as

Figure 1 Conceptual framework of institutions, consumer behavior and resource integration



Source: Authors' own work, based on Edvardsson *et al.* (2014, p. 297) in Figure 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 *et al.*, 2020). It is understood that institutions both enable *and* constrain consumer behavior (Seo and Creed, 2002; Edvardsson *et al.*, 2014). 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. 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).

3.1 Base (or bottom) of the pyramid 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 labeled, by internationally-active firms during processes of international expansion to emerging market settings (Mair *et al.*, 2012; Doh *et al.*, 2017; Liedong *et al.*, 2020; 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, noncomprehensive 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 (Webb *et al.*, 2010, 2020; Liedong *et al.*, 2020; Khoury and Prasad, 2016). 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 *et al.*, 2022b; Mair and Martí, 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 (Hill and Mudambi, 2010; Ahlstrom *et al.*, 2014; Young *et al.*, 2014). In such settings, *formal institutional voids* (Khanna and Palepu, 1997) are present, leading to a disruption of information flows, power asymmetries, and high transaction costs (Peng and Khoury, 2009; Khoury and Prasad, 2016). 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 (Webb *et al.*, 2010; Mair *et al.*, 2012; Khoury and Prasad, 2016; Bothello *et al.*, 2019).

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 and Rosa, 2010) or hybrid market structures, such as informal lending and resource-sharing arrangements in local communities (Greene and 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 1) as a source of reference for service researchers. As presented in Table 1, manifestations of informal institutional voids include social exclusion (Khoury and Prasad, 2016) or prescriptive behaviors that are influenced by ideological domains (Banerjee and 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 2. This visual representation makes clear how local sets of institutions and practices emerge from the presence of a noncomprehensive 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.

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.

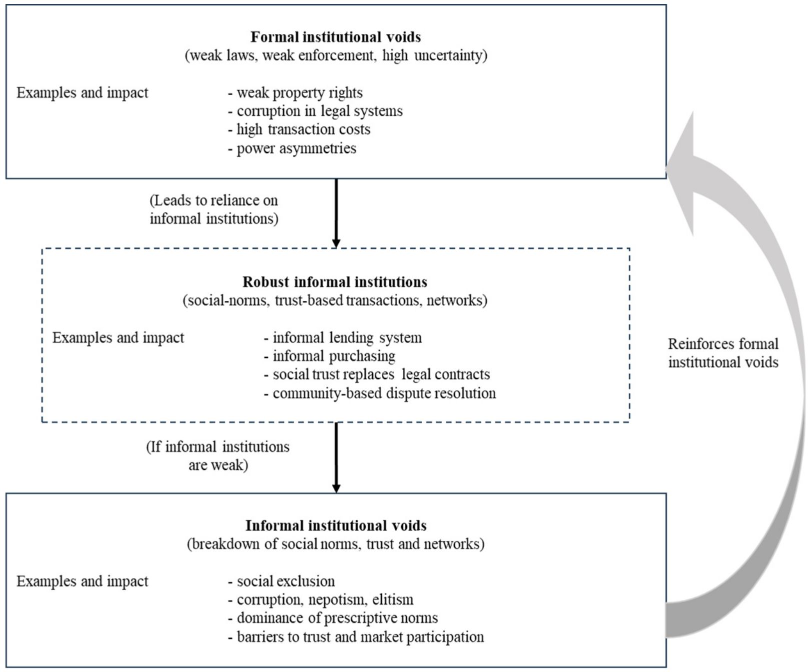
An initial, important conceptual task is to develop an understanding of how institutional voids can be positioned in a framework of institutions for service research. As discussed in the previous section, institutional voids do not mean an absence of institutions (Liedong *et al.*, 2020; Webb *et al.*, 2020). Rather, as outlined in Figure 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 noncomprehensive, local sets of institutions vary according to the intensity of the formal and informal institutional voids that are pervasive in that setting.*

Table 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 and 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 and 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 and 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 and Duflo, 2012)	Resistance or rejection of new ideas that do not match the prescriptive norm based on fear of sanctioning

Source(s): Authors' own work

Figure 2 Mutually reinforcing formal and informal institutional voids



Source: Authors' own work

The second important conceptual task is to construct an understanding of how these local, noncomprehensive 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 noncomprehensive 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 1).

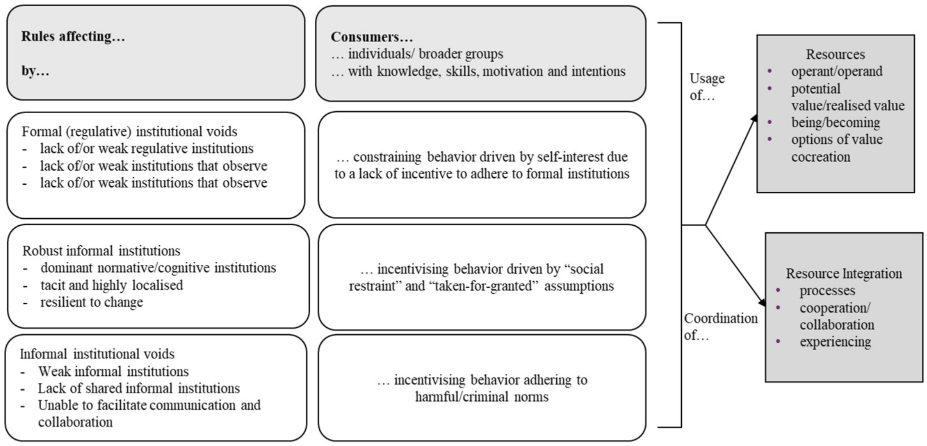
To discuss how this relates to consumer behavior, we draw on institutional theory that emphasizes individual mental models as "internal representations that individual cognitive systems create to interpret the environment" (Denzau and North, 1994, p.2). These models are shaped by the institutional setting and influence both how individuals perceive their environment and how they believe it should function (North, 1990; Denzau and North, 1994). 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 and Creed, 2002).

In Figure 3, we construct a new framework of institutional voids in line with the underlying principles of Edvardsson *et al.*'s (2014) original framework (Figure 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. These are formal institutional voids, robust informal

Figure 3 A new framework of institutional voids, consumer behavior and resource integration



Source: Authors' own work

institutions and informal institutional voids (see Figure 2). Next, we align each with their anticipated influence on consumer behavior in the central column of Figure 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, 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.

4. Institutional change and innovation resistance at base (or bottom) of the pyramid

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.

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 and 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 and Wieland, 2018). This process is proposed to take place in three steps (Tolbert and Zucker, 1996). Firstly, new patterns of problem solving behaviors, referred to as *habitualization* (Tolbert and 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 (Edvardsson *et al.*, 2014; Koskela-Huotari and Vargo, 2016; As'ad *et al.*, 2024). 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 (Lawrence *et al.*, 2002; Kleinaltenkamp, 2018). 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 and 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 and 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 and Luckmann, 1991). We visualize the steps in this process as part of Figure 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 institutionalisation.

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 4, based on the three step process of institutional change (Tolbert and 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 (North, 1990; Kleinaltenkamp, 2018). 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 (North, 1990; Lawrence *et al.*, 2002; Suddaby *et al.*, 2013; Scott, 2014). 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 and 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.

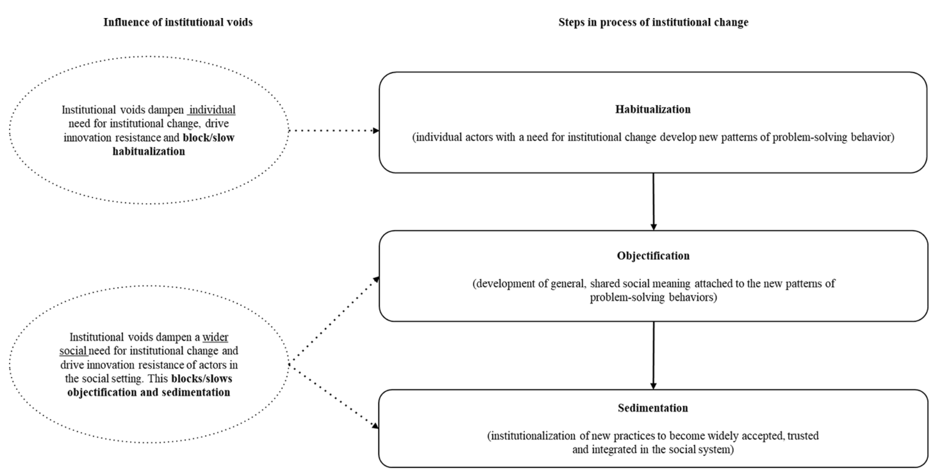
4.3 Institutional change, and innovation resistance under influence of institutional voids

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 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 and Goldberg, 2015; Jaakkola, 2020). And we develop new propositions, in line with Figure 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.

4.3.1 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%

Figure 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 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).

4.3.2 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 stockists 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 and Creed, 2002; Siltaloppi and Wieland, 2018). These voids slowed the emergence of practices as new patterns of problem solving (habitualization) as illustrated in Figure 4. Thus, we propose:

P1. 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 and Wieland, 2018). The success of the relaunch illustrates how aligning new institutions with consumer roles and resources enables institutional change (Karpen and Kleinaltenkamp, 2018). By incorporating incentives (insurance bundled with seeds, and making microloans conditional upon microinsurance) and informal legitimacy (endorsement of stockists 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, noncomprehensive 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 4, the presence of institutional voids can create positive feedback loops that reinforce established local sets of noncomprehensive institutions and dampen a wide social need for institutional change. Thus, we propose:

P2. 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.

5. Discussion, conclusion and implications

Following the earlier presented discussion, introducing a new framework of institutional voids, consumer behavior and resource integration (Figure 3) and a model showing the influence of institutional voids on a process of institutional change (Figure 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.

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 and 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 4), that equip service researchers with new insights to strengthen prosocial service innovation in BOP market settings.

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 and 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 and 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; Joncourt *et al.*, 2019; Dembek *et al.*, 2020). At the same time, service research increasingly turns its attention to addressing global social problems (Gebauer and Reynoso, 2013; Reynoso *et al.*, 2015; Fisk *et al.*, 2016; 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 and Vargo, 2011; Dean and 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 noncomprehensive 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 and 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 and Mele, 2018). The high degree of generalizability is now complemented by a new ability to interface with empirical research (Brodie *et al.*, 2011; Brodie and 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 (Mick, 2012; Ingenbleek, 2014; Pels and Mele, 2018; Alkire *et al.*, 2019; Kistruck and Shulist, 2021; Hammedi *et al.*, 2024). 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 and Vargo, 2016; Vargo and Lusch, 2016). The illustrative example demonstrates how the institutional perspective can yield new and valuable insights regarding consumer behavior in settings with noncomprehensive 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 and Martí, 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 nonmarket 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 and Kraemer, 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.

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 noncomprehensive 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 and 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 noncomprehensive 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 (Prahalad, 2005; London and Hart, 2011). 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.

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 and Lusch, 2016; Vargo *et al.*, 2020), there has been a lack of conceptual discussion of the nature and influence of noncomprehensive 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 article has taken a first step in developing a mid-range theory explaining the relevance and considering noncomprehensive 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 noncomprehensive institutions at the level of BOP consumers? Implicit sets of noncomprehensive 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 labour), 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 habitualization, objectification and sedimentation? What measures could trigger individual agency toward change? Intervention studies could be designed to investigate these areas.

In this study we have focussed 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 article has strong societal relevance.

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Appendix

Table A1 The evolution of BOP literature regarding the role of context

Characteristics	BOP 1.0	BOP 2.0	BOP 3.0	BOP 4.0
Influential authors	Prahalad and Hammond (2002), Prahalad (2005)	Arora and Romijn (2012), Simanis and Hart (2008)	Cañeque and Hart (2015), London (2016), Chmielewski *et al.* (2018)	Gupta and Khilji (2013), Borchardt *et al.* (2020)
Underlying logic	Untapped opportunity in latent consumer markets	Codesigning products and services to provide the poor with the opportunity to cocreate 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

Source(s): Authors' own work

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