

**BANK BUSINESS MODELS IN BASE OF THE PYRAMID
MARKETS IN AFRICA:
AN ANALYSIS OF CO-CREATION BETWEEN BANKS AND
STAKEHOLDERS**

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List of Abbreviations

AML	Anti-Money Laundering
ATM	Automated Teller Machine
BC	Business Correspondent
BoP	Bottom of the Pyramid
CGAP	Consultative Group to Assist the Poor
GFC	Global Financial Crisis
GSM	Global System For Mobile Communications
IB	International Business
KYC	Know Your Customer
LoF	Liability Of Foreignness
MFI	Microfinance Initiative
MMO	Mobile Money Operator
MNC	Multinational corporations
M-Pesa	Term combining M for mobile with <i>pesa</i> (Swahili for money)
NGO	Non-Governmental Organisation
OFAC	Office of Foreign Assets Control
P2P	Peer-to-peer
SCB	Standard Chartered Bank
SCI	Save the Children International
SME	Small and Medium-Sized Enterprises
ToP	Top of the pyramid
UN	United Nations
USSD	Unstructured Supplementary Service Data

Abstract

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Bank Business Models in Base of the Pyramid Markets in Africa: An Analysis of Co-creation between Banks and Stakeholders

The bottom of the pyramid (BoP) market in Africa is a significant opportunity for multinational banks. To address this banks' need to increase their understanding of their BoP context, develop new approaches to overcome BoP obstacles, and use technology to create new commercially viable business models. The purpose of this study was to investigate how banks use co-creation with stakeholders to operate in BoP markets in Africa. The research explored how banks provide services to companies and individuals that currently do not use banks services, and acquire understanding by working with companies, individuals and other market actors to generate services that creates an infrastructure for BoP markets to 'work'. This study addresses the gap in the research on how banks co-create in BoP markets, providing understanding of how banks' create approaches to customers and operating models to achieve sustainable growth in BoP markets. Empirically, the study examined specific bank projects to better understand how co-creation supports banks to delivers sustainable and scalable business models.

The main findings from the empirical research demonstrated positive results, strong leadership and commercial management are critical to banks operating in BoP markets in Africa; concurring with arguments put forward by Casado Cañeque and Hart (2015) and extending London and Hart's (2010) analysis into a banking context. Research confirmed post-financial-crisis corporate governance of banks and their boards' ability to ensure they can demonstrate their banks are well managed, and management having a detailed understanding of the operations, has created trade-offs and restrictions on how banks operate in BoP markets. No common strategies emerged to create a new business model for banking in BoP markets in Africa. No immediate significant new direction emerged for banks to overcome their business models' legacy of inflexibility to address the needs of BoP customers.

Results revealed bank proposition development approach remains generally focused on developed, rather than developing, customer contexts and regulations. The majority of BoP customers in Africa remain excluded due to cost, distance, and a lack of suitable products, as variables such as access, cost and regulation made it challenging for banks to provide compelling bank-wide propositions. BoP customers in Africa are becoming easier to access, as banks, card networks, and mobile network operators use digital technology, like mobile phones, to access BoP customer markets at lower costs than traditional business models, allowing new approaches to proposition development, such as test and learn in the field. The findings demonstrated value in co-creation via partnerships, supporting Simanis (2012), who maintained that firms are likely to be successful in BoP markets if they use existing infrastructure and local partnerships to enter BoP markets, and that pioneering work on microfinance initiatives embracing new approaches to digital technology across banking markets has led banks to reconcile the need for new approaches to BoP markets.

Declaration

No portion of the work referred to in the thesis has been submitted in support of an application for another degree or qualification of this or any other university or other institute of learning.

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Chapter 1 - Introduction

1.1 Purpose of the Study

The purpose of this study is to investigate how banks use co-creation with stakeholders in bottom of the pyramid (BoP) markets in Africa. The study focuses on how banks provide services to companies and individuals considered underserved. Banks require a deeper understanding of how they work with companies, individuals and other market actors to generate services that create an infrastructure for markets to 'work' in the BoP context. The BoP is a concept which was defined by Prahalad and Hart (2002), who identified a significant proportion of the global population as living on low incomes compared to the costs incurred to meet their basic needs.

The study assesses how banks overcome obstacles to create capabilities to service BoP markets using co-creation as an umbrella concept. The research problem considers how banks implement business models to ensure that the financially excluded can benefit from the banking system. Extensive literature exists on attempts by not-for-profit organisation, aid agencies, and government organisations to provide financial services to BoP markets. However, there is a dearth in scholarly research on how banks are using new approaches in BoP markets. To address this gap in the knowledge, this study focuses on the following research question:

- How can multinational banks utilise co-creation to implement viable banking business models in BoP markets in Africa?

In addressing the question, the study's purpose was to apply London and Hart's (2004, 2010) fortune creating concept to assess how banks use co-creation to deliver services that ameliorate financial exclusion by creating commercially viable business models in Africa. Within this context, fortune creating strategies in BoP markets:

Goes beyond simply providing low-cost products and extending distribution reach. Rather, fortune creating is concerned with how to promote market development, innovation, and capability creation 'with' BoP customers and not 'at' them.'

(London & Hart, 2010, p. 94)

Historically, non-bank financial services providers have offered new possibilities for the financially excluded, although few have scaled across country or regional borders (Berges et al., 2014). Providers of financial services have in many cases become viable due to technological breakthroughs, including the worldwide spread of affordable mobile phones. An affordable transaction or bank account is the first step towards financial inclusion, providing BoP customers with a route to a broader range of financial services. Evidence indicates (CGAP, 2015; Napier, 2010) that effective access to financial services through bank accounts enables individuals and firms to smooth consumption, manage risk, and invest in education, health, and enterprises (CGAP, 2015). The banks researched in this study engaged with BoP markets to change their stakeholders' and customers' mind-set and create capabilities for BoP markets.

Co-creation is an existing concept for multinational corporations (MNCs) in developed markets; however, it is fuzzy in BoP markets and as a mechanism for firms to demonstrate customer-centric and aligned fortune-creating strategies. The study was designed to understand the degree of co-creation used to reduce banks' liability of foreignness and degrees of outsidership in BoP markets. A qualitative method with a multiple-case-study design was used to research how a sample of four bank projects used co-creation to support the development of their business models to serve BoP markets in Africa.

1.2 Background

The BoP market in Africa is a significant growth opportunity for banks (England, 2014). To address this, banks' need to increase their understanding of their BoP context and develop new approaches to working with companies, individuals and other markets actors to overcome BoP obstacles. Banks' strategies in emerging markets are at the intersection of the demographic shift in working populations from developed to developing markets, and advancements in mobile technologies in Africa. Among banks there is a growing realisation that 4.6 billion people over the age of 20 are eligible to use financial services, of which 2.5 billion (or 7.9 times the population of the United States) do not use any established financial services. Increasing the focus on how banks operate in BoP markets (Realini & Mehta, 2015).

Although scholarly interest in BoP markets has grown significantly since Prahalad (2005) defined the BoP as a trillion dollar market, discussion continues on how MNCs can be successful in this market. London and Hart (2004, 2010) maintained that for MNCs to be successful in BoP markets they need to adopt new strategies, while Casado Cañeque and Hart (2015) observed that MNCs need to foster innovation and entrepreneurship when working in BoP markets to achieve sustainable growth. London (2015) claimed that achieving scale is a critical success factor for MNCs to be commercially viable in BoP markets. Realini and Menta (2015) argued that ‘the new financial inclusion is tied to the diversity, reach and functionality delivered with the BoP community’ (p. 221).

Collier (2007), Collins, Morduch, Rutherford, and Ruthven (2009), and Rutherford (2000) argued that microfinance initiatives (MFIs) have pioneered the delivery of financial services into BoP markets. However, they have been successful only in providing targeted BoP markets (e.g. villages, rural communities, and urban centres) with basic services, and have not benefited from economies of scale (Leyshon & Thrift, 1995). MFIs have failed to scale the distribution of services cross-border without ongoing assistance in terms of resources, capital, and infrastructure (Danilkis, 2014; Rutherford, 2000). Anan argued the delivery of financial services at scale in BoP markets can only be achieved by banks using their own resources and infrastructure to support social enterprises and give the BoP access to financial services and global markets (United Nations, 2006). Commitment by banks to BoP customers is needed in order to achieve scale and overcome BoP obstacles, such as cost of admission, administrative burden, lack of trust, and access to banking services being too far away to be relevant. This study expands the body of knowledge on strategies in BoP markets, demonstrating how banks use co-creation and work with stakeholders to create deeper customer-centric models in order to be more effective in BoP markets across Africa.

1.3 Literature

The literature review demonstrated that there is limited existing research on banking in BoP markets in Africa with respect to bank business models and how bank projects use co-creation. Bouteiller and Marois (1999) published research on banks’ internalisation strategies. Qualitative case studies were used to explain the strategies

deployed by European banks in emerging markets, identifying similarities and differences related to market entry and integration into local operations (Shuster & Holtbrügge, 2010). Bouteiller and Marois discussed the development of corporate culture in local entities, which is relevant to this study. They found that bank strategies in BoP markets varied according to the international strategy of each bank. Banks retained their foreign status by focusing on high-end markets; they obtained domestic status by entering retail or consumer banking and not strategically seeking to enter BoP markets.

Carbo, Gardener and Molyneux (2005) published on wider issues related to financial exclusion, undertaking a comparative study of financial exclusion in the United States, the UK, and other European and developing countries. They identified dimensions of financial exclusion as: (a) access exclusion; (b) condition exclusion; (c) price exclusion; (d) marketing exclusion; and (e) self-exclusion, related to local markets' context (e.g. geography, risk, physical disabilities, racism, affordability, and financial literacy). Berges, Guillén, Moreno, and Ontiveros (2014) published on banking strategies following the global financial crisis (GFC) in 2007. Berges et al. argued that the GFC 'triggered a break with banking practices of the past' (p. 21), and identified wider economic, geopolitical, and technological forces that are reshaping the banking industry. Current literature focuses on challenges banks face their business models to achieve capital adequacy, connecting with customers digitally, and operating flexible, technology-enabled business models based on innovation, customer-centricity and improving their cost-income ratios (Teece, 2006).

The Bill and Melinda Gates Foundation (2015) has published white papers on new approaches for providing financial services to the poor (Bill & Melinda Gates' Next Target: Banking, 2015; Rachman, 2010). The World Bank's Consultative Group to Assist the Poor (CGAP, 2014, 2016) has published on specific topics, such as mobile banking, the role of digital technologies to support financial inclusion, and the need for customer-centricity (CGAP, 2014, 2015).

Early theories on banking in emerging markets were based on Western banks establishing operations to service their corporate and wealthiest clients (Bouteiller & Marois, 1999), mirroring the MNC fortune-finding strategies set out by London and

Hart (2010). Authors and case studies exist on MNC internationalisation strategies, although few examples in the literature demonstrate significant results on how mainstream banks can operate successfully in BoP markets. Since the 1950s, development agencies, both government and privately backed, have provided basic financial services in BoP markets, while government-sponsored MFI projects have demonstrated pioneering fortune-creating strategies and co-creation through working in the field (Bruton, Khavul & Chavez, 2011; Imai, Arun & Annim, 2010a, 2010b). During this period, banks have generally avoided BoP markets, evidenced by the lack of research in this area. Modern banks are well placed to utilise their domestic and international infrastructure and technology to achieve the required scale in their chosen markets (Cumming & Kiesler, 2005; Carbo et al., 2005). Since over 50% of global banks' income is predicted to come from emerging markets by 2020 (Daruvala, Sengupta, Dietz, Voelkel Härle & Windhagen, 2012) overcoming the obstacles of servicing BoP markets becomes an imperative for banks (World Economic Forum, 2009), highlighting the significance of this research.

Although the poor do not have the same access to financial products as the wealthy, their need for financial services may be even greater. Research shows that access to savings products, and in particular, to 'commitment' savings, in which individuals restrict their right to withdraw funds until they have reached a self-specified goal, can have important benefits beyond simply increasing the amount of savings. Access can also help empower women, increase productive investment and consumption, raise productivity and incomes, and increase expenditures on preventative health (Chaia, Goland & Schiff, 2009).

There is a significant amount of literature on MFIs in the international development context, with microfinance coming from social entrepreneurial activities. This is supported by evidence from the Grameen Bank in Bangladesh, established and researched by Yunus (2009), who started the modern banking industry of microfinancing in the 1970s (Grameen Foundation, 2015). The lack of research on banks and their BoP strategies supports the need for a research methodology using banks' projects, rather than the banks themselves, in order to collect up-to-date, local information, and provide a focused unit of analysis.

Specific projects within banks, in which they have become involved with the unbanked or financially excluded, are identified and assessed in this study. Such projects create the basis for an empirical investigation of banks' strategies to achieve a greater understanding between themselves and their customers, the use of co-creation to create new, commercially viable business models, and to provide fresh understanding of how these interventions come about and are prioritised and implemented.

1.4 Methodology

To address the research question, the study assessed four projects by four different banks seeking to provide services to companies and individuals in BoP markets. The study then draws on data from these case studies to analyse how banks seek to re-organise their business models using co-creation and innovation to create new services and business models. The study describes inputs to a bank business model and the outcomes in terms of the project's impact on BoP customers, and the influence that co-creation has on how banks adapt and engage with stakeholders, as illustrated in Figure 1.1.

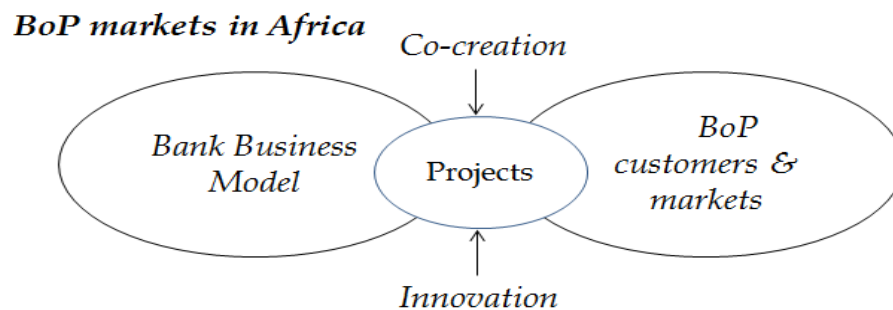


Figure 1.1: Impact of interactions between a bank's business model and BoP customers and markets.

The research methodology is a multiple-case-study design using four bank projects as the unit of analysis. Projects, being bounded systems, are distinguishable by clear boundaries differentiating each project (Bernecker & Dretske, 2000; Yin, 2014). The reason for selecting projects as the unit of analysis is that project-level analysis allows actual attempts of fortune creating through co-creation to be assessed. Case study analysis of bank projects to achieve co-creation is based on

interviews and data collected, identifying constraints within the projects and gaining an understanding of how banks collaborate internally and externally to become better informed about local issues and the development of their operating models with respect to BoP customers.

Semi-structured interviews sourced empirical data from respondents, and secondary data was used to triangulate the research to assess banks' projects in BoP markets in Africa. The projects were assessed using multiple methods and data sources for their use of co-creation to support the banks in implementing effective business models suitable for BoP customers. The analysis assessed similarities and differences to create themes and findings, drawing on the data from the case studies to analyse how banks re-organise to create new services and operating models.

1.5 Contribution

The study's contribution to knowledge extends London and Hart's (2004) work into issues related to how the banking sector operates in the BoP market in Africa. The contribution to knowledge sets out how banks require an understanding of working with companies, individuals and other market actors, to generate services and an infrastructure suitable for markets to 'work' in a BoP context. This study addresses the gap in research on how banks achieve co-creation in BoP markets, providing an understanding of what motivates banks to create operating models that achieve sustainable financial inclusion. The main findings from the empirical research demonstrated positive results; strong leadership and commercial management being critical to banks' operating successfully in BoP markets in Africa. This concurs with the arguments put forward by Casado Cañeque & Hart (2015), and extends London and Hart's (2010) analysis into banking context.

Research confirmed that post-GFC, the corporate governance of banks, specifically their boards' ability to demonstrate that banks are well managed and that management have a detailed understanding of bank operations, has never been so important, creating trade-offs and restrictions on banks operating in BoP markets. No common banking strategies for BoP markets in Africa were identified, and there is no immediate significant direction for traditional banks to overcome their business models' inflexibility to meet the needs of BoP customers (Ralph, 2015).

Analysis found that bank proposition development still generally focuses on developed, rather than developing, customer approaches, as the majority of BoP customers in Africa remain excluded by choice, as cost, distance, need, and variables such as access, have made it challenging for banks to provide compelling bank-wide propositions. However, digital technologies, like mobile phones to access BoP customer markets at a lower cost than traditional business models, are allowing new approaches, such as test-and-learn to develop. The findings demonstrated value in partnerships, supporting Simanis (2012), who maintained that firms are more likely to be successful in BoP markets if they leverage existing infrastructure and local partnerships when entering BoP markets.

1.6 Relevance

Scholarly and practitioner communities will benefit from this research, as up-to-date analysis demonstrates similarities and differences in approaches across bank projects, to create findings and conclusions on what banks are currently doing to change their business models. This research is important to international business (IB) scholars and banking practitioners, contributing to the existing body of knowledge on strategies to provide financial services to 2 billion people (38% of adults) globally who do not use formal financial services (World Bank, 2001).

This research is timely, as technology innovation has never before had the potential to impact BoP markets as it does today. Globally, in the BoP, 6.4 billion wireless connections reach 85% of the total population of 7 billion people. Over 2 billion people currently have access to the internet, and the increasing proliferation of smart phones and mobile communications is creating an almost universally connected world, raising the possibility that mobile banking can create universal financial inclusion (Cobert, Helms & Parker, 2012; Curwen & Whalley, 2010; Krugel, 2007; Rangan & Lee, 2010; Reeves & Sabharwal, 2013). This study is increasingly relevant following the 2008 GFC, as new economic, social, and technical trends increase the attractiveness to multinational banks for growing their presence in emerging markets. The requirement for banks to create new approaches to financial inclusion is obvious, given the potential for disruptive technology in consumer and wholesale banking in emerging economies (Bouteiller & Marois 1999; Carbo et al., 2005; Mader, 2016).

Debates exist as to whether global banks will have the scale, balance sheet, and interest to generate profits from emerging economies (Gates Foundation, 2014; Gates & Gates, 2015; World Bank, 2008). This study claims that innovation in business model design comes from working with customers and using technology, with a focus on providing better services, for example, Dell, Flickr (Teece, 2010) and AirBnB and Uber (Marous, 2014). Teece (2010) argued that ‘business models must be more than just a good way of doing business; they must adapt to and transcend particular customer needs’ (p. 23). Therefore, bank business models must ensure effective access for customers and create the right conditions for co-creation as a mechanism to deliver fortune-creating strategies in BoP markets (Honohan & King, 2009; London & Hart, 2004).

1.7 Management Practices

The contribution of this study to management practice supports the design of policies, priorities, and plans to monitor banks’ effective progress towards strategies that will align their business models to BoP customers. Banks may change their approach to include greater levels of humility and move beyond seeing BoP customers as inferior (Bouteiller & Marois 1999), while maintaining a business focus on the fact that financial inclusion must be based on commercial benefits.

This contribution aims to demonstrate a practical understanding of how banking strategies deliver projects that support the financially excluded in emerging markets. The comparative case study approach determined the relevant factors that have or have not supported financial inclusion within their relevant banks and BoP markets. By assessing each bank against a common set of criteria, across different settings and situations, the comparative case studies determined factors that supported each bank’s success, failures, or gaps in their strategy, business models, and the delivery of specific projects (Easterby-Smith et al., 2009).

1.8 Thesis Structure

This thesis contains eight chapters and four appendices, which are summarised below:

- Chapter 2 - Banking in the BoP Markets: introduces key topics relevant to banking in the BoP, discusses the pioneering effect of microfinance and the importance of the Grameen Bank case study. Included are implications of the financial crisis of 2008 in BoP banking literature and what differentiates banks' internationalisation strategies in emerging economies, highlighting key themes within banks' distribution models, service delivery, and customer segmentation related to financial inclusion.
- Chapter 3 - Literature Review: reviews the literature on: MNCs' business models and how they operate in BoP markets; business model change; and co-creation in emerging markets related to banking issues.
- Chapter 4 - Conceptual Framework: sets out the conceptual framework to support the analysis of how co-creation occurred in banks' projects in the BoP. The framework includes key considerations for analysing banks' co-creation activities. The chapter describes concepts to support the analysis of banking in the BoP market, and the conceptual model builds on concepts derived from empirical observations, relevant literature, and previous case studies.
- Chapter 5 - Methodology: explains the research methodology informing the study and the research process, the selection of the case study projects, and justification for choosing the multiple-case-study approach. The chapter presents the research design, data collection, and data analysis process, and explains the steps taken to ensure the research was conducted in an ethical manner.
- Chapter 6 - Within-Case Analysis: describes the four case studies derived from the research process and the themes contextualised by relevant interviews and data, setting out relevant evidence. Identified themes from the cases, highlighting similarities and differences that existed between banks' projects and their use of co-creation to develop their business models, products, and services in the BoP in Africa are presented.
- Chapter 7 - Cross-Case Analysis: describes the themes and findings derived from the research process and cases, comparing similarities and differences

between banks' projects and their use of co-creation to develop their business models.

- Chapter 8 – Conclusions: offers a summary of the thesis, stating the conclusions presented and how the research question has been answered.

Following a list of references, the appendices comprise of (a) the research protocol, (b) interview guide, (c) secondary data, and (d) case study descriptions.

1.9 Chapter Summary

This chapter has introduced the study and research question. It has examined business models with respect to banking in BoP markets in Africa, and how bank projects use co-creation to create sustainable and scalable business models that deliver value and are commercially viable. The study focuses on how bank projects have intervened by working with companies, individuals and other market actors to create a proposition and infrastructure for markets to 'work' in these BoP contexts. In addition, this chapter has set out the background, research problem, questions and methodology, significance of contribution, and structure of the thesis.

Chapter 2 - Banking in BoP Markets

2.1 Introduction

The purpose of this chapter is to introduce the concept of BoP markets and their relevance to the banking sector. It highlights the differences in business model approaches between the developed markets, defined as ToP (top of the pyramid), and BoP markets, and how these differences have implications for banks. It discusses the importance of how MFIs work in pioneering financial services in BoP markets, and key banking internationalisation strategies to create mainstream business models in BoP markets.

2.2 What is the BoP and Why is it Important to the Banking Sector?

The BoP is a concept that was defined by Prahalad and Hart (2002), who identified a significant proportion of the global population is living on low incomes compared to the costs they incur to meet their basic needs, such as food and healthcare. The BoP concept encapsulates claims that effective engagement by MNCs in BoP markets can help to eradicate poverty (Prahalad & Hammond, 2002; Prahalad & Hart, 2002). The BoP as an emerging market offers significant commercial opportunity for MNCs, given that BoP markets are larger and currently experiencing higher demographic, income, and market growth than developed markets (Martinez & Carbonell, 2007; Simanis et al., 2005). Progress by MNCs in BoP markets has been generally poor in terms of meeting low-income customer needs and creating commercially viable business models (Kolk & van Tulder, 2006; Zajac & Shortell, 1989).

The BoP supports the premise that MNCs need to adapt their strategies to turn low-income BoP customers into new markets and revenue streams, while bringing prosperity to the poor by providing them with desirable and affordable products and services they regularly want to use and consume. Prahalad and Hart (2002) determined that integrating economically isolated communities into the global economy would allow MNCs to provide products and services to new markets and create new entrepreneurial activities in low-income markets to support the creation of economic prosperity in BoP markets.

Rivera-Santos and Rufin (2010, p. 127) maintained that ‘scholars have been less successful at articulating a strong motivation for academic research in BoP markets’ on the premise that BoP markets are significantly different from developed or ToP markets. BoP markets require major innovations and changes in approaches to MNC business models; MNCs need to develop successful strategies for BoP markets that are commercially viable. Integrating economically isolated communities into the global economy requires MNCs to not only change their strategies for BoP markets but also to understand households and businesses in BoP markets in detail.

Although the poor have little money, research has demonstrated that low-income people save, borrow, and manage their day-to-day expenses (Collier; 2007; Collins et al., 2009; Rutherford, 2000). Without access to a bank, savings account, debit card, insurance, or line of credit, the poor rely on informal means of managing money; these often include family and friends, cash in hand, pawnbrokers, moneylenders in local communities, or keeping cash under the mattress, which is risky, expensive, and unpredictable (Jain, 2014).

Historically, banks have failed to make a significant contribution to the financial inclusion of low-income and BoP markets. Banks have the capital, resources, and infrastructure to provide day-to-day transactions, including sending and receiving money, and helping households manage cash flow gaps. Banks can help build working capital, finance small businesses to help owners invest in assets, mitigate shocks, and manage expenses related to unexpected events, such as medical emergencies, a death in the family, theft, or a natural disaster. Banks have generally failed to adapt their business models to develop successful strategies for BoP markets and overcome BoP obstacles.

2.3 ToP versus BoP Business Models and Implications for Banks

Rivera-Santos and Rufin (2010) expanded the literature on BoP business models by examining the differences between BoP networks and the ToP, extending the BoP narrative and discussing how MNCs enter new markets. They compared and contrasted business networks in ToP and BoP markets, and determined that understanding BoP ecosystems and networks is critical to the success of MNCs in the BoP, as BoP networks have systemic differences compared to ToP networks. Rivera-

Santos and Rufin found that BoP networks are more unstable and unpredictable in their formal aspects, but more stable and resilient in their informal aspects, demonstrating the importance of local knowledge and relevance. Assessing the importance of local knowledge and relevance, Rivera-Santos and Rufin suggested that co-creation is essential to BoP success; weak institutions in the BoP create specific problems for MNCs that must be overcome, while access to local knowledge leads to the creation of new solutions and approaches relevant to BoP markets, which are often different from those for the ToP.

ToP versus BoP differences have implications for banks, as weaknesses in BoP markets can include gaps in law enforcement and regulation, which can lead to informal disputes that are hard and costly to resolve. Limited protection for consumers can lead to exploitation, fraud, tax evasion, and corruption, with minimal property rights, and it is hard to provide loans in the absence of clarification of ownership of assets, which is a key issue for banks. All of these issues can attract negative media attention and costs for banks. However, Rivera-Santos and Rufin (2010) found that a fundamental element of the emerging business model paradigm from the BoP literature is the necessity for MNCs to create networks that allow them to fill gaps in the BoP environment, develop appropriate products, and provide access to BoP markets at a profit.

Rivera-Santos and Rufin's (2010) study revealed important differences between BoP and ToP networks. BoP networks are less centralised, wider in scope, less dense overall, and often contain structural holes. BoP networks are informal, accessed frequently, involve a broader range of domains, and often unstable and unpredictable yet more stable and resilient in their informal aspects, according to Rivera-Santos and Rufin, which demonstrates the importance of co-creation theory in BoP markets. Rivera-Santos and Rufin suggested that conditions in BoP markets make these environments significantly different from ToP ones, requiring MNCs to undertake major innovations to develop successful strategies for BoP markets. Few scholars have applied IB frameworks and strategic management to explore why BoP environments differ from ToP markets, and how these differences should lead to innovative strategies for MNCs and banks entering BoP markets.

Rivera-Santos and Rufin (2010) maintained that scholars have made a strong case for specific BoP business models based on individual case studies, but argued that IB theories have demonstrated minimal attempts to examine the underlying characteristics of BoP market environments and detailed aspects of BoP business models from an industry perspective (Schuster & Holtbrügge, 2012). They explored ToP and BoP markets by assessing the differences between their competitive structures and institutional environments. Table 2.1 builds on Rivera-Santos and Rufin's market variations and assesses the implications for banks of BoP business models.

Table 2.1: Business models in ToP versus BoP and implications for banks' business models

BoP vs. ToP	Characteristic	Implication for BoP business models	Implication for banks' BoP business models
Competitive structures	Customer incomes - BoP customers have extremely low levels of income, usually less than \$2 per day (Prahalad, 2005).	Affordable, smaller product sizes to reduce large disbursements relative to incomes.	BoP customer products must be developed based on deep BoP segmentation and customer insights, customer-centric approaches, and the maintenance of relevance, as customer needs change.
	Irregularity of incomes - BoP customers typically cannot predict their short-term incomes and often have funding gaps.		BoP customer products need to be flexible, transparent, have no hidden charges, and be capable of determining real-time creditworthiness to allow banks to support funding gaps at short notice.
	Geographic locations - BoP populations are defined as rural poor or densely populated (e.g. slum dwellers), leading to isolation, strong cultural ties, and minimal contact with national/international consumer habits.	Distribution networks designed for frequent purchases in rural and urban areas.	Wide distribution networks using mobile, internet, and business correspondence approaches designed for frequent purchases and interactions in rural and urban areas.

BoP vs. ToP	Characteristic	Implication for BoP business models	Implication for banks' BoP business models
	Importance of local firms in local markets.	Few, informal, small firms offering low quality at high prices relative to customer incomes.	Banks not competing for consumption but against local players and substitutes by offering more relevant products and services to BoP customers.
	Gaps in value chain	BoP markets have gaps in the supply chain across suppliers (e.g. finance, distributors and complementary services); taken for granted in ToP.	Banks in BoP markets effectively using their infrastructure and capital to fill gaps in their supply chain via partnerships with global or local providers and ventures with local banks.
	Gaps in economic infrastructure	BoP markets have gaps in electricity and water supplies, and information technology services and coverage.	
Institutional environment	Low levels of law enforcement and regulation	Informal disputes across tax evasion and corruption	Banks in BoP markets working with law enforcement and regulation partnerships to introduce ToP standards adapted for local market conditions.
	Low levels of employer and consumer protection	Informal disputes often occur.	Banks in BoP markets setting standards based on ToP lessons adapted for local market conditions.
	Limited property rights and dependency on community norms	Hard to enforce property ownership, and ownership based on groups and communities rather than individuals.	Banks in BoP markets working with governments to ensure local market conditions provide more confidence for banks to provide loans against local property ownership rules.
	Absence of formal institutions that allow legally enforceable private agreements	Transactions governed by relationships and networks rather than contracts.	

BoP vs. ToP	Characteristic	Implication for BoP business models	Implication for banks' BoP business models
	Reliance on informal networks and norms that have no legal validity.	Strong traditional ties within communities based on kinship, religion, or race.	Banks need to build legitimacy and trust by becoming a network member within local communities by increasing their relevance and value to BoP customers.
	Link between communities and outsiders bridged by intermediaries (e.g. NGOs/influential community members).		Banks need to continue to build trust with NGOs, learn from MFIs, and collaborate on joint projects.

Note. NGO = non-governmental organisation. Adapted from 'Global Village vs. Small Town: Understanding Networks at the Base of the Pyramid,' by M. Rivera-Santos and C. Rufin, 2010, *International Business Review*, 19, Table 1. Copyright 2009 by Elsevier Ltd.

2.4 Importance of Microfinance Pioneering Financial Services in BoP Markets

Extending Rivera-Santos and Rufin's (2010) analysis that a fundamental element of the emerging business model paradigm is the necessity for MNCs to create networks that allow them to fill gaps in the BoP environment, MFIs have pioneered financial services in BoP markets. The link between BoP communities and ToP entrants has been bridged in many BoP markets by intermediaries, such as non-governmental organisations (NGOs) and social enterprises creating microfinance programmes in the BoP markets.

Microfinance is a type of banking service generally provided to unemployed or low-income individuals or groups who would not otherwise gain access to financial services. Microfinance covers the provision of savings accounts, loans, insurance, money transfers, and other banking services to customers who lack access to traditional financial services, usually because of poverty and location (Hulme, 2000). Hulme (2000) used qualitative studies and case studies to determine that the aim of microfinance is to support low-income people in becoming self-sufficient by providing a means of saving, borrowing, making payments, and being insured using locally relevant approaches across smaller groups in villages and communities. The

literature related to financial services and BoP customers prior to the financial crisis of 2008 focused extensively on microfinance and its international development implications, rather than extending IB theories and business model effectiveness in the BoP with respect to banks. International development theories provide understanding of the issues faced by BoP customers in pioneering their financial service's needs, accessing financial services from formal providers, and overcoming BoP market obstacles (Hulme, 2000; Ricart & Casadesus-Mananell, 2009; Rutherford, 2000).

Banks historically left a vacuum in the BoP market by not providing adequate services in emerging markets. This gap has generated interest from philanthropic and social entrepreneurs, given the advances in digital and mobile technology. The inability of the poor themselves to either create or respond to economic activity and the vicious cycle in which they find themselves is well understood in the literature (Collier, 2010; Collins et al., 2009). Seelos and Mair (2007, p. 234) suggested that 'social entrepreneurs' are best placed to tackle extreme poverty and create business models that 'build resources and capabilities to achieve a blend of social and economic objectives'. Montgomery and Weiss (2011) emphasised that the microfinance industry needs to shift from donor funded to commercially sustainable operations, using a case study of the impact of the Khushhali Bank in Pakistan, which provided effective access to microloans. Khushhali Bank was Pakistan's first and largest microfinance bank to operate on commercial principles rather than being donor funded.

The financial crisis of 2007 was the most severe crisis to affect the global banking sector and world economy since the Great Depression, according to Berges et al. (2014, p. 1). Prior to 2007 the literature on banking and the unbanked in emerging markets predominately focused on the role of MFIs by not-for-profit organisations within the discipline of international development. Key authors in this period included Bracking (2003), who researched the development of financial institutions in Africa and their effect on corruption, and Hulme (2000), who researched the effectiveness of microfinance on reducing poverty. Although a full examination of microfinance is outside the scope of this study, a short discussion is necessary to position the analysis of the effectiveness of banking business models in the BoP

given the important role microfinance has played in creating the foundation for financial services in the BoP.

2.4.1 MFI Programmes are Components of Strategies to Promote Development in BoP Markets

Hulme (2000) acknowledged that MFIs have become an important component of strategies to reduce poverty and promote enterprise development in the BoP. Hulme cited multiple case stories involving MFIs across Africa and Asia, and observed that the value of microfinance remains contested due to the failure to provide sustainable models. Hulme concluded that ‘microfinance is not a panacea for poverty reduction’ (2000, p. 23). Dorfleitner, Leidl, and Priberny (2014, p. 35) stated that ‘although being of high importance for microfinance actors and the academic community, the subject of microfinance failures has so far been under-researched.’ Dorfleitner et al. constructed an index based on 17 microfinance specific variables to assess the failures of microfinance institutions by applying probit regression techniques. Their findings confirmed that: (a) capital adequacy; (b) asset quality; (c) management capability; (d) earnings; and (e) sensitivity to market risk, were key factors for the failures of microfinance institutions. Further findings confirmed that microfinance-specific effects were a positive influence on the percentage of female borrowers. Evidence that regulation, the presence of donations, and the rapid growth of microfinance affect the probability of failure (Dorfleitner et al., 2014) suggests lessons for banks when developing new business models for BoP markets.

Hulme (2000) advocated quantitative and qualitative research to assess BoP programme effectiveness and the need for close alignment between financial and human resource objectives. Hulme illustrated emerging theories on the need for mutual cooperation in the BoP to ensure that programmes are effective, underpinning the concept of the legitimacy interface discussed in the conceptual model and the importance of co-creation (Prahalad & Hart, 2002). The extensive research of Rutherford (2000) at the Brooks World Poverty Institute, University of Manchester, concentrated on developing and field testing innovative financial services schemes in BoP markets. Rutherford researched how poor people manage their money, providing a unique empirical insight into the way BoP communities use and value financial services. Rutherford found that people in the BoP both save and want to

save; when they do not save, it is because of a lack of opportunity rather than a lack of capacity. This finding highlights the potential for banks to meet this customer need.

Rutherford (2000) observed that the poor have unplanned events, when the need for cash is greater than what they have available, and the only reliable way of accessing sums of cash is to build up savings individually or as communities. Lump sums are often needed to cope with emergencies, support opportunities to acquire assets, or develop businesses. Rutherford argued that banks need to support the poor with mechanisms to encourage savings; financial services providers for the poor can provide safe, convenient, flexible, and affordable ways for BoP customers to save. Rutherford observed that key to this support was developing products that meet the poor's capacity to save and their need for quick access to lump sums and payments. Distribution and service delivery must be reliable and convenient for the poor, given their different situations and unique market conditions.

2.4.2 Changing Nature of MFI Programmes to Promote the Development of BoP Markets

The pre-2007 microfinance literature provides limited practical discussions of how and why banks should make more robust contributions towards providing suitable banking services in the BoP. Although the microfinance literature challenges banks and global financial institutions to do more to support financial inclusion, it offers minimal beneficial arguments or best practice for the banks to build on (Hulme, 2000; Rutherford, 2000). This gap in the literature highlights the limited understanding of how bank strategies should approach BoP customers and markets. Research has missed the need to develop a detailed understanding of how banks can serve BoP customers effectively in emerging markets. Academic and microfinance practitioners have generally not worked within banks themselves, and therefore have a limited understanding of banking regulation and compliance, accounting, and operations and technology management in practice, which limits their ability to generalise and transfer banking experience into the academic literature of MFI projects.

The core microfinance literature prior to 2007 primarily covered the success or failure of specific government and NGO programmes to sustainably deliver financial

services to unbanked customers or small businesses (Garforth, Phillips & Bhatia-Panthaki, 2007). The literature on banking internationalisation in emerging markets has predominately focused on extending banks' domestic or home market business models, effectively restricting banks from achieving scale and innovation in their chosen emerging markets (Appleyard, 2009; Bos & Kool, 2006). Economic stimuli created as a result of the GFC have supported the changing narrative within the pre-GFC literature regarding the size and potential of the BoP. However, the fact that BoP customers and markets need effective access to financial services in the BoP remains a challenge for banks, given their legacy costs of service delivery and MFIs' limited infrastructure and resources (World Bank, 2005). The 2005 World Summit for the International Year of Microcredit raised global awareness of the pivotal role that globalisation of financial services could play by being more inclusive and supporting the achievement of the Millennium Development Goals. Kofi Annan, then Secretary-General of the United Nations (UN), argued in the foreword to *Building Inclusive Financial Sectors for Development* that building inclusive financial sectors improves people's lives, particularly those of the poor (United Nations, 2006), by enabling them to acquire small loans, savings accounts, or insurance policies, thus making a big difference to low-income families and their position in the poverty cycle. Financial inclusion enables people to invest in better nutrition, housing, health, and education for their children, and to ease the strain of coping with difficult times caused by crop failures, illness, or death, helping people plan for the future (United Nations, 2006, p. iii). After 2005, Annan's argument for financial inclusion on the basis of improving human lives found common ground among global leaders.

2.4.3 MFIs Creating Foundation for Co-Creation in BoP Markets

Rutherford (2000) and Collier (2007) in their studies on microfinance argued for an inclusive financial sector with a greater involvement of banks because of their scale, technology, and lending expertise, which the microfinance community lacks, while emphasising the experience MFIs had in understanding BoP customers. The microfinance community has suggested that Western states and their banks should focus more on helping the financially excluded and unbanked in emerging markets in terms of planning for their long-term needs, rather than short-term development assistance and aid. 'In many developing countries, small-scale enterprises and micro-

entrepreneurs face severe financing constraints' (United Nations, 2006, p. iii), which need to be overcome with the support of bank infrastructure and resources so that they can achieve financial independence (Collier, 2007; Rutherford, 2000). Annan, by comparison, argued that access to financial services would allow poor and low-income communities to 'participate fully in the economic life of their societies, create employment, and realise their full potential' (United Nations, 2006, p. iii). Annan supported the continued motivation of international originations to encourage banks to take leadership roles in developing the BoP market, thus building on the local insights and lessons gained from pioneering MFI efforts.

2.4.4 Achieving an Inclusive Financial Sector via Greater Collaboration and Customer Insights

Collier (2007) suggested that a more inclusive financial sector would provide greater business opportunities for banks to develop; thus, BoP communities and countries would have a better chance to flourish. Collier's extensive work on poverty and the BoP covered multiple case studies across Africa and Asia that explored why poor countries exist and what government and companies should do. Collier's ideas contrasted with early views on co-creation in the BoP that more effective collaboration across the different organisations involved in financial inclusion was vital (London & Hart, 2004; Prahalad, 2005; Prahalad & Hart, 2002; Ramaswamy, 2000). Collier proposed that banks are too removed from aid agencies and in-country activities to understand the needs of BoP customers, challenging the theories and benefits of co-creation in comparison to Rivera-Santos and Rufin (2010). Collier maintained that banks in emerging markets need to take responsibility for their governance to demonstrate confidence to BoP customers, in the same way De Beers did for the diamond industry (Collier, 2007, p. 136). Taking responsibility for their governance, De Beers supported the creation of the World Diamond Council, overcoming the challenges of competitive and disparate companies and organisations in BoP markets. The council, which united behind the fight against conflict diamonds, overcame one of the industry's biggest challenges in BoP markets (Collier, 2007, p. 136). Collier and the microfinance literature provide no clear statement on how they could work more effectively with banks in the BoP, while generally emphasising banks' negative effects on the BoP and their lack of engagement, given that the focus of microfinance programmes has been on filling the

perceived gap in the BoP market, in which banks have historically been less interested (Collier, 2007; Imai, Gaiha, Thapa & Annin 2012).

2.4.5 Transition from MFI to Banking in the BoP Evidenced by Grameen Bank

Yunus (2003) advanced the literature on the role of banks in the BoP market and how they could operate to serve BoP customers while remaining commercially viable. Yunus's theoretical perspective came from the 1974 famine in Bangladesh, where a lack of local support seeded his ideas on the dual need to: (a) help low-income Bangladeshi grow more food; and (b) overcome scepticism in government and banking about lending money to people in poverty (Behr, Entzian & Guttler, 2011).

Yunus's (2003) work extended the microfinance literature by describing new concepts of microcredit and microfinance. He demonstrated through the founding of the Grameen Bank in Bangladesh how the gap between ToP and BoP approaches could be bridged. These new concepts for microcredit provided loans to entrepreneurs who were too poor to qualify for traditional bank loans, creating new commercially viable business models for BoP markets. Yunus's new system of microcredit (i.e. lending small sums to groups of women in local communities) gave BoP customers the support to pull themselves out of poverty, using local knowledge and expertise. Most of his BoP customers were illiterate women who wanted to set up the smallest imaginable village enterprises.

As evidence that ToP and BoP differences can be understood and used to create BoP business models, Yunus's (2009) microcredit banking model is practised in 60 countries, including the US, Canada, and France, alongside business models that can deliver financial services to low-income customers in emerging markets. Yunus extended his contribution to the literature by exploring the role of social business in reducing poverty. Yunus argued that regardless of the success of traditional free-market capitalism, Western states and companies had been unable to resolve the challenges of poverty and inequality by providing affordable and accessible financial service to BoP customers. Yunus drew similar conclusions to Prahalad and Hart (2002), namely that mutual value in the BoP could resolve problems, such as feeding the poor, housing the homeless, and establishing sustainable economic and social development in the BoP.

The Grameen Bank case study (Seelos & Mair, 2007; Yunus, 2009) moved the literature into a practical dimension related to business model effectiveness in the BoP. Seelos and Mair observed;

‘Entrepreneurial organisations that have created business models to serve the poor may encounter bottlenecks that limit scale. Companies that employ their capabilities to remove these bottlenecks enable BoP business models to better fulfil their objectives.’

(p. 97).

2.4.6 Implications of the GFC on MFI and Banking in BoP Markets

The GFC in 2007 forced banks to give higher priority to emerging markets and raised questions on new approaches and how banks should adapt their operational practices. The literature on business model effectiveness in the BoP, with respect to MNCs and banks and how they seek to achieve co-creation in BoP markets, increased following the events of 2007, as seen by the uptake in interest in banking in emerging markets and the role of digital technologies. The crisis was not homogeneous in its effects; it had a positive impact on interest in and literature related to banking in the BoP. The financial crisis of 2007 centred primarily on Western banks and economies, and it had a limited direct impact on emerging markets and their banking industries. China and a number of African countries expanded their banking industry during this period, potentially reordering the emphasis of the international development debate and the balance of financial power and opportunity for international banks in BoP markets (Berges et al., 2014). The success of local market initiatives to provide services to BoP customers in Kenya (M-Pesa) and Bangladesh (Grameen Bank), among others, is evidence of how new approaches are working.

The post-GFC literature has focused on a new era of international competition and digital and mobile banking in the BoP (Berger & Nakata, 2013; Cobert et al., 2012; Dietz & Walter, 2008). With banks subject to new requirements for transparency, increased governance, and the need to rebuild legitimacy in their home markets and internationally, they face financial disintermediation from shadow banking and social entrepreneurs in BoP markets (de Koker & Jentzsch, 2013).

New literature, such as *A New Era in Banking: The Landscape After the Battle* (Berges et al., 2014), has taken forward the discourse on the importance of banks executing strategies that rebuild trust, based on extensive primary research. Berges et al. used unstructured interviews with banking executives globally, exploring key geopolitical and technical forces that reshaped the financial services industry after the GFC. They discussed the challenges of banks derisking their business models, reconnecting with customers, and creating stakeholder value.

The conceptual model used by Berges et al. (2014) to assess and implement new business models analysed five dimensions that banks need to address to execute post-GFC strategies: (a) strategic alignment; (b) customer interface; (c) internal processes; (d) human resources; and (e) incentives. Berges et al. linked these factors to the key industry drivers and identified the key capabilities required by a bank to adapt and develop in this new landscape (p. 147). Berges et al. argued that banks need to repeatedly undergo this analysis to be able to adapt to the new competitive landscape and remain relevant.

Berges et al. (2014) addressed issues related to banks' need for restructuring, rebalancing economic growth, and exploiting emerging markets, and the demographic changes of a new rising middle class and ageing population, while meeting the needs of new customer groups and extending financial access. Berges et al. observed how banks exploited new technological capabilities to reach customers in new ways and achieve new levels of efficiency and customer insight, creating a narrative of the need for banks to reduce costs and use technology to become customer-centric across all markets (Dietz, Khanna, Olanrewaju & Rajgopal, 2016).

Berges et al. (2014) further suggested that most developed countries show clear signs of excess banking capacity, creating downward pressure on margins and profitability. In the wake of the financial crisis, this pressure has caused banks to focus on products and services where they can obtain better returns on capital. Emerging markets offer better growth opportunities for banks than developed markets, as they display a combination of fast economic growth, intense competition, excessive credit expansion, and weak regulation. Berges et al. suggested that these factors make banks vulnerable to economic bubbles, and advocated that they should expand selectively, either by following their existing customers as they develop into

emerging markets (Bouteiller & Marois, 1999) or by selecting demographic segments where they can leverage their domestic competitive advantage (Berges et al., 2014, p. 98). Simanis (2012) argued that ToP firms are more likely to be successful in BoP markets if they use their existing infrastructure and local partnerships to enter BoP markets. The combination of the GFC in 2007 and pioneering work on MFIs embracing new approaches to digital technology across the bank sectors has led banks to reconcile the need for new approaches to BoP markets.

2.5 Banking Internationalisation Strategies to Participate in BoP Markets

This section builds on the discussion on business models in ToP versus BoP and the implications for banks' business models. It aims to provide an interpretation of the literature with respect to banks, analysing the relevant literature on banking internationalisation strategies, distribution models, service delivery models, and customer segmentation related to banking strategies in BoP markets. This section compares and contrasts views on the issue by different authors who draw similar conclusions. The literature review includes different banking strategies in emerging economies to analyse banking strategies seeking to achieve sustainable financial inclusion in emerging economies, markets, and customer groups.

Much of the related literature on BoP strategies analyses the international development and political, social, or international economic agendas in BoP markets. In assessing banking literature keyword searches (e.g. 'banking strategies', 'banking business models', 'financial inclusion', 'emerging economies', 'mobile banking', 'community banking', and 'bottom of the pyramid'), I found many articles that addressed very specific functional or regional aspects of the topic and are not within the scope of this study (e.g. McAllister & McManus, 1993; Moser, 1998). This highlighted a difference in the discussions across the literature before and after the GFC of 2007. The pre-GFC literature focuses on the complexities for banks working in the BoP, while the post-GFC agenda acknowledges how banks must exploit digital technology to overcome many historical issues of providing banking services in the BoP. There is limited theory supporting predictions on potential outcomes and how viable it is for banks in practice to be successful (Rugman, Verbeke & Nguyen, 2011).

The literature on banking internationalisation strategies broadly covers how banks can create business models that support sustainable investment in infrastructure and attract indigenous skills, plus the need to create more relevant products and change governance to increase access to and usage of financial services for the world's unbanked (Levine, 2004). The core argument is that to support poverty reduction, banking customers need to benefit fairly from the norms of the banking system; that is, they must be able to save any surplus income, secure short-term loans, and have basic insurance for their homes and possessions (G. Coetzee, personal communication, March, 11, 2011; Collard, 2007; Collier, 2007). Authors consistently observed that banks have failed to create low-cost business models by failing to design processes, technology, and operations that increase usage and access to a banking system for the poorest families and communities in emerging markets. Banks have contributed little to the long-term sustainable development in their chosen markets, creating a vacuum filled historically by microfinance programmes and NGO activities.

New banking business models for the BoP are emerging, with some understanding that market creation is different from market entry when developing a financial service business model (Banerjee & Duflo, 2011; Benito & Welch, 1994; Berger & Nakata, 2013; Berges et al., 2014; Goyal & Kapoor, 2012). The strategic insights provided by *Next Generation Business Strategies for the Base of the Pyramid* (London & Hart, 2010) and *Base of the Pyramid 3.0* (Casado Cañeque & Hart, 2015) continue to provide the most advanced context for new approaches in the BoP. To support firm-level findings across banking strategies in the BoP, I investigated four areas within the literature to provide a more detailed context and locate relevant understanding of banking in the BoP: (a) banking internationalisation strategies; (b) distribution models; (c) service delivery models; and (d) customer segmentation.

International banks have a strategic choice to either engage in the BoP market or not, based on the depth and breadth of the services they offer and the desire to achieve international market coverage. Effective bank internationalisation strategies need to be able to answer the question of how to do business commercially in the BoP in a sustainable and viable manner. That is, what kind of business models will work to help banks achieve their strategy of engagement in the BoP?

Khanna, Palepu, and Sinha (2005) argued that MNCs avoid investing in emerging markets because they lack the institutions needed for success, illustrating issues of maturity and stability in emerging markets. Rivera-Santos and Rufin (2010) extended the work by Khanna et al. (2005), arguing that BoP networks (created via co-creation between internal and external stakeholders) are required to fill the gaps to support banking internationalisation strategies. Khanna et al. and Rivera-Santos and Rufin highlighted the challenges banks have encountered in emerging markets due to a lack of local knowledge.

Khanna et al. (2005) maintained that strategies to mitigate these risks require analysis of the criteria within the institutional context, including political and social systems, openness to foreign investment, and the existing quality of product, labour and capital markets (Sinkovics, Sinkovics & Yamin, 2014). Khanna et al. argued that not investing in emerging markets would ensure that MNCs lose global competitiveness. A diagnosis of banks' institutional context within a target market allows banks to make one of three corporate strategy decisions:

- Change the institutional context: use the power of the company's presence in the market or its products to force improvements in local market conditions.
- Stay away if adapting the business model is considered too impractical or costly.
- Adapt the business model while ensuring that changes to the model preserve the company's competitive advantage.

Building on the banks' institutional context, Khanna et al. (2005) analysed the diversity of banking in emerging markets in terms of an international bank's ability to service customers, small businesses, and corporate customers locally, while remaining profitable and managing its risks. Khanna et al. argued that 'most companies have stuck to the strategies they have traditionally deployed, with standardised approaches to new markets while sometimes experimenting with a few local twists' (p. 46). As a result, many multinational corporations are struggling to develop successful strategies in emerging markets (Khanna et al., 2005, p. 46).

Banks are tailoring their strategies to specific locations before adapting to a regional context that creates additional complexities for their business models and

ability to create low-cost operations due to their legacy costs and technologies. However, Chaia, Goland, and Schiff (2010) at the McKinsey Research Foundation, predicted that ‘emerging markets will contribute nearly half of all global banking revenue by 2020 with only the global banks having the scale, balance sheet and interest in generating a profit out of emerging economies’ (p. 46). Thus providing evidence of confidence that some banks will be able to adapt their business models to BoP markets. Meanwhile, Khanna et al. (2005) agreed with the importance of international banks’ investing in emerging markets and contrasted different authors’ views in terms of approach versus opportunity. Khanna and Palepu (1997, p. 48) argued that:

Successful companies develop strategies for doing business in emerging markets that are different from those they use at home and often find novel ways of implementing them and while companies can’t use the same strategies in all developing countries, they can generate synergies by treating different markets as part of an ecosystem.

Although many authors have failed to explore the traditional approaches to creating value through growth and efficiency related to banks’ internationalisation strategies, many consider traditional approaches to no longer be enough. Berger and Mester (1997) suggested that a substantial research effort has gone into measuring the efficiency of financial institutions, with many studies finding that inefficiencies are quite large within leading international banks, and that scale can help banks to reduce their costs. In contrast, McAllister and McManus (1993) posited that size and scale are no longer a reason for a banking business model to be successful. This is supported by the analysis by Khanna et al. (2005) that when the institutional context for a bank is not correct, regardless of size and scale, the business model is considered too impractical or costly, preventing bold, strategic decision making or an ability to enter low-income BoP markets. Rhee and Mehre (2006a, 2006b) expanded this analysis by arguing that global banks and niche banks seeking to do business in emerging economies need to ensure their operations for entry-level banking are a strategic fit and not add-ons if the business model is to be sustainable. The failure of banks’ strategies for emerging markets to achieve a strategic fit reinforces Johanson and Vahlne’s (2009) argument that their liability of ‘foreignness’ still needs to be overcome by many banks in the BoP.

Rhee and Mehre (2006a, 2006b) found having a competitive strategy substantially affects a retail bank's performance based on the strength of integration of operations and marketing areas. They appraised the views that banks' strategies need to be clearly aligned to their desired emerging markets, and that their technology strategies need to be aligned to their business model and customer acquisition strategies from the outset. Rhee and Mehre concluded that the place of digital technology within a corporate strategic framework is key to banks being able to operate within emerging markets and with legitimacy.

In contrast to a purely banking perspective and building on the origins of financial inclusion, Hulme and Arun (2011) argued that microfinance is the best way to tackle financial inclusion. Although microfinance has been accused of failing to scale and create sustainable benefits, the literature has moved towards making recommendations on how MFIs, banking authorities, and governments need to collaborate more effectively to scale the delivery of financial services to the underbanked, based on local knowledge and a customer-centric approach (Hulme, 2000; Rutherford, 2000). Illustrating the argument that microfinance has generally worked below the level of corporate strategy and institutional context, Khanna et al. (2005) maintained that microfinance has tried to upscale and become more effective in emerging markets but lacks specialised intermediary firms and regulatory systems on which scaled operations depend, highlighting the important role banks could play in BoP markets. The microfinance literature fails to explore in detail the implications of a lack of banking and operational experience within NGOs. Hulme (2000) did not specifically discuss how banks can ensure that their operations for entry-level banking will become profitable on the back of lessons learned from the MFIs, which would be the key incentive for banks' future investment and wider involvement in the BoP. In *Banking for Billions: Increasing Access to Financial Services* (Murray, 2010, p. 9), Marcus Agius, a former chairman of Barclays, set out the view of the bank's approaches to emerging markets: 'Barclay's strategy is to focus attention on emerging markets and the bank's commitment to global partnerships with nongovernmental organizations to accelerate access to financial services' (p. 67). This statement reinforces Barclay's strategic direction and demonstrates an executive commitment to BoP markets in Africa, and the need for local knowledge, partnerships, and collaboration in the field to support its strategy.

Bouteiller and Marois (1999) analysed bank strategies in emerging countries based on an empirical survey completed through interviews with three major European banks: ABN Amro (the Netherlands), Barclays (UK) and Société Générale (France). Bouteiller and Marois found that banks' strategies in emerging countries vary according to their wider international strategy and heritage. They identified two patterns in 1999 for international banks' strategies in the BoP:

- retaining a foreign status by focusing on the high end value of the market.
- striving to obtain domestic status by entering retail or consumer banking.

Neither of these patterns supports new approaches to delivering services to the underbanked or unbanked. Instead, they appear to support the argument of the Bill and Melinda Gates Foundation (2015) that banks are unable to act profitably in emerging markets without a significant investment in modern digital technology, the creation of new low-cost processes supporting new ways of working, and a move away from restrictive business models developed for Western markets. Bouteiller and Marois, however, fail to explain the impact of any specific projects or outcomes demonstrating the success of banks' corporate strategies into the BoP with any level of certainty. The following section explores the impact of low-cost distribution models, service delivery, and customer segmentation in banks' BoP markets.

2.5.1 Low-Cost Distribution Models

Distribution is the manner in which products and services move from a bank's back offices to branches or other channels, where BoP consumers can purchase or consume services. The literature review found that articles broadly detailed different authors' views on how bank distribution models (apart from mobile banking) are designed for BoP markets, and mainly focused on global banking business model approaches. Pitta, Guesalaga, and Marshall (2008) maintained that the BoP proposition, where private companies can both be profitable and help alleviate poverty, is complex due to factors such as rural and urban locations, ability to identify customers within large populations who are often transient, people living in rough terrain, people displaced through famine and conflict, the impact of natural catastrophes, migrant workers, and a broad range of specific financial products. Requirements, such as identity and proof of address, limit the ability to determine

BoP customers' creditworthiness and ability to borrow money, emphasising the major differences between ToP and BoP markets.

Pitta et al. (2008) found that there is no firm agreement in the literature about the potential benefits of marketing to customers in the BoP for both private companies and low-income consumers. They provided guidelines as to how firms must adapt their distribution strategies to sell to the BoP market and what type of partnerships they need to build in order to succeed, which is an important demonstration of co-creation in the BoP. Pitta et al. presented an analysis of the elements involved in the BoP initiative (companies' motivations, the characteristics of BoP consumers, and the business model to service BoP customers), arguing that:

Although there is no agreement in the literature about the potential benefits of the BOP approach for both private companies and income consumers it is clear firms need to adapt their marketing strategies to sell to the BOP market, and build partnership in order to succeed. (p. 23)

Hedley, White, Petit dit de la Roche, and Banerjea (2006) found that large players generate higher aggregate profits by reaping the benefits of scale, whilst niche players aggressively pursue the most desirable customers by addressing their needs in distinct ways; those in the middle will get squeezed out. Rhee and Mehre (2006a) argued that distribution models affect the strategic integration in retail banking services. They found that a competitive strategy substantially affects a retail bank's performance, not scale, based on the strength of integration of operations. The traditional argument is that scale is required for banks to compete globally rather than creating niche strategies, given the need to cover their high operating costs.

London (2016) suggested that scale and new approaches to operating in the BoP can be translated into an effective business model that can distribute products and services across BoP markets successfully. For London, obverse scaling is overcoming the internal and external challenges of 'moving from the pilot phase to an impact enterprise - focusing on co-creation, innovation, and embedding' (2016, p. 45). Rhee and Mehre (2006a) determined that distribution models affect the strategic integration in retail banking services, affecting a retail bank's performance based on the strength of the integration of operations. London extended this narrative, observing how distribution strategies are:

Divided into component parts: (1) co-creation involves crafting solutions with the BoP and finding the positive; (2) innovation involves orchestrating effective experiments and building market opportunities; and (3) embedding involves building collaboration-based competitive advantage and developing social embeddedness. (p. 56)

The distribution of banking services from banks' back offices to branches or other outlets where BoP consumers can purchase or consume services has been positively affected by the proliferation of the internet and mobile banking channels, as well as the use of smartphone technology as a distribution mechanism. The literature on distribution channels focuses on branchless banking and the role of IT and intermediaries (Curwen & Whalley, 2011), regardless of regional focus. It appears that authors agree on the importance of banks' investment in the telecommunications infrastructure, the growing demand for voice and data, and the usage of mobile and smartphones in emerging markets, illustrating the importance of how telecommunications infrastructure will support banks' delivery of financial services to unbanked potential customers (Thomas, 2011). Vodafone's launch of M-Pesa across Kenya in 2007 showed how new technological capabilities enable banks to reach new customer segments digitally, while accelerating the introduction of new banking services in emerging markets (Napier, 2010). M-Pesa has become the most successful mobile-phone-based financial service offering in the developing world. M-Pesa's success was built on its primary function: reducing the costs of making a payment from one individual to another, especially across large distances. It offers banks a case study of a successful business model in BoP markets (Napier, 2010). Internet and mobile banking channels and smartphone technology as a distribution mechanism have allowed banks to overcome many BoP obstacles. Quality and reliable banking services can now be delivered to difficult-to-reach customers, and banks can extend beyond their traditional customer segmentation as they adopt new business model approaches.

2.5.2 Service Delivery

Kochhar (2010) assessed the first-ever nationwide multistakeholder study in India (the National Study on Speeding Financial Inclusion) to understand the key interventions required to speed up the process of financial inclusion and poverty alleviation. Apart from providing key recommendations in the form of a road map to

speed up the process of financial inclusion, the literature explored the viability and cost effectiveness of the business correspondent model (BC). The BC model was designed to increase bank outreach in large markets; the BC is an entity that acts as a teller for the bank and carries out a full range of transactions on behalf of the bank. BCs are paid commissions by banks for the services they render. BC models and service delivery approaches allow banks to increase customer access to and usage of financial services in rural and remote regions of emerging markets (Chaia, Schiff & Silva, 2010; Kolloju, 2014).

The BC model has the potential to transform banks' service delivery models in the BoP, as it develops and strengthens the relationship between unbanked people and the formal financial system. Features include identifying borrowers, collecting and verifying loan applications, creating awareness of various financial services, products, and transactions, post-sanction monitoring, and collection of small-value deposits (Chaia et al., 2010). Kochhar (2009, 2010) asserted that the advantage of the BC model is that banks get vast exposure to the rural population without having a physical presence, while unbanked people in remote areas get easy access to basic banking facilities on their doorstep through a member of their own community. Kolloju (2014) noted that under the BC model, an authorised agent (who may or may not be a direct employee of the financial institution) travels within a wide geographical area, particularly rural regions, to enrol people as bank clients, deliver loans, and collect repayments. Improving business model effectiveness in the BoP through the BC model is widely discussed across the literature (Chaia et al., 2010; Collier, 2010; Collins et al., 2009; Napier, 2010). The concept of banks partnering with third-party agents to provide financial services on their behalf under the BC model is widely seen as supportive of the logic of co-creation and offers banks synergies with mobile distribution model strategies.

The World Bank's CGAP (World Economic Forum, 2009) estimated that the average monthly cost to customers of using correspondent and mobile-phone-based models is 19% lower than the cost of these services in traditional branches, and is up to 50% lower for some products, such as medium-term savings and bill payments. In addition, the McKinsey Foundation (Chaia et al., 2010) concluded, based on its research in Mexico, that the all-in cost of offering savings accounts (including marketing, opening an account, and per-transaction costs) through BC outlets is

about 25% lower than offering them through traditional branches. BC models help organisations serve low-income consumers, which is particularly important because people in the segment typically transact in small sums.

Bos and Kool (2006) found that mobile banking remains extremely dependent upon an effective infrastructure, which is less reliable in emerging economies. According to a recent study of 250 Fortune 500 companies, mobile banking enterprises can lose up to \$7,000 USD per minute if their website goes down (Bos & Kool, 2006). Therefore, it is imperative that mobile banking infrastructure is properly supported and not taken for granted by local governments or international banks; customers must feel they have access to a physical presence in which the BC model plays an important role. The literature on banks' strategies indicates that various banks have promoted correspondence banking, but only a few have scaled up beyond the pilot stage (Chaia et al., 2010; Kochhar, Chandrashekhar, Chakrabarty & Phatak, 2009).

The research conducted across banking in emerging markets to practitioners and bankers determined that BC does contribute to financial inclusion objectives (Carbo et al., 2005; Chaia et al., 2010). Much of the literature lacks findings to indicate that current regulatory regimes would allow the BC model to become financially viable. Customers of the BC model include shopkeepers, small taverns, and micro small and medium-sized enterprises (SMEs) that use cash, as well as previously excluded individuals. The BC model leaves the approach open to concern about mis-selling and abuses, such as money laundering, corruption, and theft, which can represent a significant reputational risk for global financial institutions, although this issue is not discussed in the literature in detail.

2.5.3 Customer Segmentation

In BoP markets, BoP customers are the segment seen as the poorest, most dependent upon aid, and the least profitable for banks (Amel, Barnes, Panetta & Salleo, 2004; Carbo et al., 2005; Rhee & Mehre, 2006a, 2006b). The evaluation of the literature on business model effectiveness in the BoP with respect to MNCs and banks, and how they seek to achieve co-creation in BoP markets, has demonstrated significant unmet needs, since most of the potential customers in the segment have no bank accounts or

access to modern financial services (Demirguc-Kunt, Klapper, Singer & Van Oudheusden, 2015).

In analysing the customer segmentation to understand banks' customers in the BoP, the literature confirms that most BoP banking customers are dependent upon informal and subsistence livelihoods. In BoP markets customers lack the ability to directly sell their labour, handicrafts, or crops, and have no alternative but to sell to local employers or middlemen, who often exploit them (Collins et al., 2009). As subsistence and small-scale farmers and fishermen, they are extremely vulnerable to the destruction of the natural resources they depend upon; moreover, they are often powerless to protect themselves (Collier, 2007). Subsistence and the elements hold them within the poverty trap (Demirguc-Kunt et al., 2015).

The literature on business model effectiveness in the BoP highlights the BoP penalty of customer segmentation (Chaia et al., 2009). The BoP penalty is a significant consideration when reviewing the challenges and opportunities within the BoP, as many within the BoP pay higher prices for basic goods and services than wealthier customers in the same markets, both in terms of cash or the effort they must expend to obtain them. They often receive lower quality as well, which has traditionally caused bad feeling and a lack of trust, and resulted in decisions to look for alternatives; banks need to understand this dynamic in developing relevant products and services for BoP customers (Chaia et al., 2009). For example, it is widely known that the poor pay more for transportation to reach a distant hospital or clinic for treatment and face exorbitant fees for loans or for relatives abroad to transfer money (Rutherford, 2000). Another challenge is the existing bias of the BoP community, often characterised as either having individual shortcomings ('the poor are lazy, lack intelligence or are helpless; if they were not, they would not be poor') or structural disadvantages ('uneducated, limited resources, isolated from opportunities . . . people characterised like this are not likely to be seen as good partners'; London & Hart, 2010, p. 109). London and Hart (2010) suggested that BoP ventures cannot rely on a strategy that primarily depends on extracting value already present in BoP markets, such as accessing locally available expertise or utilising pre-existing infrastructure; economies that have urbanised have yet to see the benefits of globalising banks' strategies in BoP markets.

BoP customer dissatisfaction and unrest in rural areas has the potential for political consequences, as sustainable growth requires infrastructure and industrial development. To support these challenges, bank BoP business models must consider how to incubate technology to ensure it is sustainable, co-create local partnerships, and migrate cottage industries to generate local income and raise standards of living across the board rather than in isolated pockets (Rutherford, 2000). Simanis and Hart (2009, p. 77) argued that innovation in business model design comes from working directly with the customer, and that using technology to improve services must be focused on meeting customer needs. However, the literature provides no practical examples of how this process has been adapted for the banking industry and generally highlights a key lack of market information based on an understanding of deep customer needs, which is the focus of much research funding (Collier, 2010; Napier, 2010). Much of the literature on customer segmentation discusses how BoP customers are globally distributed, located, and strategic for firms to engage with this segment. Seelos and Mair (2007) stated that ‘literature concerning BoP has touted the segment as a significant opportunity for businesses, yet there is little stating how to practically implement such an opportunity within the segment or sub-segments’ (p. 45).

Seelos and Mair (2007) concluded that existing BoP models can be used to cultivate new markets that include the poor and are also profitable; these require banks to achieve a greater understanding of the BoP segment based on new approaches to working with segments and gathering local knowledge. However, Napier (2010) highlighted that:

Although there have been an extraordinary number of bank collapses in Africa in the past 20 years, most collapsed for reasons that had nothing to do with the bottom-of-the-pyramid strategies going awry. Almost all were victims of catastrophic lapses in governance and general management failure at board level. (p. 7)

Customer segmentation is critical for banks to create effective business models. Gaps in the literature show that banks need to adapt their marketing strategies to sell to the BoP market based on customer-centric approaches. Much of the literature is focused on achieving local partnerships needed to support the value chain, rather than offering detailed insights into how consumer research has supported the development

of business models. Mwenda and Muuka (2004) used frameworks to establish best practices for the future success of MFIs on the continent, including the need to ensure flexibility and careful government regulation and supervision of MFIs. This and wider contributions, however, fail to consider MFI best practices within the context of how banks make profits, which is important in answering the research question on banks creating effective BoP business models that are commercially viable.

This section has discussed the literature related to banks' corporate strategies, business model design, distribution, and customer segmentation in the BoP to support financial inclusion. A clear understanding of factors that underpin a successful business model in the BoP and support co-creation is important to enable the implementation of the bank models assessed in the case studies.

2.6 Chapter Summary

This chapter has provided a review of the relevant peer-reviewed and scholarly literature concerning the concept of BoP markets and its relevance to the banking sector, highlighting differences in business model approaches between developed markets, defined as the ToP, and BoP markets, and how these differences have implications for banks. It introduced the work of Yunus (2003), who founded Grameen Bank in Bangladesh, and considered the implications of the financial crisis of 2007 on the BoP banking literature, including the importance of banks' strategies in rebuilding trust and how next-generation strategies for banks in the BoP (Berges et al., 2014) suggest that emerging markets offer better growth opportunities for banks. To contribute to the perceived gap in the literature regarding business model effectiveness in the BoP with respect to banks, this chapter has assessed the BoP banking literature for the implications of the financial crisis of 2008, taking forward the discourse on the importance of banks executing strategies that rebuild trust.

Berges et al. (2014) suggested that emerging markets offer better growth opportunities for banks. However, banks need to implement new business models to capture these opportunities, building on the lessons learned from MFIs that have pioneered financial services in BoP markets, according to Rutherford (2000) and Collier (2007). The final section compared and contrasted different authors' views on

themes within the literature relevant to what differentiates banking strategies, namely banks' internationalisation strategies, distribution models, and service delivery models, and customer segmentation related to financial inclusion and servicing BoP customers with relevant banking products and services.

Chapter 3 sets out the literature review of BoP-relevant business models and the implications for MNCs, with particular reference to banks. It aims to assess the literature on BoP-relevant business models, elaborating on the notion of a business model, generally considering it as an operational approach to implementing an intended strategy using co-creation theories.

Chapter 3 - Literature Review: BoP-Relevant Business Models - Implications for MNCs with Particular Reference to Banks

3.1 Introduction

The purpose of this chapter is to review the literature on BoP-relevant business models and to look at the implications for MNCs, with particular reference to banks. The chapter elaborates on the notion of a business model, generally considering it as an operational approach to implementing an intended strategy. Researchers have developed arguments as to why, in the BoP context, initial fortune-finding business models were not successful and how fortune-creating strategies entailing co-creation and involving cooperation and linkages between MNCs and local actors might be a more promising approach.

The study of banking business models in BoP markets is a field that is not fully developed, so research is context dependent within much of the literature. Therefore, this review brings together different key terms relating to the theories, methodologies, background, context, and other central aspects of this research project into banking in BoP markets. However, limitations exist due to the lack of a specific focus on banking in the BoP in previous research studies in journals. Therefore, non-banking examples that have contributed to the field in a similar manner will be used to support this dissertation. The literature review summarises the key literature and identifies approaches taken by different authors, explaining why particular works have been chosen as reference material for the study and demonstrating knowledge of the field.

The literature review focuses on academic authors' work related to initiatives to overcome BoP obstacles, improve business model effectiveness in the BoP, and provide financial services more effectively in BoP markets. This chapter is comprised of four sections:

1. Discusses the key concepts in the business model literature on how businesses should effectively operate in BoP markets, as well as the literature on firms following fortune-finding strategies in the BoP, successful BoP strategies, the theories challenging original BoP business models in BoP markets, and the importance of customer-centric and fortune-creating strategies.
2. Sets out the challenges faced by MNCs in creating business models for BoP markets and how the degrees of liability of foreignness (LoF) and outsidership intensify in BoP markets.
3. Discusses the challenges and opportunities for banks operating in BoP markets and how banks are adopting mobile technology and using co-creation to adapt their business models to respond to opportunities to effectively operate in BoP markets.
4. Discusses the challenges and opportunities for banks operating in BoP markets. Building on the discussion introduced in Chapter 2 on the LoF, this section expands the LoF discussion into a banking context in BoP markets.

The chapter concludes with a summary and introduces Chapter 4.

3.2 BoP Business Models, Co-Creation, and Customer-Centric Strategies in BoP Markets

This section explains concepts related to MNC business models and co-creation in BoP markets, setting out the areas of literature on how businesses can effectively seek to operate in BoP markets. Effective business models in BoP markets combine an understanding of business model design, business model requirements for BoP markets, theories on BoP business model strategies, next-generation business strategies for BoP markets, the importance of customer-centric and fortune-creating strategies in BoP markets, and co-creation activities and theories emerging in the literature.

3.2.1 Literature on Businesses Operating Effectively in BoP Markets

Teece (2010) suggested that ‘the essence of business model effectiveness is when firms define the manner by which the enterprise delivers value to its customers,

entices customers to pay for value and converts those payments to profit from specific customer segments or markets' (p. 23). Teece argued that the key elements of a successful business model are:

- an effective distribution model and decisions on how to distribute products: whether to use the traditional distribution model as a starting point (the producer, the wholesaler and the retailer) or the primary alternative distribution channel (e.g. direct distribution across emerging markets using mobile banking);
- an effective service delivery model setting out the principles, standards, policies, and constraints used to guide the design, development, deployment, operation, and retirement of services delivered by a service provider; and
- an effective customer segmentation approach to dividing a customer base into groups of individuals who are similar in specific ways relevant to marketing and service provision, such as age, gender, interests, locations, and needs of the BoP, as defined by Prahalad (2005) .

3.2.2 Business Model Requirements for BoP Markets

Teece (2010) suggested that business model innovation comes from working directly with customers using technology, with a focus on providing better services. This is the approach taken by Dell and Flickr, whose business models are more than just a good way of doing business; they must meet a particular customer need and context. Teece advocated co-creation as a particular example of an approach that supports MNCs operating in BoP markets, where effective co-creation uses technology and teams work directly with customers to shape a new proposition, the likelihood of effective business models being created is increased.

Teece (2010) reinforced how the arguments for co-creation to support fortune-creating in the BoP are fundamental to a firm's success, as put forward by London and Hart (2010). Hart and Simanis (2008) extended co-creation by introducing the BoP protocol, which was further extended by Hart and Casado Cañeque (2015) in *Base of the Pyramid 3.0*, where they argued that sustainable development in BoP markets was created through innovation and entrepreneurship within BoP markets. Teece found that, either explicitly or implicitly, corporate decision makers employ a

particular business model that describes the design or architecture of the value creation, delivery, or capture mechanisms based on their degree of understanding of that market.

Chibba (2009) extended Teece's (2010) work on a value-creating logic within business models in an emerging markets context. Chibba claimed that business models must include linkages with local organisations that have vested interests, local knowledge, and expertise, and that collaboration between firms must involve the interests of all parties, not just the MNCs or banks. Chibba's argument was reinforced by Ramaswamy and Gouillart (2010), and Kourula and Laasonen (2010), who stated that co-creation across all stakeholders is necessary for business models to be effective in the BoP.

Chibba (2009) went on to point out that 'financial inclusion offers incremental and complementary solutions to tackle poverty, to promote inclusive development', a view which is 'supported by field research and related literature' (p. 207). Chibba contended that banks have tried to 'scale up MFI efforts', and stated that 'this is now more of an imperative than at any other time in recent history' (p. 208). Chibba suggested that in the context of emerging markets, it is necessary to have linkages with local players to ensure that local customs and practices are followed. This reinforces the work of London and Hart (2004, 2010), Prahalad (2005, 2012) and Simanis (2012), who determined the importance of applying the basic idea of co-creation in different contexts and sectors, including financial inclusion and banking; co-creation needs local knowledge of the BoP context to achieve an effective business model.

The business model literature highlighted that traditional developed-world, approaches to banks developing business models in BoP markets are not so advanced or researched, while MNCs entering emerging markets have limited ability to influence the way a BoP customer base (or the financially excluded) are serviced (Casadesus-Mananell & Ricart, 2009; Porter & Kramer, 2011). Seelos and Mair (2007) suggested that 'framing the entry into underdeveloped countries as a business opportunity is conceptually appealing' (p. 34). Seelos and Mair found that much of the previous literature discussed when and whether firms should enter BoP markets; there was little dialogue about how to enter the BoP from the perspective of a

business model design using case study research methods. Kolk and van Tulder (2006), as part of their research into poverty alleviation as business strategy, looked at what incentives and rewards would move firms to change their strategies and business models. They did not provide a specific narrative on co-creation but illustrated the importance of having appropriate incentive models to ensure that commercial and profit-seeking businesses have aligned their corporate and personal objectives to creating business models that are effective in terms of corporate commitment and sustainable investments.

Hart and Simanis's (2008) BoP protocol and BoP 2.0 in practice supported new approaches by focusing companies on formulating business models that exceed their partners' expectations, and include the ability of firms to create local value on their own and in new markets. Companies must build BoP business models that create enduring community value while establishing a foundation for long-term corporate growth and innovation. As Hart and Simanis argued, this requires entirely new strategic processes and corporate capability in BoP markets to ensure that businesses can effectively operate. Hart and Simanis identified the difference between BoP 1.0 and BoP 2.0, as illustrated in Table 3.1.

Table 3.1: Business model requirements for BoP markets and attributes of next-generation BoP strategies

BoP 1.0: Selling to the poor	BoP 2.0: Working with the poor
BoP as consumers	BoP as business partner
Deep listening	Deep dialogue
Reduce price points	Expand imagination
Redesigned packaging	Marry capabilities, build shared commitment
Extend distribution	Direct, personal relationships facilitated by
Arm's-length relationships mediated by NGOs	NGOs

Note. From *The Base of the Pyramid Protocol: Toward Next Generation BoP Strategy* (p. 2), by S. Hart and E. Simanis, 2008, Ithaca, NY: Cornell University Press. Copyright 2008 by Cornell University.

3.2.3 Theories on BoP Business Model Strategies

Prahalad and Hart (2002) focused attention on the economic potential of BoP markets, arguing that low-income markets are best served through low-income, low-margin, high-volume business models. In contrast, Simanis (2012) maintained that

low-income, low-margin, high-volume business models only work if two conditions are met:

- A company must be able to leverage existing infrastructure that service wealthier customers to offer products and services to BoP customers.
- BoP customers must already know how to buy and use the products and services being sold to them in the most appropriate way for their circumstances.

Simanis (2012) challenged the assumptions based on case studies from BoP markets, arguing that BoP strategies often fail because they require business models that can scale to impractical penetration rates in target markets (often more than 30% of all consumers in an area), which would be unrealistic even in developed economies. Simanis illustrated this argument using cases from Procter & Gamble (selling its PuR water-purification powder) and DuPont (selling manufactured soy protein in India). In both cases, the MNC did not achieve desired penetration levels, incurred high operational expenses, such as high distribution costs, and failed to achieve commercially viable business models. Simanis argued that evidence of effective business models in BoP markets is limited due to firms' inability to leverage their existing infrastructure and effectively set up BoP ventures capable of selling new products or services to new BoP customers.

Simanis (2012) set out examples of BoP obstacles, such as village scale and the need for high levels of contact in BoP markets between customers and firms to create trust and confidence in new products and brands. Village scale is the challenge a company faces when it attempts to grow its market share beyond a village, community, or cluster of villages: marginal costs rise and efficiency drops. Business models in BoP markets need suitable low-cost technology solutions that can be developed to support wider, low-cost distribution, such as mobile technology and communications. Simanis uses the term 'high contact sales' to refer to the need for firms to overcome the challenges that poor consumers have in adopting new products and services. Simanis maintained that BoP consumers are not accustomed to adopting new products, so firms have to invest in sales, marketing, and local product knowledge, strategies that generally work in low-income areas, where high levels of illiteracy and innumeracy exist from the outset.

Simanis's (2012) research found that effective business models in BoP markets are achieved when companies design their business models to overcome BoP obstacles and include appropriate service characteristics designed for low-income customers iteratively and locally. In addition, Simanis suggested that business models in BoP markets require high margins, which are sustained when firms offer services that engage customers and give them the knowledge and skills needed to maximise a product's or service's functionality over time. Extending this argument, Hedley et al. (2006) argued that businesses need clearer strategies for emerging markets to align their technology directly with customers' diverse needs, often different compared to developed markets; for example, a technology product may not work in rural areas, or online services may be offered to customers with no computer literacy.

Marous (2014) argued that BoP strategies should use disruptive technology in consumer and wholesale markets, such as digital banking strategies, and while many digital strategies are in their infancy, they will become the cornerstone for aligning strategy and execution in BoP markets. The ability of enabling technologies to have a positive impact on BoP markets is demonstrated by the M-Pesa case study in Kenya. This pivotal case study demonstrates the potential of technology in consumer and wholesale BoP markets and how firms can succeed if they pioneer new approaches (Napier, 2010).

Simanis (2012) determined that firms that created business models allowing customers to cultivate peer groups as an internal network with shared identity around the products achieved greater benefits from high touch points; members helped each other accelerate adoption and collectively overcame BoP obstacles. He illustrated the benefits of cultivated peer groups using the Grameen Bank case study, in which self-formed clubs of five to 10 people, usually women, shared responsibility for a micro-loan. Micro-loan groups gave themselves a name, met regularly to check on each other's businesses, and fostered a collaborative approach within a village or community. This, in turn, gave the bank confidence to provide loans to lending circles, as default rates were much lower than similar loans to BoP customers using other approaches. Grameen Bank lending circles achieved a 99% repayment rate due to the self-imposed discipline and mutual learning induced by the peer group approach among BoP customers and communities (Simanis, 2012).

Gaertner and Ishikawa (2014) used case study research on how successful companies reached the BoP and found that financial returns and shared prosperity could be delivered from creating inclusive business models from the outset, rather than adding them onto existing developed markets' models. This approach by MNCs achieved higher returns when strong managers with good business acumen were able to successfully engage in the BoP alongside the MNC's commitment to learning across all of its stakeholder groups and supply chains (Gaertner & Ishikawa, 2014; Ismail, Kleyn & Ansell 2012).

In comparison, commitment to learning reinforced Johanson and Vahlne's (2009) argument that outsidership is the root of uncertainty and that local knowledge creation is critical to achieving customer-centricity, as new knowledge is developed in relationships that support continuous learning in BoP markets. Extending Gaertner and Ishikawa's (2014) argument, Casado Cañeque and Hart (2015) maintained that successful business models in BoP markets required MNCs to embrace new business metrics, systems, and processes, and create organisational governance and architectures to enable radical innovation. Casado Cañeque and Hart evidenced the case study of Capitec Bank in South Africa, which targeted and then captured low-income customers' market share by adopting new business model approaches. The bank developed mobile and online banking services specifically for financial excluded customers in Africa by using appropriate products and technologies from the outset (Casado Cañeque & Hart, 2015).

The challenges of creating low-cost and high-volume businesses and the need for high margins while navigating the specific market conditions and LoF and outsidership are significantly intensified in BoP markets (Shafer, Smith & Linder, 2005). The literature supports the argument that MNCs need high margins or charge high fees to BoP customers' accounts to overcome BoP frictional costs (such as greater risk of default, higher costs to service BoP customers, or account opening), which means business models must be designed to overcome BoP obstacles from the outset.

Garrett and Karnani (2010) recommended that success for MNCs in BoP markets comes directly from reducing product costs and increasing affordability via technology innovation. Business models with variable costs allow organisations to

effectively reduce the product and service quality to a level that is acceptable and affordable for BoP customers, thus encouraging greater adoption and usage. This ensures products and services are relevant to BoP markets, while the business is commercially viable from the outset, and profitability is achieved from scale and sustainability.

Garrett and Karnani (2010) and Simanis (2012) concluded that success for an MNC seeking to enter and grow in BoP markets requires the same strategic and executive disciplines as any business or market initiative. The key is focused objectives, deep customer understanding, clarity on the benefits of economies of scope, scale to control costs, affordable prices, and an attractive and affordable value proposition. Simanis (2012) extended this conclusion by identifying conditions that lower BoP costs, increase volumes by reducing production and distribution costs through leveraging existing infrastructure via strategic partnerships, and allow collaboration with governments and other MNCs in BoP markets to reduce set-up costs. Strategic partnership and collaboration are consistent themes across the literature on how businesses can effectively operate in BoP markets.

3.2.4 Next-Generation Business Strategies for BoP Markets

London and Hart's (2010) *Next Generation Business Strategies for the Base of the Pyramid* focuses on new strategies for BoP markets but does not discuss banking specifically. The work introduced fortune-creating business models, technology solutions, and value propositions relevant for the BoP. London and Hart argued that MNC strategies need to extend firms' thinking about market development, innovation, capability requirements, and cross-sector partnerships in BoP markets. Berges et al. (2014) and Collier (2007) argued that to address financial exclusion, banks seeking to operate in emerging markets need to change their narrative on customer integrity. Banks must demonstrate confidence to BoP customers; they have to show that they are capable of adopting new business models that can provide relevant products and services, which in turn, gain trust and brand loyalty. This is important for BoP customers who are brand sensitive, given that larger proportions of their smaller income are used on banks' fees and charges (London & Hart, 2010).

London and Hart (2010) forcefully and convincingly argued that MNCs need to shift from fortune finding to fortune creating, adopting new approaches to co-

creation with BoP customers operating locally in BoP markets. They compared different authors, commenting on strategies to reduce the gap between delivery of services, adoption, and usage by BoP customers, and the discourse surrounding inclusive business models. London and Hart supported their work by using specific projects with research informed by the belief that successful BoP advancement requires ‘a change in framing to creating a fortune with the BoP customers’ (2010, p. 48). Thus, they demonstrated the emerging theme in the literature of the need for MNCs to change their mind-set to effectively operate in BoP markets.

London and Hart (2010) highlighted the characteristics of the BoP segment as heterogeneous across multiple dimensions, including the portion of the world’s population with the least amount of income. This population contains local enterprises that generally are not well integrated with the formal capitalist economy, such as micro-SMEs, which are estimated to comprise between 25 and 30 million businesses and employ 41% of the African labour force (Barclays Africa, 2015). This population of low-income and local enterprises is primarily in the informal economy, which MNCs find awkward to meaningfully engage with. As part of a new approach, MNCs need to gain local knowledge and local market access to be successful in BoP markets, underpinned by a change in mind-set across the entire enterprise and not just the area focused on BoP activities.

London and Hart (2010) argued that next-generation strategies for the BoP requires an emphasis on co-creating new business models with customers, using new technology solutions, and creating value propositions with BoP customers in the field. According to London and Hart, a firm’s entire BoP strategy towards creating new business models in the BoP needs to move from a fortune-finding to a fortune-creating mentality across all areas of businesses, with strong leadership provided. For example, academic inquiries into questions such as, ‘How big is the BoP market?’ and ‘Are BoP ventures good or bad for the poor?’ should be put aside to focus on fortune-creating questions, such as ‘How can we create a market for the BoP?’ and ‘How do we make BoP ventures better for the poor?’ in order to foster new approaches and collaboration across BoP markets (London & Hart, 2010).

3.2.5 Co-Creation, Customer-Centric and Fortune-Creating Strategies in BoP Markets

Within the BoP context, the literature on co-creation suggests it is a mechanism for firms demonstrating customer-centric and fortune-creating strategies. The literature supports BoP markets using co-creation as an umbrella concept covering internal stakeholder management, sponsorship and governance, and external practices such as customer research, test-and-learn approaches to applications and product development, and customer adoption and rapid application development in BoP markets (Collins et al., 2009; CGAP, 2014). Co-creation is an existing concept for MNCs in developed markets; however, co-creation as a concept is fuzzy in BoP markets and the academic literature.

Co-creation is mentioned often in discussions on strategic management, IB, innovation, and economic development, and framed in discussions as partnerships and innovative approaches essential for doing business in the BoP (Hart & Casado Cañeque, 2015; Hart & Milstein, 1999; Hart & Simanis, 2008; London, 2008; London & Hart, 2004, 2010; Lovelock & Young, 1979; Prahalad, 2005, 2012; Ramaswamy, 2000; Simanis, 2012; Simanis & Hart, 2008). There appears to be no exact, common definition of co-creation in the literature specifically related to the BoP, and there are no specific references to banks or banks' business model effectiveness being dependent upon co-creations. Rivera-Santos and Rufin (2010) agreed that co-creation aims to achieve a deeper understanding via non-traditional networks of the relationship between MNCs, poor people, and communities in emerging markets, and that an implied definition of co-creation assumes creating an understanding of the environment of networks as an outside observer without becoming an insider, thus forming network relationships with key players to overcome the liability of outsidership (Rivera-Santos and Rufin, 2010).

Analysis of the literature demonstrates that co-creation has a central role in BoP theories, literature, and practice. Co-creation covers a broad arena of related approaches to unlocking opportunities in low-income and poor markets. Co-creation in some form between MNCs, poor and low-income people, potential business partners, not-for-profit organisations, community leaders, and local governments, is seen as an essential concept for MNCs seeking to approach BoP markets

successfully, while MNCs seeking to enter the BoP with greater relevance is a consistent narrative for all authors (Hart & Casado Cañeque, 2015; Hart & Milstein, 1999; Hart & Simanis, 2008; London, 2008; London & Hart, 2004, 2010; Lovelock & Young, 1979; Prahalad, 2005, 2012; Ramaswamy, 2000; Simanis, 2012; Simanis & Hart, 2008).

Co-creation can achieve deep, direct dialogue with internal and external stakeholders in advance and during business model development for MNCs by continuously engaging with local markets. MNCs' active engagement in local markets ensures that local knowledge shapes the decisions and investments of a firm to support the firm's legitimacy and focus as it enters new markets (Kostova & Zaheer, 1999; Seelos & Mair, 2007; Simanis, 2012; Simanis & Hart, 2008; Sinkovics et al., 2014). One of the key interpretations of co-creation is grounded in the assumption made by Prahalad and Hart (2002) that profitable and welfare-enhancing businesses are achievable in the BoP. In addition, MNCs investing in wider co-creation activities focus more attention on these markets, increasing corporate knowledge and understanding of BoP customers. Given the economic slow-down in mature markets, extending partnerships between companies, NGOs, and governments using co-creation will support MNCs' development of new approaches to BoP markets (Kourula & Laasonen, 2010; Prahalad & Hart, 2002).

In contrast, Ramaswamy and Guillard (2012) extended the scope of co-creation to include all stakeholders, such as government officials, business partners in the supply chain, financiers, employees, NGOs, researchers, journalists, and community groups, offering the widest parameters of the definition. Ramaswamy and Guillard studied successful MNC projects using quantitative case study research, where co-creation was mentioned by leading organisations, such as Cisco, GlaxoSmithKline, Amazon, Jabil, Predica, Wacoal, and Caja Navarra. Their research assessed how enterprises used co-creation as an engagement platform and restructured internal management processes to harness the power of co-creation. They expressed how businesses can effectively adapt their operations to overcome BoP obstacles and become more effective in BoP markets.

Ramaswamy and Guillard (2012) maintained that co-creation involves redefining the way organisations engage individuals, customers, employees, suppliers, partners,

and other stakeholders to enrich internal and external experiences. The co-creation engagement platform created new value in order to formulate new breakthrough strategies, design compelling new products and services, transform management processes, lower risks and costs, and increase market share, loyalty, and returns.

In addition, Ramaswamy and Gouillart (2012) suggested that companies can no longer consider customers and other stakeholders to be passive recipients of their products and services. They argued that companies must learn to engage them in the field by defining and delivering enhanced value in order to stay competitive in a technologically and digitally enhanced economy. For Ramaswamy and Gouillart, co-creation continues beyond the conventional process view of quality, re-engineering, and lean thinking. It is the essential new mind-set and practice for boosting sustainable growth, productivity, and profits. However, Ramaswamy and Gouillart's work does not provide any specific cases or insights relevant to banking in emerging markets.

In the absence of an agreed-upon definition, this study suggests co-creation is the logical way for modern and progressive MNCs and executives to operate in emerging markets. This logic brings together the evolution of MNC firms engaging with customers in the BoP to create a legitimacy interface, where networks and relationships are formed to overcome degrees of the liability of outsidership to establish brand trust, customer loyalty, and adoption of products and services in BoP markets (Husted & Allen, 2006; Luo, 2002). A legitimacy interface is a positive ecosystem within the BoP context, where new business models and sustainable business can be achieved based on common understanding of the local market context. It is mutually beneficial to the company, the community, and its customers based on continuous dialogue and exchange of ideas (Ramaswamy & Gouillart, 2012).

The co-creation literature is wide-ranging in terms of objectives to create suitable BoP products and services, and execution in terms of creating new business models, changing corporate mind-sets, and business ecosystems to achieve profitable and sustainable business for MNCs in the BoP. However, there are few co-creation definitions or case studies in a banking-specific context. The next section explores

the key features of co-creation in terms of local knowledge and strategic partnerships, and how co-creation is creating new theory.

3.2.6 Importance of Accessing Local Knowledge in the BoP to Achieve Co-Creation

For companies new to the BoP, local knowledge and insights into the BoP market are critical. Frynas (2005, p. 45) stated; ‘There are fundamental problems with the capacity of private firms to deliver development’ (p. 45). Frynas argued that companies’ socially motivated activities are driven by the desire to manage external and employee perceptions, potentially increasing companies’ motivation to be more responsive to the media, officials, and powerful stakeholders, than to local community needs. This influences a company’s approach to co-creation and how it deploys its scarce resources and capabilities, often limiting its ability to achieve deep, sustainable local knowledge (Frynas, 2005). This argument is extended with co-creation, as organisations and people in the local context are a vital source for understanding the local environment, customs, cultures, needs, and opportunities (Frynas, 2005).

BoP obstacles are considerable and vary by market and region. In addition, BoP customers remain sceptical, creating challenges to access to local knowledge, which is critical for success (London & Hart, 2010). Co-creation in the BoP and business success require not only an understanding of the local environment, but also of the cultural context to ensure that products are not controversial, work in the natural environment, and reach an appropriate level of education and affordability (Hulme & Mosely, 1997; Kochhar, 2010; Hart & London, 2004; London, Anupindi & Sheth, 2010).

Von Hippel (1986) maintained that companies need local knowledge and must proactively gather input from customers to build customer-centric products. This concept is consistent across all theories on innovation and cultural change, as well as co-creation in the BoP. In addition, Sanchez, Ricart, and Rodriguez (2005) argued that local knowledge is even more critical for MNCs in the BoP because they are generally unfamiliar with poor markets and customers unless these markets become a large proportion of their revenues. Sanchez et al. highlighted the importance to MNCs in the BoP of local partners for reducing the physical distance between a

company and the local market and customers. Nordstrom and Vahlne (1973, p. 34) defined psychic distance as ‘factors preventing or disturbing the flow of information between potential or actual suppliers and customers.’

Johanson and Vahlne (1977) grouped knowledge factors associated with country-based diversities and dissimilarities into four areas: (a) linguistic differences and translation difficulty; (b) cultural factors - societal norms, level of individualism or collectivism, values, and customs; (c) economic situation - existing trading links, infrastructure, local conditions, competition, and investor confidence; and (d) political and legal systems, such as government stability and risk of instability, import tariffs, legal protection, and taxation levels.

Johanson and Vahlne (1977) created the Uppsala internationalisation model to explain the internationalisation process of a firm. The Uppsala model was constructed to demand only a rudimentary understanding of market complexities, with no reference made to co-creation or its underlying need for local knowledge. Johanson and Vahlne suggested that business network research has two sides: first, markets are networks of relationships in which firms are linked to each other in complex and invisible patterns; and second, relationships offer the potential for learning and building trust and commitment. Johanson and Vahlne argued that these are all preconditions for successful internationalisation, reinforcing Prahalad (2002) and London and Hart (2012) regarding the importance of knowledge to achieve co-creation and a precursor for success in BoP markets.

Johanson and Vahlne (2009) revisited their Uppsala internationalisation model in the light of changes in business practices and theoretical advances made since 1977. They suggested that the business environment remains a web of relationships, a network rather than a market, with many independent suppliers and customers. They added trust-building and knowledge creation to their model, recognising that new knowledge is developed in relationships, but they did not define the importance of co-creation or stress the importance of network insidership building on the role co-creation plays internally and externally for MNCs operating in BoP markets.

Across the literature, authors are consistent on the importance to MNCs of securing local knowledge to be successful in the BoP (Frynas, 2005; Hulme & Mosely, 1997; Johanson & Vahlne, 1977; Kochhar, 2010; London et al., 2010;

London & Hart, 2004; Luo, 2007; Prahalad, 2005; Sanchez et al., 2005; Von Hippel, 1986). However, challenges exist as to whether this is a priority for secure and adequate corporate and strategic investment to benefit from the insight that knowledge provides through interacting and building relationships with insiders and outsiders (Chen & Feng, 2014). The next sections discuss the importance to MNCs of selecting the right strategic partners in the BoP.

3.2.7 Strategic Alliances with Reputable Local Actors are Critical for MNCs in BoP Markets

MNCs can use co-creation to create strategic alliances with proven or reputable local actors. North (1990) argued that strategic alliances are critical for building trust and legitimacy in BoP markets. In his quantitative study of the differences between poorer and developed economies, North established institutional weaknesses as a key obstacle for MNCs operating effectively in BoP markets. Institutional weaknesses and gaps in the BoP ecosystem were later highlighted by Rivera-Santos and Rufin (2010), who drew conclusions similar to North's. North (1990) maintained that MNCs incur transaction costs for doing business in the BoP, which are prohibitively high due to the risk and uncertainty involved. These obstacles can prevent MNCs from entering BoP markets effectively or with adequate resources. Institutional weaknesses create additional BoP obstacles, causing companies to pass these costs on to the supply chain, end customer relations, or not engage with local actors fully, which creates additional transaction costs for MNCs in BoP markets.

To overcome institutional weaknesses, Khanna and Palepu (1997) determined that companies should do business in underdeveloped markets based on personal ties, social networks, and relationships developed over time as substitutes for formal institutions and to fill institutional voids. Personal ties and social networks in emerging markets, developed via co-creation and the alignment of interested parties, help MNCs to overcome negative perceptions due to colonial and historically damaging actions to BoP communities and countries. Khanna and Palepu found that personal ties allow companies to determine the reliability and reputation of actors who are potential strategic alliance partners. In contrast, Uzzi (1996) argued that economic activity is embedded in social networks, although he was not explicitly discussing the BoP. His ideas are relevant to the BoP as social networks do not solely

respond to individual interests but to the collective interests of the community; hence, MNCs can benefit from becoming embedded in these specific social networks over time.

Uzzi (1996) extended his position on social networks, arguing that this aspect of co-creation is best achieved for MNCs via third-party referrals. Third-party referrals are a transfer of expectations and established trustworthiness between previously unconnected actors that take place in order to achieve new co-creation logic locally. In addition, using data from case studies, Uzzi argued that most companies select and invest in strategic alliances that exist in their corporate value chain, rather than more loosely associated alliances. In addition, companies need to develop strategic alliances with groups of people with collective interests, alongside traditional enterprises with relevant resources and capabilities, in order to be sustainable (Uzzi, 1996).

Extending this position, Sanchez et al. (2005), using data from six large international case studies, found that poor communities generally distrust large foreign companies, a distrust that can be overcome by using strategic alliances. However, some distrust is due to historical colonial misbehaviour, such as corruption, dealing with oppressive regimes, disrespecting local environmental issues, and labour misuse. Poor communities that are not immediately open to engagement can prevent MNCs from effectively entering BoP markets, causing companies to pass transaction costs back to the BoP or strategic partners, and making their products and services too expensive for BoP customers. This negatively affects the perception of successful co-creation by demonstrating a lack of local knowledge, cultural understanding, or short-termism (Sanchez et al., 2005). London and Hart (2004) maintained that co-creation can achieve strategic alliances with reputable local actors, building trust and legitimacy in BoP markets. London and Hart argued that local allies help MNCs understand the societal context of building local reputations, which supports the development of long-term legitimacy. Achievement of legitimacy in emerging markets is a key facilitator of next-generation strategies in the BoP (London & Hart, 2004).

Khanna et al. (2005) and Uzzi (1996) drew similar conclusions and provided a context for how co-creation achieves strategic alliances with proven and reputable

local actors, using data from case studies; however, their case studies did not include banks. Dahan, Doh, and Teggen (2009) built upon the work of Khanna et al. (2005), Uzzi (1996), London and Hart (2004), Rivera-Santos and Rufin (2010), and Webb, Kistruck, Ireland and Ketchen (2009), maintaining that NGOs are best placed to be go-betweens for MNCs in the BoP and to be key strategic partners. In addition, these authors have contrasting views on co-creation; however, they draw a similar conclusion, which is that NGOs are best placed to understand both the institutions within which the MNC operate and the local context within BoP markets.

Using multiple case studies, Webb et al. (2009) drew similar conclusions namely that NGOs' embeddedness and local presence allow them to become tightly and widely connected in local networks. This allows them to introduce legitimacy to a MNC's operations in the eyes of the local network and support cultural, language, and behavioural issues (Webb et al., 2009). Webb et al. argued that NGOs are critically valuable to MNCs seeking to operate in the BoP by helping MNCs gain expertise in managing local stakeholders, which is vital for co-creation and extends the purpose of co-creation to influencing BoP markets.

Strategic alliances support co-creation, argued Khanna and Palepu (1997), London and Hart (2004), North (1990), Rivera-Santos and Rufin (2010), Sanchez et al. (2005) and Uzzi (1996). These authors drew similar conclusions on the importance of co-creation with strategic partners, linking directly to questions on their role to support business model effectiveness in the BoP, with respect to MNCs and banks. Khanna et al. (2005) and Uzzi (1996) built upon the ideas of Dahan, Doh, and Teggen (2009), London and Hart (2004), Rivera-Santos and Rufin (2010), and Webb et al. (2009), and suggested that NGOs are best placed to act as go-betweens for MNCs and key strategic partners in BoP markets given their existing credibility and local knowledge, bridging an important gap in the local value chain. However, gaps exist in the research on how banks have developed strategic alliances and wider partnerships in the BoP to achieve business model effectiveness.

3.2.8 Co-Creation Theories Emerging in the Literature

Co-creation as a theory in the literature arose from discussion on the importance of MNCs seeking customer and stakeholder input for product development to achieve productivity gains. The concept of co-creation emerged from the theories on active

customer participation in production, and findings that productivity gains are achieved when customers are involved in the production process (Lovelock and Young, 1979). Co-creation is also a process of allowing MNCs to become relevant to BoP customers; however, they need to overcome the fact that BoP customers have greater sensitivity to brands, because purchases involve a greater proportion of their income (Prahalad, 2005).

Freeman (1984) extended Lovelock and Young's (1979) theories by emphasising the importance of firms engaging with their wider stakeholders and understanding their wider environments, challenges, and opportunities. Von Hippel (1986) built on these theories by setting out the need for MNCs to involve customers in product development, and to embrace customer-created concepts. Prahalad and Ramaswamy (2004) introduced the actual concept of co-creation and extended the work of Freeman, Von Hippel, and Lovelock and Young, by drawing on studies to demonstrate the co-creation experiences and value being created. Prahalad and Ramaswamy's (2004) argument for co-creation was that:

As value shifts to experiences, the market becomes a forum for conversation and interactions between consumers, consumer communities, and firms. It is this dialogue, access, transparency, and understanding of risk-benefits that is central to the next practice in value creation. (p. 12.)

Prahalad and Ramaswamy (2004) determined that value can be co-created between firms and customers when customers are empowered by improvements in technology. Joint co-creation supports a new way of understanding customers' buying experiences, rather than a sole transaction in the BoP market related to fortune-finding strategies (Prahalad & Ramaswamy, 2004). The discussion on co-creation in BoP markets has grown in importance across the literature, starting with Prahalad (2005), who defined and then proposed co-creation as the key to MNC success in the BoP. The discussion explored why leading authors feel co-creation is important to BoP success, how MNCs introduce co-creation into their business models to make them more effective, and why co-creation is now an imperative for MNCs to be successful. This extended the discussion on how authors are taking forward the lessons learned from co-creation into a more advanced one on the importance of networks and customer-centric design in the BoP markets. London and

Hart (2004, 2010) extended the co-creation narrative within the BoP context by using specific local case studies of SC Johnson working in the slums in Nairobi, and Procter and Gamble creating water-purification solutions for BoP markets, to demonstrate how MNCs enter BoP markets and communities (Johnson, 2007).

London and Hart (2004) suggested that non-traditional partners, such as NGOs, local community groups, and local governments, provide MNCs with wider knowledge, resources, and legitimacy to support their BoP ventures. London and Hart extended this argument by highlighting the positive effects of co-creation activities on local groups and communities not previously engaged by international firms. They argued that co-creation with non-traditional partners gave MNCs more knowledge and relevance, which, in turn provided greater financial sustainability and confidence for business sponsors that their BoP ventures were based on sensible assumptions (London & Hart, 2004).

Nakata (2012) emphasised the importance of co-creation in the development of new products and services for the BoP. He determined co-creation should be the catalyst for shaping products, services, business models, mind-sets and markets. This argument moved the discussion about the importance of a BoP ecosystem beyond MNCs entering BoP markets and communities, as originally set out by London and Hart (2004, 2010). By comparison, the importance of co-creating business models was first widely noted by London and Hart (2004) and Prahalad and Ramaswamy (2004), when their extensive research found that successful BoP ventures often included the co-evolution of product and business model development, highlighting the importance of test-and-learn approaches to proposition development in BoP markets.

To understand how products and business model development can co-evolve, London and Hart (2004, 2010) focused on non-banking cases, such as the cement and retailing sectors. London and Hart went on to highlight the traditionalist mind-set of MNCs' imperialist approaches; they found that MNCs sought to sell their existing products into the BoP, expecting them to be suitable and demonstrating no understanding of customers' actual needs or evidence of co-creation to understand if BoP market conditions might be different or have specific obstacles.

London and Hart (2004) expanded their argument on the importance of co-creation by suggesting that previously, the poor were not considered as potential co-creators, partners, or resourceful entrepreneurs. Using data from six large international case studies (e.g. SC Johnson, Procter & Gamble, Cemex Patrimonio Hoy), London and Hart argued that changing mind-sets could lead to BoP success when a company engages in co-creation in the BoP market. London and Hart (2004), Prahalad (2005, 2012) and Prahalad and Ramaswamy (2000, 2004) maintained that it was important for MNCs to introduce co-creation into their business models to make them more effective in these complex markets. In contrast, Rivera-Santos and Rufin (2010) extended this narrative, stating that the BoP environment does not provide the necessary support to promote economic activity for MNCs. Therefore, companies have to adapt their structures and strategies to fill these gaps by creating networks in the BoP in order to be successful (Rivera-Santos & Rufin, 2010). Meanwhile, Simanis (2012) drew conclusions similar to those of Garrett and Karnani (2010): success in the BoP requires good corporate intentions to be grounded in hard business fundamentals and a long-term plan for executive sponsorship in order to succeed.

Co-creation theories are emerging in the literature, developing from the way co-creation is being used to surmount the obstacles for MNCs to work effectively in BoP markets. Such obstacles include natural barriers, a lack of infrastructure, restrictive regulation, governance failures, and a lack of suitable products. However, co-creation cannot be seen as the only solution for MNCs working in BoP markets. For example, people displaced through famine and conflict, the impact of natural catastrophes, and the effect of transient or migrant workers may prevent MNC operations. This illustrates Frynas's (2005) argument that there are fundamental problems with the capacity of firms to deliver development in the BoP (p. 27), and Nordstrom and Vahlne's argument (1992) that the physical distance related to the BoP can be reduced by new approaches to co-creation and technology innovation.

3.3 Challenges that MNCs Encounter in Creating Business Models for BoP Markets

The aim of the first section of this chapter was to set out the literature on how businesses can create business models using co-creation to support more effective

operations in BoP markets. The aim of this section is to expand on the arguments in Chapter 2, explaining how LoF is significantly intensified in BoP markets, and describing how MNC capabilities exist within their ToP business models, while the BoP has different requirements compared to the ToP. When capabilities are not deployed effectively, they can lead to MNC failure, which co-creation seeks to address.

3.3.1 Liabilities of Foreignness in BoP Markets

The literature on how businesses can effectively operate in BoP markets expresses the LoF as an inherent disadvantage that foreign firms experience in host countries because of their non-native status (Eden & Miller, 2004; Zaheer, 1995). Eden and Miller (2004) argued that the cost of doing business abroad is a known concept in the IB literature; it measures how additional costs not incurred by local firms in local markets are borne by MNCs. Eden and Miller determined that the LoF is focused on the social costs of MNCs entering markets abroad, whereas the cost of doing business abroad includes both economic and social costs. Social costs arise for MNCs in BoP markets from unfamiliarity, the relational and discriminatory hazards foreign firms incur compared to local firms, and higher degrees of LoF extending into BoP markets due to the unique conditions of those markets (Eden & Miller, 2004).

The LoF, an established idea in strategy and organisation theory, refers to the disadvantages faced by firms competing in markets and geographic areas that are new to them and in which they are new (Zaheer, 1995). Eden and Miller (2004) argued that foreign firms are constrained by their lack of familiarity with local markets, resources, and customs, creating a competitive disadvantage compared to domestic firms. MNCs have capabilities and experiences created in ToP markets that can be used by local partners, joint ventures, and sub-business units to overcome their LoF and create effective business in BoP markets. Cultural, political, and economic differences between ToP and BoP markets create unfamiliar environments for MNCs and their managers. Barney (1991) argued that overcoming LoF is important for allowing MNCs to compete with local firms. To compete successfully, MNCs must provide their overseas subunits with some firm-specific advantages in the form of organisational or managerial capabilities. Resource-based strategies emphasise the

importance of specific resources providing a competitive advantage to overcome their LoF, rather than strategies that achieve local knowledge and adopt co-creation, which are potential reasons for MNCs failing in BoP markets, as discussed below.

3.4 MNC Failures Caused by Not Using Co-Creation Approaches

This section sets out why MNCs have failed to create fortune-creating business models and why many BoP ventures have not been successful. The notion that the BoP constitutes an important market was introduced by Prahalad and Hart (2002), who identified the importance of the opportunities for MNCs with the world's 4 billion people who live on less than \$5 a day. Chan and Makino (2007) suggested firms in uncertain situations often seek to conform to institutional pressures by mimicking the prevalent structures of their successful firms to gain internal sponsorship, which is predominately a ToP and not a BoP structure. The propositions for banks to create new business models for BoP markets show a need to adapt their operating frameworks to the local institutional environment and not a development market context or pressures (Chan & Makino, 2007). The propositions are assertions of the relationship between concepts derived from empirical data (Eisenhardt, 1989a; Yin, 2014):

- mimetic isomorphism, imitating other firms in the host countries, which Zaheer (1995) argued was most relevant in free or unregulated environments;
- coercive isomorphism, which arises from the explicit demands of the government and its agents or other societal demands, such as pressure from the media; and
- normative legitimacy, which is the result of professionally imposed standards (DiMaggio & Powell, 1983).

Teece (2010) argued that coupling competitive strategic analysis to business framework design and implementation is necessary for sustaining competitive advantage. This process requires managers to deliver a consistent approach across markets and propositions by doing the following: (a) segmenting the market; (b) creating a value proposition for each segment; (c) setting up the apparatus (projects) to deliver the value; (d) establishing a viable cost framework; and (e) identifying barriers to entry to ensure that imitation is slow.

Teece (2010, p. 172) proposed that business frameworks define how a firm delivers value to its customers, enticing them to make payments and convert customers' payments into profits. To be viable in the long term, the framework must be differentiated and difficult to imitate. Extending London and Hart's (2010) fortune-creating strategies in the BoP, Teece argued that business frameworks reflect a firm's management hypothesis about what customers want, how they want it, and how a firm should organise itself to meet those needs, get paid, and make a profit (Teece, 2010, p. 173). A business framework design is built on principles (Teece, 2010) that must be followed by any firm designing an effective business model. Teece (2010) defined them as: (a) identifying the market segment to be targeted; (b) deciding on the technology and features that are embedded in the product/service; (c) configuring costs appropriately; (d) confirming the available revenue streams; (e) determining the benefits to and from consumption; and (f) deciding on the mechanism to capture value. The conceptual framework builds on Teece's (2010) principles and extends them to focus on banks' BoP design principles and unique situations in the BoP in Africa.

Initial approaches to engaging with BoP markets were based on the so-called fortune-finding approaches that have been criticised for being based on inappropriate business models that led to many examples of business model failures. London and Hart (2004, p. 376) observed that 'successful pursuit of low-income markets requires MNCs to fundamentally rethink their business models.' Since then, the number of examples of companies attempting to access BoP markets has increased in the literature (Seelos & Mair, 2007; Sinkovics et al., 2014; Webb et al., 2009).

Garrett and Karnani (2010) and Simanis (2012) concluded that BoP MNC failures are a result of companies not going back to basics and creating business models that are appropriate for the BoP context and designed to overcome BoP obstacles. The literature shows that MNCs must structure their business models to adapt to the complexities of BoP markets, and the dynamic web of resources that they have failed to achieve (Hart & Milstein, 1999). Garrett and Karnani (2010) identified four areas where MNCs have failed in the BoP, and lessons can be drawn from these and used to inform this thesis.

- MNCs that failed assumed that an unmet need defined and created a market. That is, banks assumed that customers who lacked bank accounts, access to payments, and savings in the BoP wanted them, without understanding customers' specific requirements, service characteristics, and the value they see in banks over the value banks see in them.
- Failed MNCs assumed that BoP customers could afford even drastically reduced Western prices, including prices for desirable Western products designed for a BoP market, rather than products designed and priced specifically for BoP markets.
- Garrett and Karnani (2010) maintained that when MNCs designed their operating models, they underestimated the cost and difficulty of distributing products and services to BoP customers, given the fragmented nature of BoP markets and communities, and the cost of transportation.
- MNCs focused on too many BoP objectives. Their projects lost focus and failed to meet the original expectations (e.g. profits, margins, and market penetration), causing scarce corporate resources to be redeployed to other initiatives.

Casado Cañeque and Hart (2015) argued that business model failures are often due to companies' inability to navigate the BoP market and understand and overcome its complexities. Casado Cañeque and Hart defined the complexities of the BoP as: (a) a dynamic web of resources - tangible and intangible; (b) rules - formal and informal; and (c) relationships - economic, environmental, political, and social. Regardless of their BoP ambitions and enterprise capabilities, MNCs have repeatedly failed to navigate these challenges successfully. Casado Cañeque and Hart evidenced cases such as Procter & Gamble, which launched PuR in 2000. PuR was a water-purification product designed for BoP markets; when mixed with water, the powder produced clean drinking water. Danone and Grameen Bank created a yogurt product specially designed to alleviate child malnutrition. In both cases, BoP businesses failed to become commercially viable due to low customer adoption and the high costs of distribution (Casado Cañeque & Hart, 2015, p. 14).

Gradl and Jenkins (2011) suggested that companies must deliberately engage the BoP ecosystems; otherwise, they risk failure. Gradl and Jenkins maintained that

companies must engage with stakeholders, including other companies, governments, influential individuals, and NGOs, whose actions will determine whether or not their business will succeed in the BoP. In addition, Gradl and Jenkins suggested that engagement with stakeholders must extensively involve capacity building with customers via sharing information, informing public policy, and actively supporting local associations and institutions to show commitment at the grassroots level. Historically, MNC BoP strategies have failed to achieve this because of under-investment or a focus on short-term objectives. Gradl and Jenkins illustrated their theory using the successful Telenor case study. This case study demonstrated how Telenor, a telecommunications company, in partnership with Grameen Bank in Bangladesh, secured access to public infrastructure and increased entrepreneurial access to and usage of mobile phones in rural communities, and created a sustainable and commercially viable business model. This case study demonstrated how customers could access a new ecosystem and create new businesses and value for all parties by using a new business model approach.

London and Hart (2004) highlighted the need for MNCs to move beyond the traditionalist mind-sets of imperialist behaviour to be successful in the BoP or risk continued failure. Building on London and Hart (2004), Sanchez et al. (2005) suggested that poor people and communities generally distrust large foreign companies due to colonial legacies and later misbehaviour, demonstrating the failure of brands to be market sensitive to customers. Rivera-Santos and Rufin (2010) drew similar conclusions, and suggested that weak institutions in the BoP could be overcome by co-creation activities, such as engaging in networks to create new capabilities to achieve success in the BoP. Gradl and Jenkins (2011) posited that in order to avoid failure, companies must deliberately and strategically work to create new capabilities and structures in the BoP ecosystems, which they have historically failed to do. This illustrates the need for MNCs entering the BoP to approach co-creation activities that involve the development of infrastructure alongside working with customers to develop appropriate products and services or risk failure.

Simanis and Hart (2008) extended co-creation to a broader view to draw similar conclusions to Ramaswamy and Gouillart (2010) by introducing into the literature the term 'BoP 2.0'. BoP 2.0 was designed to illustrate a modern and new way of thinking about the BoP, building on historical market failures (BoP 1.0). Simanis and

Hart (2008, p. 34) suggested that BoP 2.0 strategies need to ‘bring to life new business ideas and models that exceed what either partner could imagine or create on their own’, illustrating the importance of learning from failures, changing mind-sets, gaining local knowledge, and engaging in the right strategic partnerships.

Simanis and Hart (2009) found that MNCs often fail to create enduring community value, a key concept required as an entirely new strategic process and corporate capability for MNC to be effective in BoP markets. They introduced the importance of co-creating mutual value by emphasising the need to engage the whole community, and proposed that deep co-creation involved transformational engagements between a company and all of its stakeholders (Simanis & Hart, 2009). Simanis and Hart suggested that co-creation is important because it becomes a set of logical business interactions that should not be seen merely as transactions. BoP market failure has been caused by MNCs providing transactional approaches to emerging-market development, achieving limited results. Simanis and Hart proposed that transactional approaches only provided stakeholders with compensation, cheaper products, services, or income, in exchange for resources or capabilities. Short-termism provided no sustainable value creation.

Simanis and Hart (2009) argued that co-creation, if extended to its natural conclusion, can be transformational, where relationships between a company and its stakeholders evolve into sustainable collaboration. Sustainable collaboration is transformational in nature, based on equality, trust, collective learning, and joint problem-solving approaches, as resource-based MNC strategies for their overseas business units need to overcome their LoF. Simanis and Hart exposed and filled the gaps in previous research, suggesting that success is only achieved when companies engage the whole community, and transformation co-creation supports new behaviours, identities, and commitment in the BoP from all parties.

Taking forward the lessons learned from the co-creation literature and using data from eight large international case studies, Simanis and Hart (2009) made a major contribution to BoP strategies and co-creation by introducing the ‘BoP protocol’. The BoP protocol is a co-venturing process integrated into a corporate entrepreneurship framework. It is a product of leading-edge thinking across a range of fields, including economic anthropology, international development, empathy-based design, and

environmental management. The BoP protocol is described by Simanis and Hart (2008, p. 48) as ‘a structured approach to a non-structured challenge’, illustrating the broadness of the BoP failure debate while emphasising a realisation across different organisations, philosophies, and authors that MNCs need to change their approach and learn from failure to be successful in the BoP (London & Hart, 2004; Prahalad, 2005; Rivera-Santos & Rufin, 2010; Simanis, 2012).

3.5 Challenges and Opportunities for Banks Operating in BoP

Markets

Building on the discussion introduced in Chapter 2 and this chapter’s discussion of the LoF, this section expands the LoF discussion into a banking context in BoP markets. Rivera-Santos and Rufin (2010) determined that scholars have made a strong case defining the specifics of BoP business models, but there have been no attempts to use theories to systematically examine the characteristics of BoP environments that lead to specific BoP business models with industry variations. Rivera-Santos and Rufin argued that variation exists across BoP and ToP markets and that theoretical attributes remain common to all BoP and ToP markets. Theoretical attributes common to banks comprise how they create business models that balance the needs for: (a) growth, customer, and market inclusion; (b) return on equity from running existing operations; (c) investment in change projects; (d) meeting the banks’ regulatory and reputational needs; and (e) financial stability and capital adequacy to deliver sustainable share price growth.

This section expands on the additional liabilities of foreignness and the degree of outsidership banks face in BoP markets. The restrictions faced by banks operating in BoP markets, such as governance, given the perceived risks that ensues from banks engaging effectively with the BoP markets and the additional liabilities of foreignness and outsidership they face, include the following:

- Traditional banks’ costs structures are a liability to working in BoP markets, as they remain too high to effectively access low-income markets with relevant products and services and achieve critical mass.
- Banks’ current business models in emerging markets are focused on investment banking and corporate clients; existing processes such as know

your customer (KYC), anti-money-laundering (AML), and risk management extend liabilities as micro-entrepreneurs and low-income customers fail bank tests for on-boarding and account opening. This means that they remain unable to access financial services.

- Financially excluded BoP market customers lack trust and confidence in banks' ability to understand their needs, given their irregular incomes, credit needs, and specific market situations, which significantly extend banks' LoF.
- Fees and costs for traditional banks' products and services for BoP markets and low-income markets are not desirable, and the availability of substitutes means BoP customers prefer to keep their money in cash or use local providers or money lenders.
- Banks fail to invest in customer-centric approaches, teams, and capabilities, and are unable to understand the needs of low-income customers, which would allow them to provide relevant services, retain loyalty, and anticipate market changes.
- The perceived risks that ensure the degree of outsidership from banks engaging effectively with BoP markets include low and fluctuating incomes, health issues, erratic weather conditions, social and political unrest, and uncertain crop performance; traditional governance approaches fail and banks fail to reduce the degree of LoF in BoP banking markets.

Rivera-Santos and Rufin (2010) argued that variation exists across BoP and ToP markets that create additional LOF and degrees of outsidership for banks in BoP markets. These liabilities can be reduced by: (a) understanding how low-income customers and the financially excluded seek to manage their money, thus allowing banks to reduce their degree of outsidership within these markets; (b) implementing solutions that overcome BoP obstacles and creating meaningful solutions that are mutually beneficial and commercially viable; and (c) overcoming internal restrictions that banks face when operating in BoP markets to reduce their LoF. Banks can overcome their challenges or LoF and create opportunities in BoP markets in the following ways:

- BoP customers' primary financial concerns are how to generate a stable income, control the timing of when they receive income, and how to find

ways to cover financial gaps. Banks can reduce their degree of LoF by creating products and services that meet the needs of customers with irregular and low incomes.

- BoP customers' financial services needs are generally immediate and significant to them given the volatility of BoP markets, as BoP customers have limited medium-term financial security. The degree of LoF can be reduced by banks actively developing relationships with BoP customers based on mutual trust, respect, and an understanding of their unique BoP context.
- Degrees of liability can be reduced between banks and BoP customers by removing internal hierarchies and customer service complexity. Poor customers want to feel valued; they are proud and want their financial services decisions to be respected by their friends and communities.
- The degree of a bank's LoF can be reduced by specific propositions offering tools to support BoP customers in managing their money more effectively, empowering customers to have financial goals, and offering credit and savings products designed to help low-income customers meet short-term financial needs and long-term wealth creation.
- Banks offering financial education to low-income BoP customers and markets will reduce their degrees of liability by helping customers understand and meet their financial goals. Financial education supports the development of mutual trust and creditworthiness, aimed at growing account balances over time and avoiding fees, thereby building confidence in banking services that are valuable to them.

Rivera-Santos and Rufin (2010) stated that theoretical attributes are common to all BoP and ToP markets. The variations that exist across BoP and ToP markets are significantly based on understanding customers and designing business models that include a strong understanding of BoP customers and markets. This section has discussed some of the restrictions faced by banks operating in BoP markets and highlighted some practical examples of approaches banks can take to reduce their LoF and degree of outsidership when seeking to engage with BoP customers in emerging markets.

Academic studies, literature, and theories on how co-creation in banks takes place in practice are minimal, as is the literature on business model effectiveness in the BoP with respect to how banks achieve co-creation in BoP markets. In contrast, Hart and Casado Cañeque (2015, p. 10) argued in *Base of the Pyramid 3.0* that ‘sustainable development through innovation and entrepreneurship’ has filled a perceived gap in the existing theory with regard to the effectiveness of banking strategies and business models found in the Capitec (South Africa) case study (Hart & Casado Cañeque, 2015, pp. 31–39).

Hart and Casado Cañeque (2015) studied the case of Capitec Bank, which introduced co-creation into its business model to achieve a deep understanding of its customers, enabling it to produce relevant BoP mobile and online banking products and services. Capitec Bank is licensed by the Reserve Bank of South Africa, and has 6.2 million customers (309,000 online banking customers and 3.5 million mobile banking customers), assets of \$4.5 billion USD, and 10,261 employees (Capitec Bank Holdings Limited, 2015). In contrast, Napier (2010) argued that South African banks’ current first-generation strategies have historically deployed less strategic thinking to the needs and preferences of low-income customers. First-generation strategies for traditional banks in South Africa essentially provided a cut-down version of a conventional account, carrying the same overheads and costs (Napier, 2010).

Hart and Casado Cañeque (2015) argued that the banking industry paid inadequate attention to usage behaviours, pricing, and advanced technology that would be able to provide a more compelling proposition to banking customers in the BoP. The banking industry failed to introduce co-creation into its models to make it more effective. Hulme (2009) and Napier (2010, 2011) suggested low-income segments in Africa often have characteristics that make customers hard to manage and less attractive to banks. Napier used reputable cases, including Absa Bank in South Africa, Barclays Bank in Ghana, and Equity Bank in Kenya. Napier (2010, 2011) found that low-income customer segments in Africa have obstacles, such as low and irregular incomes, disabilities, mental health issues, criminal records, county court judgements, numeracy and literacy issues, income from social services, bad credit histories, no fixed address or employment, and suspicion of formal

organisations, which need to be understood via co-creation to ensure banks' business models have the appropriate service characteristics to make them effective.

Napier (2010, 2011) stated that the low-income segments' inherent obstacles can be overcome by banks using co-creation with local partners and strategic alliances to understand and then introduce relevant business model banking services. Obstacles to effectively serve low-income customers have historically affected banks' traditional business models, such as these customers being less profitable, inconsistent staff treatment, complex risk management, and customer identification issues (Ansari, Munir & Gregg 2012; Hulme & Mosley, 1996, 1997; Napier, 2010). Hart and Casado Cañeque (2015) drew similar conclusions, noting that historically, banks have taken a less than strategic view of this segment and provided the minimum viable products and services, while using existing infrastructures and adapted products.

Hart and Casado Cañeque (2015) demonstrated using the Capitec case study that when banks introduce co-creation into their business models, it makes them more effective in the BoP by understanding low-income customers in detail. By introducing co-creation into their business model, Capitec was able to effectively understand the importance of having a targeted strategy to capturing low-income customers using retail principles, low cost, and flexible IT systems and biometric identification, introducing innovative and new technology to exploit information asymmetries to manage risks (Hart & Casado Cañeque, 2015). Co-creation allowed Capitec to extend its business model to create a proposition that built trust and strong relationships to secure mass-market adoption. In addition, co-creation supported the assumption that lower value customers (if effectively supported) could be on an upward path and deliver stronger lifetime customer value if served differently by the bank (Hart & Casado Cañeque, 2015; Prahalad, 2005).

Hart and Casado Cañeque (2015) found that understanding customers' needs and wants was critical to servicing any customer segment. Local knowledge and strategic alliances created access to reliable low-income customer data and rare insights. In contrast, banks' narratives about low-income customers are often built on assumptions, stereotypes, and generic quantitative data, supporting false assumptions that make their business model ineffective. Often location, language, cost, time,

accessibility, and infrastructure create barriers to adequate insights into low-income customers and understanding their long-term potential (Collier, 2007; CGAP, 2009). In contrast, given the wallet size of low-income customers, they do not have the luxury of making purchasing errors; brands that waste their scarce resources will be punished, whereas those that add value will achieve mass adoption (Prahalad, 2005).

Hart and Casado Cañeque (2015) argued that the new BoP co-creation narrative is about removing the daily pain of low-income customers and supporting them in achieving their full potential, while making a suitable profit and exploiting the following new drivers:

- **Affordability:** new and efficient IT/digital systems, biometrics, and bespoke mobile services minimise non-essential costs and rapidly reduce overheads, allowing banks to deliver affordable services and make a profit.
- **Accessibility:** low-cost devices and specific services designed to overcome low-income obstacles deliver only core functions directly related to low-income customer needs.
- **Acceptance:** changing the narrative on low-income customers and providing relevant services will attract middle-income customers who value efficiency of services, absolute customer-centricity, and lower cost services. This must be seen as a positive innovation and has the potential to innovate existing core products and services.

Berges et al. (2014) determined that flexibility is the next battleground for banking strategy; leadership is required to make business models more effective in the post-financial-crisis banking landscape. Inclusive banking requires a fundamental reorganisation of company structures and disruption of the status quo. In addition, Berges et al. argued that internal processes, structures, and systems must be lean and developed to serve the low-income customer profitably. Banks are mature organisations, with generally rigid functional silos; little coordination between silos means that new structures must be created or brute forced, or the frustration must be accepted.

Building on Berges et al. (2014), Hart and Casado Cañeque (2015) argued that when banks introduce co-creation into their business models and learn from pioneers

of inclusive markets who have been successful in developing lower cost, high-value disruption, they will be more successful. In addition, Hart and Casado Cañeque posited that leading brands used frugal innovation to develop high-quality products and services that match the price point of low-income customers, designed to ensure appropriate customer value. Citing notable examples (Tata's Nano car, P&G's single blade razor, Vodafone's money product M-Pesa), Hart and Casado Cañeque extended their argument, stating that success with low-income business models comes from including only the elements that are valued by low-income customers.

Hulme (2000) advocated quantitative and qualitative research to assess the BoP programme's effectiveness and the need for close alignment between financial and human resource objectives. He illustrated emerging theories on the need for mutual cooperation in the BoP to ensure that programmes are effective, underpinning the concept of the legitimacy interface discussed in the conceptual model (Hulme, 2000) and the importance of co-creation (Prahalad & Hart, 2002). The extensive research by Rutherford (2000) at the Brooks World Poverty Institute, University of Manchester, concentrated on developing and field testing innovative financial services schemes. Rutherford researched how poor people manage their money, providing a unique empirical insight into the way BoP communities use and value financial services in the absence of viable bank solutions.

Prior to 2007, the microfinance literature provided limited detailed discussion of why banks should make more robust contributions towards providing suitable banking services in the BoP. In contrast, the microfinance literature challenged banks and global financial institutions to do more to support financial inclusion, but offers minimal beneficial arguments for the banks themselves (Hulme, 2000; Rutherford, 2000). This gap in the literature highlights a limited understanding of 'what and how' around bank strategies regarding the BoP. Researchers have missed the need for a detailed understanding of how banks can serve BoP customers effectively in emerging markets and how this can be achieved.

The literature on banks predominately focuses on extending their domestic or home market business model, effectively restricting them from achieving scale in their chosen emerging markets (Appleyard, 2009; Bos & Kool, 2006). The core microfinance literature prior to 2007 primarily covers the success or failure of

specific government and NGO programmes to sustainably deliver financial services to unbanked customers or small businesses (Garforth et al., 2007).

Economic stimuli supported the agenda within the pre-GFC literature regarding the size and potential of the BoP. In addition, there is the fact that BoP customers and markets need effective access to financial services in the BoP (World Bank, 2005). The 2005 World Summit for the International Year of Microcredit raised global awareness of how the globalisation of financial services could play a part in supporting the achievement of the Millennium Development Goals. Annan, then UN Secretary-General, argued that building inclusive financial sectors improves people's lives, particularly those of the poor (Annan, 2003). A small loan, a savings account, or an insurance policy can make a great difference to a low-income family. Such measures enable people to invest in better nutrition, housing, health, and education for their children. Financial inclusion eases the strain of coping with difficult times caused by crop failures, illness or death, and help people plan for the future (United Nations, 2006, p. iii)

After 2005 Annan's argument for financial inclusion on the basis of improving human lives found common ground among global leaders. In contrast, Rutherford (2000) and Collier (2007) in their literature on microfinance, called for an inclusive financial sector and greater involvement of bank and financial institutions because of their scale, technology, and lending expertise. The microfinance community argued that Western states and banks should focus more on helping the financially excluded and unbanked in emerging markets in terms of planning for their needs. 'In many developing countries, small-scale enterprises and micro-entrepreneurs face severe financing constraints' (United Nations, 2006, p. iii), which need to be overcome with the support of banks so that they can achieve some form of financial independence, filling the latent demand for professional banking services in the BoP (Collier, 2007; Rutherford, 2000). Annan, in comparison, maintained that access to financial services would allow poor and low-income communities to 'participate fully in the economic life of their societies, create employment, and realise their full potential' (United Nations, 2006, p. iii). Annan argued for the continued motivation of international organisations to encourage banks to take leadership roles in developing the BoP market (United Nations, 2006).

Collier (2007) argued that a more inclusive financial sector would provide greater business opportunities for banks to develop; thus, BoP countries would have a better chance to flourish, helping banks to reduce their LoF. Collier's extensive work on poverty and the BoP covered multiple case studies across Africa and Asia that explored why poor countries exist and what governments and companies should do. Collier suggested that for BoP issues to be addressed, Western nations needed to start with a compassionate approach and an understanding of enlightened self-interest to see the mutual advantages for Western states and BoP customers. Collier's analysis contrasted with early views on co-creation in the BoP (London & Hart, 2004; Prahalad, 2005; Prahalad & Hart, 2002). Collier argued that banks were too removed from aid agencies and in-country activities to understand the needs of the BoP, challenging the theories and benefits of co-creation in comparison to Rivera-Santos and Rufin (2010).

In addition, Collier (2007) noted that banks are where corrupt politicians in the BoP hide their money, which often comes from aid or limited domestic taxes, illustrating the lack of a critical degree of outsidership for banks in BoP markets. Collier argued that banks in emerging markets need to take responsibility for their governance to demonstrate confidence to BoP customers in the same way De Beers did for the diamond industry (Collier, 2007, p. 136). However, Collier and the broad microfinance literature provide no clear statement on the role of banks in the BoP, and generally emphasise banks' negative effects and lack of engagement.

Table 3.2 sets out a cross section of studies on business models and the applicability of concepts to banks, highlighting the importance of incentives when creating business models and how banks operate in BoP markets. It also emphasises the widely held view that executive sponsorship for BoP initiatives is necessary for them to succeed and overcome negative perceptions.

Table 3.2: Assessment of a cross section of studies on business models and the applicability of the concept to banks

Author	Core message of the paper	Applicability of concept to banks
Porter (1991)	<ul style="list-style-type: none"> ▪ Low cost and differentiated advantages that firms enjoy on the product market ultimately stem from ‘initial conditions’ and ‘managerial choices’. ▪ Drivers (resources or properties, such as scale and scope) are acted upon in activities (projects) that enable low cost and/or differentiation. ▪ Enabling specific strategic positions in markets/industries shapes a firm’s success. 	<ul style="list-style-type: none"> ▪ Competitive advantage for banks in the BoP can only be achieved if bank business models are developed to be real-time, immediate, transparent, global (in terms of cross-border payments), and almost free. ▪ Bank BoP projects must deploy capabilities that deliver desirable services most effectively, integrating software, servers, and services that can constantly adapt to changing customer needs.
Hedman & Kalling (2003)	<ul style="list-style-type: none"> ▪ Business model components should be understood in the context of the relationship between technology and business. ▪ Business model’s value is ultimately created by a firm’s ability to trade and absorb technology, align, embed, and deploy at low cost. ▪ Research into how technology improves strategies to achieve competitive advantage does not recognise sustainability as an advantage. 	<ul style="list-style-type: none"> ▪ Competitive advantages for banks in the BoP need to be based on a minimum set of components to deliver personalised customer experiences. ▪ Customers of banks in the BoP increasingly expect technology to ‘click and just work’. ▪ Banks will achieve competitive advantages in BoP markets by recognising the importance of building real-time, almost free products, with sustainability built into all business model components.

Author	Core message of the paper	Applicability of concept to banks
Seelos & Mair (2007)	<ul style="list-style-type: none"> ▪ Current BoP literature is silent on how to implement BoP strategies. ▪ BoP success requires firms to radically change their approach, rethink every step in their supply chain, acquire and build new resources and capabilities, and forge a multitude of local partnerships. ▪ Implement multiple strategies concurrently, partner with multiple constituencies, with different strategic objectives. 	<ul style="list-style-type: none"> ▪ Bank projects must work within an agreed policy framework (that must be constantly adapted) to deliver predictable value cost effectively and support collaboration across all aspects of its internal and external supply chain. ▪ Bank projects in BoP markets must identify multiple constituencies (with different strategic objectives) to better shape personalised mobile customer experiences and services based on software, servers, and mobile infrastructure.

Note. Data are from Appendix A and C. Skinner (personal communication, May 11, 2015).

Table 3.2 demonstrates the literature on business model design; there is limited contribution from banks themselves and little discussion of how banks, driven by the quarterly and annual reporting cycle and shareholder regimes, manage the pace and productivity of business model change or find ways to work directly with end-user customers in the BoP when designing their solutions for emerging markets (Rhee & Mehre, 2006a, 2006b). This highlights the limitations within the existing literature and the challenges for banks investing in a banking operation in locations like Africa, and South America.

3.5.1 Market Size and Mobile Banking

Within the literature the size of the African BoP market and the growing importance of mobile banking is explored in detail. The World Bank's Global Findex Survey (Demirguc-Kunt et al., 2015), the repository for all financial inclusion data, validated the World Bank's contributions with evidence of the positive impact that BoP enterprises, such as mobile money and payments, had on transforming Africa's financial inclusion landscape. Demirguc-Kunt et al. (2015) reinforced the literature with data to demonstrate that sub-Saharan Africa is the global epicentre of mobile money and mobile banking innovation. This illustrates how the mobile telephony industry has been effective in the BoP by meeting local customer needs and how banks can learn from their approaches.

Demirguc-Kunt et al. (2015) observed that 2% of adults worldwide use a mobile money account, compared to 12% in sub-Saharan Africa, demonstrating the success of this business model in the region compared to other markets. Demirguc-Kunt et al. pointed out that there are only 13 countries in the world where 10% or more of adults have a mobile money account, and sub-Saharan Africa is the home to all of them (Demirguc-Kunt et al., 2015). Specifically, 20% of adults in East Africa have mobile money accounts, and 10% have only a mobile money account (no bank account) for storing money and making payments. East Africa leads the continent for mobile banking services (Demirguc-Kunt et al., 2015).

Digital payments made through mobile accounts have benefited groups that have been excluded from the formal financial system, such as rural farmers, fishermen, and micro-entrepreneurs across Africa (Demirguc-Kunt et al., 2015). By comparison, Garrett and Karnani (2010), Rashid and Elder (2009), Lehr (2008), and Rangan and Lee (2010), highlighted the positive effects on mobile technology as an example of firms that have successfully overcome BoP obstacles.

The literature does not currently ask the fundamental question regarding firms overcoming BoP obstacles specifically related to banks and their mobile phone strategies and how they need to adapt their business models in the BoP markets. However, as firms realise that business model effectiveness and success in terms of profitability in the BoP is costly, difficult questions remain as to whether they should pursue a BoP strategy at all (Casado Cañeque & Hart, 2015; Prahalad & Hammond, 2002). As this debate is not covered in the literature in any detail, one can assume a consistent theme within the literature and theories on the analysis of a lack of success in BoP; however, the literature does not demonstrate any lack of ambition towards MNCs or banks finding a new way to create effective business models in the BoP, given the size of the market and innovations coming from mobile payments in Africa (Prahalad, 2005; Realini & Mehta, 2015).

The literature on business model effectiveness in the BoP with respect to MNCs and banks and how they seek to achieve co-creation in the BoP, emphasises the importance of technology and mobile infrastructure and devices. Banks' ability to deliver mobile services into the BoP reduces their overheads and allows them to deliver affordable services and make a profit. The literature on business model

effectiveness in the BoP illustrates the positive impact of mobile telephony within BoP enterprises (Berges et al., 2014; Bracking, 2003; Carbo et al., 2005; Collier, 2007; Garrett & Karnani, 2010).

Mobile telephony penetration across the BoP has accelerated significantly across all BoP regions, with the perceived benefit to the poor of better communications (Garrett & Karnani, 2010). It has expanded the availability of affordable financial tools needed to serve BoP communities, a key feature of their business model design (Bill & Melinda Gates Foundation, 2015).

Key to this research is how effective infrastructure environments are and whether they can affect the choices customers make in selecting the technology for mobile payments or mobile phone banking through designing applications that BoP customers want to use and in which they see value. Long, Woodman, and Brindley (2014) wrote that ‘one size does not necessarily fit all when it comes to utilising technology solutions in the developing world, often, simpler fit-for-purpose approaches tailored to local needs are the most successful way to engage with people in emerging markets’ (p. 22). Long et al. observed that a lack of basic information communication technology infrastructure in developing countries is the largest factor holding back growth and development in these economies.

Seelos and Mair (2007) presented a case study of Telenor, the Norwegian telecommunications provider that established a joint venture in Bangladesh to create GrameenTelecom, GrameenPhone, and Grameen Bank. Telenor used three separate but complementary business model designs based on an evaluation of the socioeconomic impact of allocating resources and capabilities to BoP markets, allowing them to achieve scale and sustainability (Table 3.3).

Table 3.3: Telenor joint venture business models with Grameen businesses in Bangladesh

Brand	Business model	Relevance
Grameen Bank	<ul style="list-style-type: none"> ▪ Voluntary formation of small groups of five people to provide mutual, morally binding guarantees in lieu of the collateral required by conventional banks. ▪ Women given equal access to the schemes providing not only reliable borrowers but astute entrepreneurs access to capital. ▪ Approach reversed conventional banking practices, removing collateral requirements and developing banking systems based on trust, accountability, participation, and creativity. <p>Grameen Bank provided the brand and reputation of Grameen Telecom and Grameen Phone.</p>	<ul style="list-style-type: none"> ▪ Advanced banking model of providing personal loans based on personal creditworthiness/history to cultural values of trust and mutual benefit at a local level. ▪ Focused on women, overcoming obstacles of male dependencies, aligning to personal needs for financial independence. ▪ Reversed business model of bank being custodian of trust to customers and generating mutual value and co-existence.
Grameen Telecom	<ul style="list-style-type: none"> ▪ Administrative interface to Grameen Bank BoP model creating jobs for poor people across 60,000 rural villages. ▪ Strategic objectives to create jobs for rural poor. By 2006, they created 250,000 jobs for micro-entrepreneurs called ‘village phone ladies’. ▪ Poor rural women, often illiterate, learned how to use model phones and generate an income, allowing them to develop their own businesses, enrich their lives, and save time and money otherwise spent on travelling. <p>Grameen Telecom is commercially viable and provides 10% of revenues to Grameen Phone.</p>	<ul style="list-style-type: none"> ▪ Leverage existing BoP brand trusted at the ‘grass roots’ level to accelerate adoption and usage while minimising costs of building brand trust and understanding of the proposition in local communities. ▪ Model advances BoP customers from unstructured incomes to more predictable and transparent incomes to encourage the need for payments, savings, and insurance. ▪ Business model flexible to encourage non-skilled to adopt based on clear personal and social benefits.

Brand	Business model	Relevance
Grameen Phone	<ul style="list-style-type: none"> ▪ Operated by experienced Telenor managers; strategic objective of maximising financial returns. <p>By 2006, largest private company in Bangladesh and second-largest taxpayer.</p>	<ul style="list-style-type: none"> ▪ Business model design to leverage home market experience and scale into BoP market with recognised brand; products to generate high commercial returns for group. ▪ Evidence to Telenor board and shareholders that commercially viable returns and social enterprise can exist in BoP markets when firms co-create and coexist at a local level and with local knowledge.

Note. Data are from ‘Profitable Business Models and Market Creation in the Context of Deep Poverty: A Strategic View’, by C. Seelos & J. Mair, 2007, *Academy of Management Perspectives*, 21, p. 39. Copyright 2007 by the Academy of Management.

Consistently across the literature, there are cases that demonstrate failure in MNC BoP business models; however, in contrast, positive examples of BoP success exist across mobile telephony BoP enterprises (Berges et al., 2014; Bracking, 2003; Carbo et al., 2005; Collier, 2007; Garrett & Karnani, 2010). Mobile telephony penetration has accelerated significantly across all BoP regions; the perceived benefit to the poor is better communications relating to improved quality of life (Garrett & Karnani, 2010; Richardson, Ramirez & Haq, 2000). The literature agrees with the theory predicting the perceived benefits and market stimulation of mobile communication in the BoP (Bracking, 2003), but limited detailed discussion exists on how banks are designing technology that low-income customers want to use or using co-creation approaches to underpin their project activities.

Extending the argument of the benefits of mobile communication in BoP markets, authors (Cobert et al., 2012; Curwen & Whalley, 2010; Krugel, 2007; Rashid & Elder, 2009; Reeves & Sabharwal; 2013) have observed the positive effects mobile technology can have on the livelihoods of farmers, fishermen, and entrepreneurs in the BoP, given their remoteness and residence in rural locations not served by traditional banks. They argued that market opportunities and commercial potential are significant for mobile phones to deliver services across a broad range of sectors, including public health, education, government, disaster warning, and financial services in BoP markets (Rangan & Lee, 2010; Rashid & Elder, 2009). Garrett and

Karnani (2010) determined that the mobile telephony industry used co-creation approaches by gaining customer feedback in BoP markets to create effective business models that have achieved sustainable markets and have been commercially viable in the BoP. The mobile telephony industry has avoided distribution costs by selling prepaid cards through a large variety of retail shops and kiosks. They have further facilitated distribution by making it possible to electronically buy prepaid credits or transfer credits, improving local access and distribution costs. Rashid and Elder (2009) concluded that mobile phone technology and communications companies have made a positive contribution to solving development issues in the BoP by successfully adapting their developed markets' business models for BoP markets, using customer feedback and local knowledge.

Rashid and Elder (2009) suggested that the positive contribution to solving development issues in the BoP for MNCs involved mobile phone companies using customer-centric designs that increased accessibility to lower income BoP communities in rural and remote locations to achieve scale. The proliferation of mobile phone usage in the BoP is experienced in the context of a continued absence of infrastructure and fixed-line telephones, while mobile phones are relatively affordable and accessible in BoP markets (Rashid & Elder, 2009).

Rashid and Elder's (2009) study helped to interpret a major issue affecting banks' business model effectiveness in the BoP by providing useful insights into the potential of mobile banking to support rural livelihoods, such as small-scale agriculture and fisheries, that are key to communities in the BoP. Rangan and Lee (2012) expanded this analysis in their work on *Mobile Banking for the Unbanked* by highlighting the M-Pesa case study. The M-Pesa business model in Kenya is the most effective example of MNCs creating business models that overcome BoP obstacles and provide mobile financial services (Napier, 2010). M-Pesa facilitated money movement rather than taking deposits, unlike the Mzansi account, which failed due to poor design. The Mzansi account was a transactional bank account introduced in South Africa in 2004 as part of the country's financial sector charter to service the unbanked. Mzansi failed to scale in the BoP South African banking market because banks failed to adapt their business models effectively, resulting in high costs and BoP customers not finding its services desirable (Rangan & Lee, 2010).

3.6 Chapter Summary

This chapter builds on Chapter 2, raising specific market examples, theory, and literature to focus on business models, co-creation literature, and BoP-relevant business models, and looking at the implications for MNCs with particular reference to banks. The literature on banking in BoP markets is limited and focuses on more specific areas, such as market size and composition, and mobile banking, which are discussed. A discussion followed on how banks are adopting mobile technology and using co-creation, creating opportunities for themselves to effectively operate in BoP markets (Hammond, Kramer, Tran, Katz & Walker, 2005). Chapter 4 describes the key concepts and the conceptual framework for the analysis of banking in the BoP market. The conceptual framework offers a procedure for theorisation building on the conceptual frameworks elements, based on the grounded theory method.

Chapter 4 - Conceptual Framework

4.1 Introduction

This chapter aims to construct a conceptual framework to guide the empirical analysis, which is focused on understanding how co-creation occurs within banks' projects and with stakeholders in BoP markets in Africa. I follow the standard understanding of what a conceptual framework is and why it is an important part of the research process. Thus, a conceptual framework analysis brings structure and focus to this study without compromising the inductive nature of the qualitative research (Miles & Huberman, 1994; Parkhe, 1993a; Yin, 2003). The conceptual framework increased the theoretical level of analysis by including comparisons with similar and conflicting literature to apply analytic transferability, building on previous theories (Eisenhardt, 1989b; Yin, 2014). The conceptual framework identifies concepts and proposed relationships between the concepts in the study (Leshem & Trafford, 2007; Miles & Huberman, 1994; Yin, 2014).

The conceptual framework connects the concepts discussed in Chapter 2 and Chapter 3 and supports the understanding of the research question, setting out constructs and terms, and attempting to connect aspects of this inquiry that analyses banks' projects and co-creation activities. The framework incorporates concepts to support the analysis of banking in BoP markets in Africa derived from empirical observations, relevant literature, and previous studies. The aim of the conceptual framework is to introduce a procedure for analysing co-creation in the BoP banking sector.

The conceptual framework builds on lessons of how banks have entered the BoP market since the early 1900s and in the mid-1990s. The experience so far shows that to succeed, management must adapt their existing operating frameworks to co-create by focusing on BoP customer needs and circumstances, and where they are positioned in specific value chains. To be effective in BoP markets, banks must understand these markets' unique circumstances and determine how these challenges may be addressed by those at the coal face of interacting with the BoP, potentially requiring them to be embedded with the BoP in some way, to achieve growth and

profitability for their institutions in these markets (London & Hart, 2010; Smyth, 2004).

The framework identifies BoP market obstacles and service characteristics that influence the choices banks must make to develop banking services suitable for BoP markets. The framework was developed further in the case study research to develop theory that is useful in practice, building on Yin's (2014) approach. Analysing the gap in research on how banks serve low-income customers at the BoP in Africa (London & Hart, 2004) required consideration of a variety of BoP projects and business frameworks applicable to different contexts (Kolk, Rivera-Santos & Rufin, 2014, p. 357).

Creating effective business models in the BoP requires banks' projects to enable scaled and sustainable banking operations in BoP markets, and to build alliances and partnerships by adapting a fortune-creating business rationale (London & Hart, 2010) in an enabling and learning manner (Carbo et al., 2005). The conceptual framework built on the literature to analyse how banks understand the BoP market in Africa in terms of obstacles, service characteristics, customers, and project level co-creation needs with stakeholders.

The analysis explored how banks develop BoP design principles to adapt their existing branch networks, technology platforms, and digital and mobile distribution capabilities to overcome obstacles to creating effective customer access, scale, and legitimacy, while creating commercially viable businesses in BoP markets in Africa.

4.2 Legitimacy Interface

Accordingly, in this study the conceptual framework connects the intervening constructs relevant to bank business models in BoP markets, and how banks' projects engage, learn with, enable, and achieve co-creation with stakeholders in the BoP market within the legitimacy interface. The legitimacy of all MNCs, including banks, in BoP markets has come to occupy an important place in IB strategy research (Forstenlechner & Mellahi, 2011). Legitimacy is the generalised perception or assumption that the actions of an entity are desirable, proper, or appropriate (Suchman, 1995).

Within the conceptual framework, the legitimacy interface is the internal and external environment where banks operate across project level co-creation needs, building on BoP design principles and operating frameworks in BoP markets. The legitimacy interface is defined as the touch points between banks' internal and external stakeholders, products, and services and BoP customers', market obstacles, and characteristics. The conceptual framework within this study is a visual presentation that seeks to explain graphically the key factors, concepts, or variables and the presumed relationship between them (Miles & Huberman, 1994, p. 56). Figure 4.1 below displays an overview of banks' BoP business models, projects, and BoP markets, and where co-creation and legitimacy have touch points.

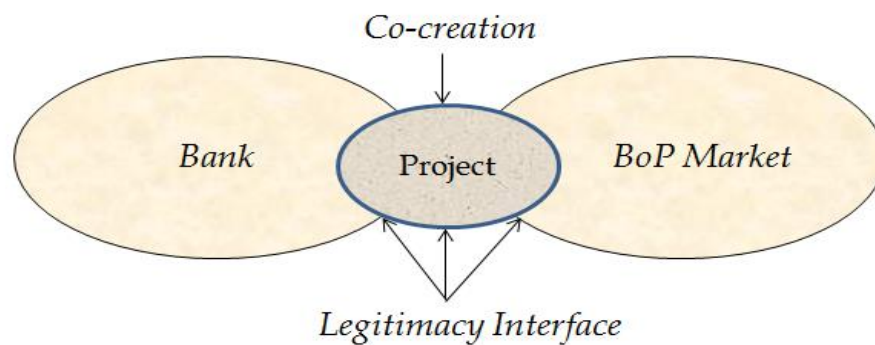


Figure 4.1: Banks' BoP business models and projects must be legitimate.

The layout of the framework shows the interconnected relationships between a bank's strategy, understanding of the local BoP market, and project activities to execute strategy to build new operating models within the overall BoP environment. The legitimacy interface covers specifically: (a) the legitimacy of projects intended to create BoP solutions within the bank itself, broadly based on sponsorship across the internal ecosystem, linking the practical aspects of sponsorship to the notion of internal legitimacy of the project; and (b) the external legitimacy of a BoP project, with respect to BoP stakeholders.

4.2.1 Internal Legitimacy

The internal legitimacy of banks' projects to create BoP solutions is broadly based on sponsorship across the internal ecosystem, linking all aspects of a bank's strategy, projects, and stakeholders. The project context within the conceptual framework is

seen as the internal legitimacy interface in term of the actions, behaviours, and results of the bank's leadership, governance, and project teams. The legitimacy interface is the credibility of a bank's strategic intent in the field, given that the project team is directly interfacing with the BoP market, communities, and customers.

The bank's physical reality is conceptualised in terms of how the BoP customers accept the project and a bank's new proposition in a BoP market by using its services and adopting new services over time. A project team's ability to work credibly in the BoP is critical to fostering co-creation, which underpins whether a project can support the bank, create an effective business framework, and secure local market knowledge, partners, and customers. The conceptual framework operates within the overall legitimacy interface, illustrating the need for banks and their projects in the BoP to have the correct governance to deliver correct treatment and behaviours towards BoP customers. The bank's operating and governance frameworks should ensure the bank's brand promise, products, and pricing are suitable to local market conditions. Strategies mirroring approaches align to London and Hart's (2008) fortune-creating paradigm to achieve legitimacy in BoP markets.

Project sponsorship is critical to ensure that a bank's key variables are profit aligned to a bank's risk appetite and regulatory regimes. Risk appetite is defined as the level of risk organisations are prepared to accept and the balance between the potential benefits of innovation and the threats that change inevitably brings (Carbo et al., 2005). Banking profits in emerging markets are generally higher in developed markets, yet more volatile. Countries such as South Africa achieve high return-on-equity ratios; revenue and margins in some instances are double those of developed markets but they come under pressure, as the operating framework needs to scale at a low cost to support more customers and transactions, resulting in the increased importance of risk management. However, intrusive approaches to risk management can destroy co-creation by highlighting inequality. Risk management processes may be considered intimidating by BoP customers and need to be based on sensible criteria for them (Wentzel, Yadavalli & Sundar, 2013).

Banks experience margin pressure as they scale up, which results in risk management increasing its focus on measurement, compliance, and control; changing

its emphasis to mitigating credit, capital allocation, and liquidity, or funding risks not innovation or creating compelling customer experiences. Chaia, Goland, and Schiff (2009) stated that the risk priorities for emerging-market banks combine upgrading a bank's risk culture and development of risk resources and capabilities, strengthening the credit process to cope with the increasing stock of deteriorated loans, developing innovative risk frameworks to support credit decisions, and upgrading capital-allocation skills. However, a bank's motivation to scale in BoP markets and exploit the profit potential requires it to adapt its risk appetite to accommodate unique market conditions. This will only be realised by deploying capabilities to create appropriate business frameworks, and ensuring that low-income and underbanked customers are aligned to this motivation by seeing the corresponding relevance and value compared to other alternatives.

4.2.2 External Legitimacy

The conceptual framework built on the paradigm London and Hart (2010) defined as fortune creating, demonstrates the need for MNCs to develop second-generation BoP strategies. These strategies must go beyond extending distribution from developed markets into emerging markets: using the same business models, approaches, and products to demonstrate market development through local knowledge; enabling effective access to relevant services and products; and supporting working with all stakeholders, such as local partners, communities, and customers.

The literature on the practice of co-creation in the BoP was limited prior to Hart and Simanis's (2008) seminal work on the BoP protocol. Hart and Simanis created the BoP protocol and BoP 2.0 using reputable cases, involving companies such as SC Johnson, DuPont, Tetra Pak, and Hewlett-Packard. Hart and Simanis stated that co-creation in the BoP is achieved by MNCs externally in three overlapping phases:

- Phase 1. Opening up - when a company immerses itself in its target BoP community to achieve a deep dialogue, culminating in business conception co-creation.
- Phase 2. Building the ecosystem - when a new business model is formalised, capability and commitment are agreed among the stakeholders, and a business or proposition prototype is created.

- Phase 3. Enterprise creation - testing a business prototype with the aim of strengthening local entrepreneurs, management, and markets.

The legitimacy interface in the conceptual framework underpins effective access to products and services for all BoP customers, evidenced by the growing importance of mobile technology, devices, and applications as an enabler for advancing banks' operating framework and providing the flexibility for them to create more compelling BoP banking products and services. The bank and the project combined enable the concept of the external legitimacy interface to exist. This is where the conceptual framework analysis occurs. The legitimacy interface in relation to financial inclusion of the BoP is where banks deliver services at affordable costs to disadvantaged and low-income segments to achieve relevance and scale. Within this context, the legitimacy interface is defined as the touch point between the bank's distribution of its products and customers within the target emerging market, many of whom are, or have been, in the poverty cycle, or are considered poor.

Honohan (2008) illustrated the importance of the legitimacy interface within the BoP context by stating that the key issue for low-income groups and banks in emerging markets is not how many financial assets customers hold or how much they might want to borrow, but basic access to accounts and payments, and an ability to save small surplus incomes or secure basic insurance for small assets, such as animals, dwellings, or small enterprises. Honohan extended his argument by demonstrating why banks in emerging markets have failed to achieve even basic operating frameworks for BoP customers. Examples of BoP customers not being traditionally trusted or serviced by banks included instances where heavy penalties for unauthorised overdrafts were imposed and where a fixed address and formal identification were prerequisites to opening an account. Many BoP customers are screened out because of the bank's perception that their risk characteristics are too high, illustrating a lack of understanding of the BoP context and an inability to exploit new technologies and approaches, causing failures within the legitimacy interface.

The actions of banks to provide desirable, proper, or appropriate distribution channels to BoP customers have been mixed (Bouteiller & Marois, 1999). Banks have historically developed touch points with customers via established channels,

such as automatic teller machines (ATMs) and branches in a mature retail location, call centres providing telephone access and services, and mail (most banks accept cheque deposits and use mail to communicate with their customers). These channels are mainly inappropriate for the BoP banking market and fail to deliver business models that are externally legitimate for BoP customers (Napier, 2010; Young & Drake, 2005). The specific characteristics of the BoP market make many of these traditional banking channels costly internally and externally, demonstrating the growing importance of new or more appropriate channels, such as mobile services, for the unbanked or underbanked if banks are to be seen as legitimate (Rangan & Lee, 2010).

Access is a key principle within the external legitimacy interface, as it gives BoP customers their first experience with a bank and its services in their context and environment. An example would be the reluctance of South African rural workers to enter banks in urban areas because they look like police stations (Kubzansky, Cooper & Barbary (2011), which is an obstacle to co-creation and profit. Building on this analysis, Wentzel et al. (2013) investigated whether the adoption of financial services for underbanked respondents varied across physical channels, such as banks, post offices, and supermarkets in South Africa; they found that banks provided the least accessible services to BoP customers.

Using four adoption-related variables, cost, trust, language, and customer services, Wentzel et al. (2013) concluded that BoP customers preferred supermarkets for banking services because they were more likely to be served by someone with local language skills and felt they were more trustworthy than banks and post offices. Wentzel et al. demonstrated that banks compared poorly to supermarkets and post offices in terms of perception by BoP customers. Only 2.9% of BoP customers in South Africa felt banks were cheap to use, 12% felt employees spoke the same language, and 8.8% believed banks treated them well. BoP customers felt that accessibility (measured as the walking distance to a post office or supermarket), trust, and the provision of financial services were better at non-banks than at banks. This demonstrates the failure of banks in the study to understand their stakeholders or create conditions within their legitimacy interface to meet BoP customer needs. Wentzel et al. (2013) surveyed non-banked respondents in South Africa; however, the names of specific banks were not provided.

4.3 Conceptual Framework for Banking Projects to Assess Co-Creation in BoP Markets

Figure 4.2 sets out the expanded conceptual framework used to analyse how banks understand, demonstrate, and deploy co-creation with stakeholders to support the development of effective business frameworks in BoP markets. The framework flows left to right and is comprised of six components, as described below:

- banks’ strategic intent to engage in the BoP;
- BoP market obstacles and service characteristics;
- project level co-creation needs;
- banks’ BoP design principles;
- effective bank operating framework in the BoP; and
- business framework design and implementation for the BoP market.

The rationale for each of these interlocking components and contexts is discussed below.

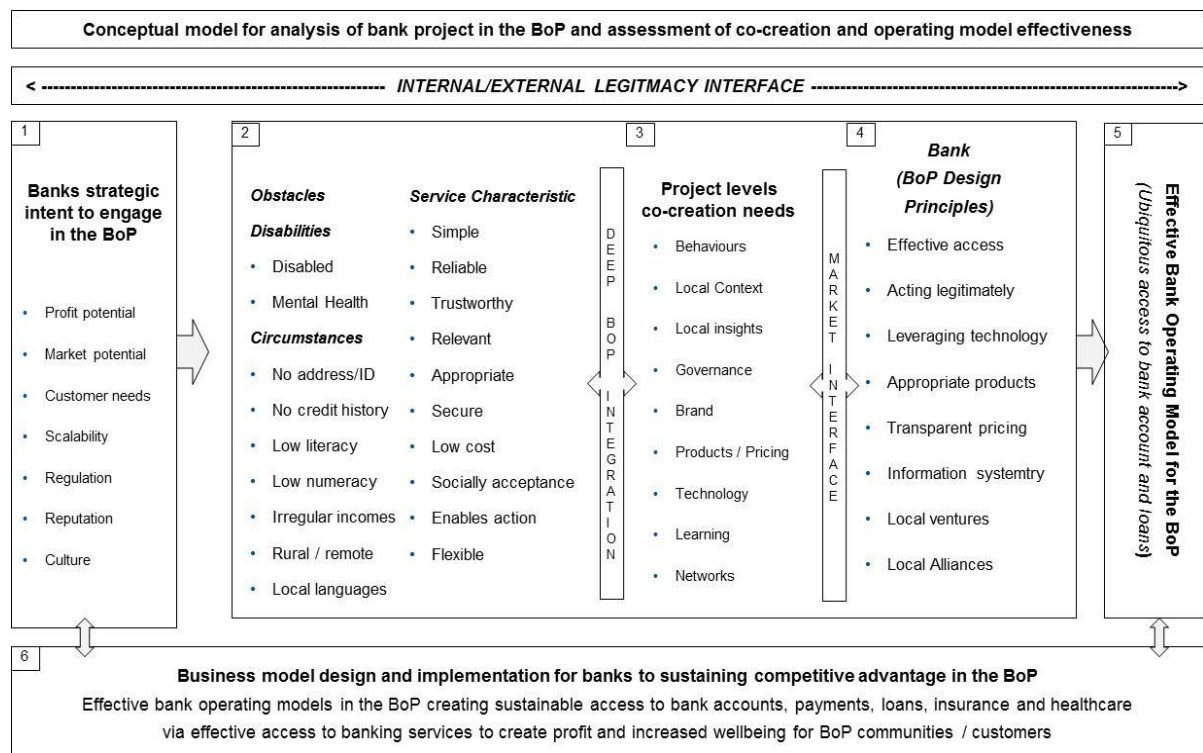


Figure 4.2: Conceptual framework for banking projects to achieve co-creation in BoP markets.

4.3.1 Banks' Strategic Intent to Engage in the BoP

The strategic opportunity for a bank to engage in the BoP must be assessed against its regulatory regime and its ability to deliver tangible benefits to shareholders and customers by creating a commercially viable business. A bank will assess this against criteria such as the market's potential and specific segmentation opportunities (e.g. rural farmers, fishermen, miners, village or community workers, families, women, small enterprises). This includes a bank's ability to understand local customer needs and how culturally aligned it is for understanding local customs, languages, and traditions, its business risk appetite for achieving profits and managing regulation, the repeatability of operations to achieve scale (in one country, cross-border, or regionally), and the reputation enhancement of the business for operating effectively in the BoP. These factors will shape its strategic direction and business case. The business case will determine investment by the bank's leadership in projects to create new propositions, capabilities, and customers for BoP markets that are sustainable, scalable, and commercially viable.

4.3.2 BoP Market Obstacles and Service Characteristics

Banks may have a strategic intent to engage in the BoP and agree to invest in projects. However, it is critical that they have leadership, sponsorship, and awareness of specific BoP market obstacles and knowledge of the characteristics specific to low-income and BoP customers (Wentzel et al., 2013). Lack of a deep understanding of BoP market obstacles can limit strategic intent and a project's ability to deliver accessible financial services. Projects need to develop propositions that overcome BoP market obstacles, provide effective access, and have effective business frameworks that support scalability. BoP market obstacles can also be in the form of customers' disabilities or service characteristics, as discussed below.

4.3.3 BoP Customers' Disabilities or Circumstances

Disabilities occur at an above-average rate among the poorest people in developing countries (UN, 2009), as poverty causes disabilities and can lead to secondary disabilities for those individuals who are already disabled. The result is poor living conditions, health-endangering employment, malnutrition, and poor access to health care, education opportunities, and financial services (UN, 2006). BoP customers' physical disabilities may limit their ability to travel, access buildings, or use

technology, such as ATMs or mobile phone applications. Western banks are familiar with the need to accommodate disabilities in the form of mental health, blindness, loss of limbs or dementia; however, these are more prevalent in emerging markets, where banks have failed to deliver consistent external legitimacy by often excluding less able customers.

4.3.4 BoP Customers' Service Characteristics

BoP market obstacles can create difficult circumstances for banks to provide financial services; however, these obstacles can also include customer suspicion of banks, the need to use local languages, rural or remote communities with limited access to basic infrastructure, no common form of identification, no credit history, low numeracy and literacy, and irregular incomes, which need to be understood and overcome.

BoP market obstacles are not all specific to the BoP and the banking industry, but low-income and BoP banking customers require banks to understand their circumstances in order to be able to provide effective access and create effective business frameworks with desirable service characteristics. These characteristics include services that must be considered simple and reliable, with staff who are felt to be trustworthy and can demonstrate empathy towards BoP customers. Banks must demonstrate relevance in the form of products and services BoP customers want to use, and services that are considered value for money and low-cost, while being socially acceptable and secure in terms of brands that communities are happy to be associated with (Prahalad, 2005). Finally, service characteristics must not limit a BoP customer's ability to progress or hinder any form of economic advancement, for example the imposition of financial penalties on customers whose circumstances might change, such as inappropriate fees, charges, penalties, and minimum balance requirements.

4.3.5 Project Level Co-Creation Needs

A project as defined in this research, as explained in the methodology chapter, is a team with resources and the sponsorship to act within the operational bank itself, charged with designing and perhaps testing a business model to gain the know-how that can subsequently be implemented by the bank in a BoP market. Project level co-

creation activities should emerge from a bank's strategic intent to engage in BoP markets, coming from boards and executive sponsors who take responsibility for investment in projects and their execution. Bank's strategic intent to engage in BoP markets is often 'projectised' to demonstrate positive interventions in BoP markets, based on a senior managers specific interests to achieve social and business benefits. The credibility of the executive sponsors and project teams come from demonstrating knowledge of how the project will overcome BoP market obstacles using knowledge of the characteristics specific to low-income and BoP customers and markets. Project teams' credibility builds on understanding BoP obstacles, key service characteristics achieved through key project members' experience, and local staff embedded in local communities who are able to demonstrate the value of the proposition and importance of co-creation to internal and external stakeholders throughout the project life cycle (Gravovetter, 1985).

4.3.6 Project Context

Understanding the project context and how the project will work in BoP markets is critical to understanding whether banks and their project teams are able to operate with legitimacy and develop effective business models and propositions. The project context is a key dependency for banks creating business frameworks that are considered effective by shareholders and customers in BoP markets. The literature emphasises the following points as important:

- The professional behaviours of a project team as perceived 'outsiders' are constantly judged and can easily drive collaboration or rejection by stakeholders if not managed effectively based on local knowledge and guided by internal and external stakeholders. Demonstrating correct behaviours and understanding the local context will accelerate a project teams' ability to develop their own networks of relevant and useful contacts that will support them with information, knowledge collection, and sharing with bank key sponsors.
- A project team's understanding in detail of the local context will enable them to be more relevant and accepted when working with suspicious and sceptical BoP communities and resistant bank colleagues and regulators.

- A project team, using local and reliable technology, helps to ensure local colleagues are included, are able to contribute, and feel valued within the project context.

4.4 Bank BoP Project Design Principles

Understanding the BoP market obstacles, the unique service characteristics, the requirements, and know-how helps to ensure that a project team operates in the BoP with legitimacy. This is a critical element for ensuring that banks are able to develop effective business frameworks. Business effectiveness for banks operating in the BoP is further enhanced when a bank's strategic intent and project team have clearly defined the design principles to support the creation of a relevant proposition. Teece (2010) argued that successful business framework design is built on principles that must be followed by any firm designing a business framework. The conceptual framework's key design principles for banks are comprised of the following:

- effective access for all customers, regardless of the customer or market obstacles;
- leveraging advanced technology wherever possible to achieve low-cost scale;
- distribution of products that are appropriate and priced transparently for BoP customers;
- use of information symmetry across alliance providers (e.g. telecoms and mobile providers) to reduce risk management and reduce BoP data collection issues; and
- openness and executive sponsorship for the bank and project to foster alliances and enter into joint ventures to meet common objectives across value chains.

Building on Teece's (2010) design principles above, key principles for a bank project in the BoP to follow must also include: (a) achieving scale of operations and customers; (b) gaining access to all customers within the target segment; and (c) devising a business framework to test and learn propositions in the BoP market, as discussed below, and linking the within-case and cross-case analyses presented in Chapters 6 and 7.

4.4.1 Banks' Need for Scale to be Effective in BoP Markets

The relationship between a bank's operating framework and its customers will become increasingly relevant, as 50% of banks' global profits are projected to come from emerging markets by 2020, according to Daruvala, Sengupta, Dietz, Voelkel, Härle and Windhagen (2012). Revenues from banking in emerging markets grew from \$268 billion in 2002 to \$1.4 trillion in 2012; the compound annual growth rate was at 41% in 2012 and is forecast to be 52% by 2020. Therefore, the importance of creating operating frameworks that can scale in BoP markets is increasing. High-volume, low-cost operations, plus quality client services focused on trust, and the demonstration of relevance, commitment, and trust are critical for banks operating in the BoP. Mobile distribution and appropriate risk management systems tailored to the unique characteristics of the BoP market are becoming increasingly important for banks to be effective in the BoP (Cheng & Degryse, 2010).

In emerging markets, banks can achieve growth by reaching thousands of unique customers, each with numerous small and short-term transactions and services delivered to meet social-economic needs (Carbo et al., 2005). This scale is compounded by complexities as customers are often based in rural areas. An effective framework must be able to deal with high-volume operations and mitigate risks to ensure that a bank can operate without breaching specific laws and regulations. Historically, this has limited banks to offering generic and expensive products to BoP customers. To achieve relevance, banks must offer compelling products and services to be considered attractive to their target BoP segment and demographic (Carbo et al., 2005). The conceptual framework defined the relationship between the bank and customer in order to explain observations (Cheng & Degryse, 2010).

4.4.2 Effective Access to Banks and Their Services for BoP Customers

Prahalad (2005) argued that large firms and BoP customers have traditionally not trusted each other. Prahalad goes on to argue that private sector firms, including banks, must approach BoP markets by focusing on building trust between themselves and BoP customers, which takes place in the external legitimacy interface within the conceptual framework. Project teams must be able to deliver the bank's strategic intent to embed the banking frameworks in the BoP using an iterative progress that

allows feedback, and iteration as co-creation occurs between the bank and its stakeholders (Reimann, Ehr Gott, Kaufmann & Carter, 2012; Teece, 2010).

The principles of a successful legitimacy interface require banks to provide effective access at a reasonable cost to all households, with a range of financial services, including savings, short- and long-term credit, leasing and factoring, mortgages, insurance, pensions, payments, local money transfers, and international remittances, in order to meet BoP customers' diverse needs (Young & Drake, 2005). Bank customers must know that their bank is a sound institution that has addressed the challenges of providing accessible, reliable, and available banking services if trust is achieved to encourage adoption away from informal banking substitutes (Wentzel et al., 2013).

Furthermore, appropriate internal management systems, industry performance, and performance monitoring by the market, as well as sound prudential regulation, are required to overcome the low levels of trust BoP customers have of banks and to encourage them to deposit savings. Depositing savings in bank accounts is an example of customer trust and a step towards co-creation and mutual value creation, as this is a demonstration of a bank's relevance and value to BoP customers (Carbo et al., 2005; Wentzel et al., 2013).

To build trust, bank operating frameworks must ensure the continuous availability of banking and payment services to the entire population, or target segment, or sector, without discrimination (similar to the M-Pesa example), while demonstrating understanding, humility, and an ability to learn from their prospective customers (Prahalad, 2005). Fortune-creating behaviour by banks and an inclusive finance context require BoP customers to feel that banks' business frameworks have overcome the historical challenges of fortune-finding strategies, represented by high prices, prejudices, limited transparency, and limited access (London & Hart, 2010).

Research by Dietz et al. (2016) supported the position that banks must reinvent their business frameworks for their projects to deal with new realities in customer behaviour, innovative competition and changing global growth patterns. The relationship between a bank and its customers must embrace cultural change and enhanced value creation to reinforce new approaches to the creation of value. Banks must examine their organisational culture across the dimensions of: (a) balancing

the interests of shareholders and the broader society; (b) creating value for customers; (c) ensuring that internal processes are sound; and (d) influencing employee mind-sets (Dietz et al., 2016, p. 9).

4.4.3 Business Framework Design and Implementation in the BoP Market

The business model design needed to sustain a competitive advantage in BoP markets requires scalability, effective access, and governance, allowing the project to test and learn its relevance to ensure the proposition is desirable to BoP customers. In order for the banks' propositions to remain desirable, their operating models in the BoP must create sustainable access to bank accounts, payments, loans, insurance, and healthcare via effective access to banking services. This proposition will create profit and result in the increased well-being of banks, their partners, BoP communities, and customers.

4.5 Chapter Summary

This chapter started by providing an explanation of conceptual framework analysis and introduced components of the conceptual framework that supported analysis of co-creation activities within bank projects in BoP markets. The concept of the internal and external legitimacy interface was advanced, explaining how technology, suitable product design, and new behaviours are advancing operating framework legitimacy and propositions in the BoP with respect to banking.

Building on key concepts defined by London and Hart's (2010) second-generation strategies for the BoP, the concept of the legitimacy interface was used for conceptual analysis of the foundations for second-generation banking services and effective operating frameworks. Advantages the conceptual framework creates include flexibility, capacity for modification, and an emphasis on supporting understanding instead of prediction (Smyth, 2004). Using the conceptual framework supported an investigation into how technology is advancing through operating framework effectiveness in the BoP with respect to banking (Smyth, 2004).

Analysis of the legitimacy interface illustrated that banks must move away from selling existing banking services through legacy frameworks that have either failed to upscale or failed to adapt to local market needs. Projects in the legitimacy interface can build on the lessons learned and use mobile banking services to ensure that banks

adopt a more sophisticated approach to creating a fortune with the BoP. The conceptual framework supports the case study analysis in Chapter 6, after discussion of the within-case findings in Chapter 7.

Chapter 5 - Methodology

5.1 Introduction

This chapter aims to explain the research methodology informing the study and the research process, selection of case study projects, and justification for why the multiple-case-study approach was chosen. To address the research question, the study assessed four projects by four different banks to provide services to companies and individuals in BoP contexts. The research methodology draws on data from these case studies to analyse how banks seek to re-organise to create these services. The chapter presents the research design, data collection, and data analysis process, and explains the steps that were taken to ensure that the research was conducted in an ethical manner (Marshall & Rossman, 2015).

This methodology chapter is comprised of seven further sections. Section 5.2, Research Question, describes the research question and the approach for selecting case studies. Section 5.3, Research Design, describes the qualitative methodology approach used to address the research question and the rationale for selecting the research design. Section 5.4, Sample, comprises the description of and the rationale for the sampling strategy and describes the setting of the research within the context of the wider scholarly research. Section 5.5, Data Collection, describes the different approaches, conventions, and techniques used for data collection in this study. Section 5.6, Data Analysis, describes the techniques used to address the research questions and the data analysis techniques, explaining why they are applicable to the research objectives, while Sub-section 5.6.1, Validity and Reliability, describes the methods of different authors in this field to ensure the study findings are valid and reliable. Section 5.7, Ethical Considerations, details the considerations around research ethics and the elements that protect the respondents' rights, data security, privacy, and confidentiality. Section 5.8, Summary, concludes Chapter 5 and introduces Chapter 6.

5.2 Research Question

The research explored the effectiveness of bank business models and how bank projects used co-creation with stakeholders to deliver business models in BoP

markets. The research used a qualitative method, multiple-case-study design, to research how a sample of projects used co-creation to develop their business models in BoP markets in Africa. This study examined the question of bank business models in BoP markets in Africa, with an analysis of co-creation between banks and stakeholders.

5.2.1 Rationale for Selecting Case Studies

Yin (2014, p. 8) maintained that ‘a case study’s unique strength is its ability to deal with a full variety of evidence documents, artefacts, interviews, and observation beyond what might be available in the conventional historical study.’ The rationale for selecting case studies as the research design is based on Yin’s work, as he noted;

Case studies are complex as they involve multiple sources of data, including multiple cases within a study, and large amounts of data for analysis. Researchers from many disciplines use the case study method to build upon theory, to produce new theory, to dispute or challenge theory, to explain a situation, to provide a basis to apply solutions to situations, to explore, or to describe an object or phenomenon. (p. 40)

This research design builds on the work of Yin (2014) and the multiple-case-study design to explain how different banks work in Africa (a situation) and contribute to theory by creating new empirical evidence on bank approaches to working in BoP markets across the sector in Africa. Banking in BoP markets is a field that is not fully developed, with few key authorities. So in many cases, it is context dependent and there is minimal recent comparative analysis. Suitable cases studies support the analysis of how projects have used co-creation with stakeholders and what they have done to achieve their objectives. The study explores how banks approach and implement projects in the BoP in Africa using co-creation to ensure their business models’ effectiveness. In addition, the rationale for selecting case studies as the research method includes the following:

- An investigation into how and why different banks have deployed strategies for providing financial services in developing markets that are descriptive in nature, not previously studied in a comparative context. Each case study allowed for numerous sources and types of information, including varied contexts in terms of type of respondents interviewed and primary data collected.

- Analysis of project-level findings across different banks allowed for boundaries to be defined and the scope of the study to be understood. Projects by nature are bounded, which meant information, perspectives, or records within the project context of the selected case or cases could be collected and analysed more easily than a bank or operation that has poorly defined boundaries, given their different business models, propositions and markets.
- The research methodology needed to be adaptive and flexible, given the challenges in secure access to respondents in Africa, while not losing sight of the original research questions and theoretical questions under analysis (Yin, 2014 p. 70).
- The case study design allowed applicability to real-life BoP situations and accessibility to secondary data, while combining qualitative methods to bring together findings from different case studies to answer the research question.
- The multiple-case-study design improved the study's robustness and allowed transferability (Saunders, Saunders, Lewis & Thornhill, 2011; Yin, 2014).
- The multiple-case-study design to research how banks and their stakeholders work together included respondents located in the UK and across Africa. It is supported by the type of research questions that ask how, when, and where banks undertake projects and work with stakeholders. Yin (2014, p. 9) noted that 'these questions deal with operational links needing to be traced over time' as the project either evolves or reaches completion, 'rather than mere frequencies and incidence'. The unique strength of the multiple case studies is its ability to deal with a full variety of evidence, such as documents and interviews (Yin, 2014), as is the case in this thesis.
- A multiple-case-study design enabled the particular context of co-creation to be researched within a specific context, given the fuzzy nature of co-creation, thus promoting the emergence of new ideas or new interpretations of existing ideas (Yin, 2014).
- The multiple-case-study method is highly suited to inductively building a deep understanding of phenomena that are not well understood or researched.

The research design used a qualitative method and multiple-case-study design to study theories of business model effectiveness, co-creation, and how banks work with stakeholders to grow their market share in Africa, specifically in the underbanked and non-banked customer segments defined as the BoP. Clarification of the multiple-case-study design supported the correct selection of projects and team members (as respondents), managed by banks where these were aligned with achieving objectives for increasing their accessibility, relevance, scale and, ultimately trustworthiness, by demonstrating legitimacy of their actions in South Africa, Kenya, and Madagascar as chosen markets and Africa more broadly (Silverman, 2005).

These multiple case studies, based on Yin (2014) and Stake (2013), build on a research design that develops the proposition aiming to overcome BoP obstacles and remove constraints that exclude BoP retail and micro-SME customers from full or partial participation in the financial sector in Africa. The multiple-case-study design allowed an analysis of the strategies being implemented by banks using co-creation to extend or develop their business models and assess how fortune-creating approaches in the field were demonstrated across different stakeholder groups.

Shadish, Cook, and Campbell (2002, p. 86) maintained that research design is about:

Developing imaginative ways of achieving simplicity of interference through creating a study design within which factors were orthogonal where they were not independent of each other' and 'designed with multiple factors called factorial designs.

The focus of the research design was local examples of projects, using research data from interviews and secondary data sources. Secondary data predominately came from bank sources but also included research that was relevant to the question from public websites and wider sources, such as the CGAP (2015), and the International Finance Corporation (2014).

5.3 Research Design

This section describes the qualitative multiple-case-study design and rationale used to address the research question (Yin, 2014). Semi-structured interviews were used to

source empirical data from respondents, given the constraints of gaining access to project teams in Africa. Remote communications, such as Skype, telephone calls, and e-mails, and secondary data were used to triangulate the research. This multiple-case-study research used four projects in Africa as the units of analysis:

- Barclays Africa Modjadji project
- Standard Bank Dairy Distribution project
- Orange Money Customer Centricity project
- Standard Chartered Banks' NGO project

Projects are bounded systems that are distinguishable from other projects, with clear boundaries differentiating each project (Yin, 2014). The projects were assessed using multiple methods and data sources for their use of co-creation in supporting the banks in implementing effective business models suitable for BoP customers. The research used qualitative methods (Easterby-Smith, Thorpe & Jackson, 2009, p. 97) to investigate how banks executed strategies to provide financial services in BoP markets in Africa, and specifically, to the poorest population segments. The qualitative method supported analysis at a project level across different bank settings and situations due to each bank's unique context in determining the key findings (Easterby-Smith et al., 2009).

The research design followed Yin's (2014) case study protocol process of sequential steps, including iterative feedback recommended for qualitative studies (Miles & Huberman, 1994). The steps in the multiple-case-study protocol are as follows:

1. definition of the research problem
2. comprehensive literature review
3. development of a conceptual framework and research propositions
4. selection of case companies
5. data collection
6. conducting of a pilot case study
7. within-case analysis

8. cross-case analysis
9. summary of the emerging themes and findings
10. extension and contribution to theory

5.3.1 Research Process

The assumptions associated with the qualitative multiple-case-study design included:

- The predesigned semi-structured interview guide and protocol with questions to support the collection of respondent data on banking projects will be used and will be correct.
- The respondent data can be mapped to allow triangulation of case studies based on the respondents' comments alongside secondary data sources.
- Triangulation of the various data sources and methods will lead to a singular proposition. Mathison (1988) argued that triangulation increases the validity of the evaluation and research findings, while Guion, Diehl, and McDonald (2011) determined that validity in qualitative research results is when findings are true and certain. Guion et al. (2011) proposed that triangulation is a method used to ensure that research findings accurately reflect the situation and that they are certain, in that they are supported by the evidence.
- All respondent data will be captured in a repository of responses to support the comparative analysis across each bank and project and the tractability of the findings.
- Local fieldwork will form an important element of the research design, as the study lent itself to using multiple case studies so that rich detail could be collected remotely (via interviews over Skype, conference calls, telephone, and in the field with the World Bank and Barclays in September 2014) in order to contribute to, or reinterpret, existing theory (Miles & Huberman, 1994).
- Remote interviews will be used and will be successful when required. Yin (2014) determined remote interviews could be used when the research is geographically separated from the respondent, allowing the interview to take place in real time and be recorded. Yin pointed out that remote interviews risk technical and logistical complications, and that additional preparations must be

made. As the researcher and respondents were sometimes geographically separated, remote interviews were deemed sufficient to support desk research, contributions from industry executives, and a local understanding of the case study firms (Yin, 2014).

- Interviews will be the core means of collecting the primary information to create the multiple case studies. Sinkovics, Penz, and Ghauri (2008) suggested choosing between experiment, survey, case studies, grounded theory, and ethnography and action research in determining a research strategy.
- The literal replication method (Yin, 2014) will be used to ensure the research can be duplicated either by the same researcher or by someone else working independently. Literal replication was used to obtain a higher degree of agreement between observations obtained from different respondents and data sources to increase the level of precision of the findings (Yin).
- A multiple-case study is preferred to a pure single-case study as it improves transferability (Miles & Huberman, 1994). The study used the literal replication method, building on earlier theories: Pralahad's (2005) assertion that there is value in BoP markets, London and Hart's (2010) insistence on the importance of MNCs building mutual value through co-creation and fortune-creating approaches, and Casado Cañeque and Hart's (2015) notion that effective leadership and commercial management are critical to operating successfully in BoP markets.
- Co-creation can be viewed as a development process through time. Melin (1992) determined the need for research to use chronological case study approaches, such as biographical history, wherein 'the biography of a firm captures the whole development from the time of its founding to the present time' (p. 102). Melin argued that internationalisation strategies are not developed in isolation, but are components of the overall operations of the firm, executed at project level (p.7). Interviews questioned the chronology of events within each case study to support the analysis.
- The interview guide would be field tested and works to ensure data collection from respondents was achieved in a pilot study with Barclays Africa in 2012.

5.3.2 Research Setting

The research is positioned within the context of Prahalad (2005), whose seminal scholarly research introduced the concept of the BoP. Prahalad offered MNCs opportunities to achieve reasonable profits if they understood and effectively approached BoP markets. This research was expanded by London and Hart (2004), who suggested MNCs needed to reinvent their strategies. They introduced the concept of fortune finding and fortune-creating strategies for MNCs working in the BoP to separate historical or legacy, and modern or innovative approaches to working in BoP markets (London & Hart, 2010). Casado Cañeque and Hart (2015) extended this research by determining that business model effectiveness in the BoP required MNCs to adopt strategies to achieve sustainable development through innovation, entrepreneurship, and technology. This scholarly research is underpinned by the theories of co-creation discussed in Chapter 3.

However, whereas the literature is extensive on the role and purpose of microfinance in providing basic financial services to BoP markets, the unique setting for the research was the analysis of banks and their projects. The research focused on banks and specific bank projects in Africa, bridging the gap to existing scholarly works historically unable to access bank data, to create a new understanding of banks' approaches to working with stakeholders in BoP markets and how they align with new thinking around co-creation, innovation of business models, and technology.

Africa as a market was selected as the research setting due to its banking history with Barclays and Standard Chartered Banks. In addition, the market in Africa is considered potentially vast and virtually untapped; penetration of the continent's one billion inhabitants is extremely low, and even non-existent in the BoP ('Continent of Dreams', 2013). Opportunities for banks vary from country to country: populations in Senegal and Tanzania have virtually no access to banks, whereas South Africa offers world-class services and technology, while Madagascar has a significant underbanked population, and Kenya has a mature and competitive banking market. In sub-Saharan Africa, a quarter of adults have accounts at formal financial institutions, illustrating the growth taking place in a market where it is least expected.

Banks continue to be challenged in finding ways to profitably create products and services that reach BoP markets, making BoP markets a relevant research setting with practicable needs. Banks generally believe the markets are ready to grow quickly, with technology such as prepaid cards and mobile banking lowering the hurdles ('Continent of Dreams', 2013). Additionally, the financial crisis prompted some banks to focus on expanding in Africa, given the saturation of banking services and profits in mature, developed markets. Finally, as I had previously worked in Africa for different banks and the World Bank, I was able to secure access to case studies.

5.4 Sample

This section describes the research sample and sampling strategy chosen to address the research question and rationale for selecting the sample, including the definition of the sample numbers and the reasons for selecting the chosen sample size. The sampling strategy is identified and justified, the recruitment methods and procedures are described (with all data sources clearly identified), and the data type for descriptive methods for qualitative analysis identified. The samples were bank projects in Africa designed to extend operations internationally in support of the delivery of financial services in BoP markets. The sampling strategy criteria for inclusion were based on:

- the size of the BoP market in Africa;
- investment banks seeking to enter this market and therefore the number of projects being started;
- the significance of case studies, such as M-Pesa in Kenya (Napier, 2010), demonstrating early evidence of scaling payments into the BoP in Africa;
- the impact of technology and infrastructure on this region, reducing the cost to banks of delivering banking services to remote areas (Cobert et al., 2012; Curwen & Whalley, 2010; Krugel, 2007; Rangan & Lee, 2010; Rashid & Elder, 2009; Reeves & Sabharwal, 2013); and
- longer term evolution of the BoP, which means the BoP demographic is likely to change as China, Asia, and Pacific nations develop and become more middle class, leaving the largest concentration of the BoP in Africa

(mainly in landlocked and post-conflict nations), and therefore making it the most important (T. Davies, personal communication, July 16, 2015).

The sample projects in Africa are

- Barclays Africa Modjadji project, which is focused on the micro-SME market in South Africa and extends into the wider Africa continent, whose proposition is to create a mobile application and products that are usable, accessible, and relevant to the significant micro-SME market (often employers of < 10 people, financially excluded and urban) across Africa;
- Standard Bank Dairy Distribution Project, which is focused on enabling dairy producers in Kenya and across pan-Africa to be more effective by developing strategic partnerships to support the distribution of financial services within critical areas of dairy producers' value chain (often financially excluded, urban and rural);
- Orange Money Customer Centricity Project, which is focused exclusively on creating a mobile application and products that are usable, accessible, and relevant to all financially excluded rural Orange Mobile customers across Madagascar; and
- Standard Chartered Bank (SCB) NGO project, which is focused on how SCB supports its NGO clients in Africa via the distribution of financial services into the hardest to reach areas of Africa in harsh conditions (often urban, rural, and part of humanitarian relief work).

5.4.1 Sample Numbers

The goal of the qualitative method was to gain an understanding of different bank approaches to working with stakeholders, strategies for entering BoP markets, and existing and new customer segments. To achieve this, four banks and projects were selected for investigation. The reasons for selecting four bank projects was that each case study presented numerous sources and types of information about the project, including different contexts to use in the triangulation of data.

A sample size of four banks was chosen as it was assumed, due to similarities in their approaches that data saturation would occur. Additionally, the time to identify four banks projects and undertake the data collection and analysis was a constraint.

Within the project, the group of individuals or population refers to the attributes and characteristics that identify a specific group of six to eight respondents working on the project who were interviewed.

To ensure the sample was clearly defined, individuals within the project groups were selected based on their common characteristics of job titles, roles, and involvement in the project over time. This was to ensure that different perspectives were collected. This selection process further allowed the boundary or delineation of the group to be clear, which is necessary for qualitative research to be successful and theoretical saturation to be demonstrated (Ghauri, 2004). In academically justifying the sample number, Yin (2014, p. 58) maintained that when using a multiple-case-study design, the typical criteria regarding sample size are irrelevant. Yin suggested researchers should think about the decision on the number of cases ‘as a reflection of the number of case replications - both literal and theoretical’ (p. 58). The number of cases required in a multiple case study is an issue that is not decided on statistical grounds (Miles & Huberman, 1994).

In selecting cases for a multiple case study, the objective is to replicate the process or phenomenon in a predictable manner (Ghauri, 2004; Yin, 2014); each case needs to serve a purpose (Ghauri, 2004; Yin, 2014). Miles and Huberman (1994) determined that when the appropriate sample number depends on the complexity of the research, the decision is made conceptually and when the confidence in analytic transferability has been achieved.

Yin (2014) maintained that literal replication should be based on the desired effect and is a matter of the researcher’s judgement, with the number of case studies and replications depending on the required certainty of results. Yin further proposed that two or three literal replications are adequate when the theory is straightforward; however, ‘when the theory is subtle or a higher degree of certainty is required, four to five replications may be required’ (p. 88). In literal replication, cases that predict similar results are chosen, whereas in theoretical replication, cases that predict contrary results are chosen. Literal replication improves the rigour and transferability of a study (Strauss & Corbin, 1998; Yin, 2014).

If their patterns are predictable, multiple cases add confidence to the results and to the emerging theory (Melin, 1992; Miles & Huberman, 1994), enabling comparisons

with generic theories of co-creation in the BoP, as well as new interpretations (Strauss & Corbin, 1998), extending Pralahad (2005) and London and Hart (2010). Yin (2014) asserted the number of theoretical replications is based on the sense of importance of the rival explanations. The stronger the counter argument being derived from the case study research, the more cases might be required when rival explanations need to be taken into account. Based on the academic justification for literal and theoretical relevance of the sample number, four cases were considered appropriate given the study's aim of demonstrating that banks create effective business models in the BoP by engaging in co-creation and fortune-creating strategies with stakeholders.

5.4.2 Characteristics of the Sample and Selection

The primary data sources were respondents within bank projects working in London, South Africa, Kenya, and Madagascar to support the implementation of a business model suitable for the BoP market. Securing project-level findings across different bank strategies posed particular challenges. It required access to executives and project teams in headquarters and remote locations, which is difficult to secure; this partly explains the lack of analysis of banking activities in emerging markets and, specifically, the BoP in the extant literature. The Orange Money case in particular, created unplanned challenges; the primary language of both the respondents and the data was French, which required translation.

The sample size was reviewed and evaluated during the repeated steps of data collection, analysis, and theory development to test for the appropriateness of the sample size. When continued sampling did not yield additional information, sampling was discontinued. Arcury and Quandt (1999) maintained that the sample selection process used to locate and recruit participants in a qualitative study is important for controlling bias and obtaining a representative sample. In addition, Arcury and Quandt suggested that in complex societies without clearly bounded groups from which to sample, participant recruitment requires special consideration, as was the case in this research.

Arcury and Quandt (1999) stated that qualitative researchers should avoid discussing their recruitment methods, given the challenges and fluidity of securing samples. In response to Arcury and Quandt, this study's recruitment method

comprised monitoring relevant bank strategies in Africa during the duration of the study process, and gaining sponsorship from key executives and the World Bank. However, to secure access to project teams to collect the data to support case study data collection and the development process, banks wanted to understand the recruitment methods. Executives and project teams also assisted in identifying primary data sources during the research process and the collection and analysis of case study research data, based on a fuller understand of the research method and desired outcome.

5.5 Data Collection

The research design used semi-structured interviews to collect response data from interviews, and secondary data to triangulate the data and findings. Appendix A sets out the interview protocol followed to collect respondent data, while Appendix B sets out the questions used to collect the respondent data from interviews and secondary data sources (Guest, Bunce & Johnson, 2006).

Sinkovics et al. (2008) argued that research in IB is dynamic and volatile, demanding creative and flexible research designs and methodologies that require researchers to systematise, regularise, and coordinate observations, recordings, and analyses. Sinkovics et al. further suggested that a creative and flexible research design is particularly important in the IB field, where coordinating multicultural research and integrating joint efforts aggravates the challenge. Yin (2014) proposed that case study evidence comes from six sources: documents, archival records, interviews, direct observations, participant observations, and physical artefacts; different sources of evidence require different data collection methods. In addition, Yin determined quality case study research must follow three principles:

- Use multiple sources of evidence, with evidence from two or more sources converging on the same facts and findings.
- Assemble evidence in a case study database separate from the final case studies.
- Ensure that a chain of evidence exists between the question asked, the data collected, and the conclusions drawn.

In this thesis, Yin's (2014) principles of quality case study research supported the data collection from documents and interviews to ensure that multiple sources of data were used (e.g. interviews and secondary data, including published interviews with executives, presentations, and annual reports). Secondary data were collected from 2011 through to 2015, and interview data were collected in 2015, as set out in Appendix C.

Primary data were collected through interviewing relevant personnel from the respective banks' project teams, including executives and managers responsible for international growth and their local project teams, customers, and partners (see Table 6.1). Given that the focus of the Doctor in Business Administration programme is for practitioners to apply theoretical knowledge in order to advance business practice, the proposed approach to deriving the primary basis for this research is not wholly inappropriate, as many, if not all, of the respondents were located in London or Africa.

The case study project and interview candidates were primarily located within key emerging markets and not easily accessible on a day-to-day basis. Issues, such as the degree of access to resources, problems affecting primary research in interviews, and accessibility to key staff, had to be overcome. Problems included the failure of Skype calls due to lack of network bandwidth, confusion over meeting times due to varied time zones, the need to constantly reschedule meetings due to unplanned events in Africa, and an inability to translate French and Malagasy into English effectively.

Flexibility in research interview scheduling was needed to ensure that key respondents identified in the case study were interviewed within the research timeframes. The impetus behind the choice of the local project teams and their associated projects was to:

- provide comparability (aiming to demonstrate replication for respondents' feedback);
- allow all the respondents involved within the specific context of a project to be studied (in order to examine all local aspects of a project's desired outcomes, successes, and failures, rather than just taking the opinion of a senior person); and

- to look at different geographic settings and unbanked customer segments to support a comparative analysis across Africa.

The use of multiple sources of data for the study follows the recommendations of Cavana, Delahaye, and Sekaran (2001), Ghauri (2004), Stake (2013), and Yin (2014), building on the database created for each case company containing interview questions and respondents' comments. The primary data collection schedule covered a period of 6 months; however, a 3-month period of primary data collection and analysis was central to the effective and efficient completion of the study.

5.5.1 Interviews

Yin (2014) argued that interviews are one of the most important sources of case study information, structuring conversations rather than structuring queries. Yin further maintained that in-depth interviews allow researchers to 'ask key respondents about the facts of a matter, as well as their opinions about events' (p. 90), and allow the 'interviewee to propose his or her own insights into certain occurrences and use such propositions as the basis for further inquiry' (Chapter 2, Interview section, para. 4). The role of the interviewee may become that of an informant (rather than respondent), which can often be critical to the success of a case study. Jarratt (1996) commented on the advantages and disadvantages of the two in-depth interviewing techniques described by Yin (2014); non-directive or semi-structured interviews. Table 5.1 lists some of the strengths and weaknesses of the two approaches.

Table 5.1: Strengths and weaknesses of in-depth interviewing techniques

Techniques	Strengths	Weaknesses
Semi-structured	<ul style="list-style-type: none"> • Gives a breadth of information • Confirms and extends current knowledge • Helps develop constructs that can then be tested further 	<ul style="list-style-type: none"> • Does not probe real emotions of respondents • Does not lead to a detailed understanding of respondents' experiences
Non-directive	<ul style="list-style-type: none"> • Gives in-depth understanding of experiences 	<ul style="list-style-type: none"> • Topics can influence decisions and responses rather than the responses to specific questions.

Note. Adapted from *Case Study Research: Design and Methods* (pp. 107–108), by R. K. Yin, 2014, Thousand Oaks, CA: Sage. Copyright 2014 by Sage Publications, Inc.

5.5.2 Secondary Data

Banks have different governance structures, which was taken into account during the case study research and cross-case analysis. A high-level market scan was carried out to determine which banks had leaders, strategies, and/or business models seeking to achieve effective delivery of banking services at an affordable cost in Africa, and who also collaborated with the CGAP World Bank team to substantiate their efforts externally. These banks became case study candidates after permission was gained and access ensured.

As well as drawing on my strong primary knowledge of the banking sector, the case firms, and considerations involved in banking strategies, I used publicly available secondary data on the case companies. The sources of information relating to each of the case companies included:

- published interviews with key company executives;
- annual reports, company webpages, company presentations, and news releases by the companies concerned;
- company reports prepared by financial analysts; and
- relevant journal articles and LinkedIn publications.

The main approach used to collect the data was digitally recorded interviews. I felt using a digital recorder would allow me, as the interviewer, to focus on the dialogue and questions. As the majority of interviews were not face to face, I felt that recording the interview would not prevent me from actively listening or picking up and developing interesting and new themes.

Eisenhardt (1989a) noted that it is acceptable to modify data collection techniques during a case study, particularly when a researcher aims to understand a case's detail and depth, and has already completed primary interviews and collected secondary data. Sinkovics et al. (2008) built on this viewpoint by arguing that flexible research is particularly important in the IB field. Flexibility was required in this instance by the changing nature of the case banks' strategies, the decisions on projects, and the disruption of new technologies entering the BoP market in Africa, which required modification of the data collection questions during the research.

Flexibility of data collection is one of the great benefits of qualitative methods, although data collection must be systematic (Ghauri, 2004; Miles & Huberman, 1994). To ensure scientific research and a theoretical foundation with methodological sophistication, providing rigour, accuracy, objectivity, testability and reliability (Cavana et al., 2001), I created a systematic procedure for providing information about the research design, such as its sampling logic, data collection process, and analysis and composition, which was created from the outset (Yin, 2014). Flexibility of data collection was achieved by adapting the semi-structured interviews depending on the respondents' seniority, experience and culture, and whether the interview was held face-to-face or remotely.

Sinkovics et al. (2008) and Ghauri (2004) suggested a lack of rigour in qualitative studies on IB contributes to the relatively low number of articles in high-level international journals, and Pauwels and Matthyssens (2004) concurred. Within this thesis, the issue of rigour was addressed by the case study protocol developed for this study, which followed Yin's (2014) recommendations for multiple case studies. Given the importance of a clear structure and codification of collected data and methods in a multiple case study (Miles & Huberman, 1994; Parkhe, 1993b; Pauwels & Matthyssens, 2004), a case study protocol was followed. A case study protocol brings consistency, objectivity, rigour, and comparability to a research project and also improves its generalisability (Cavana et al., 2001; Miles & Huberman, 1994; Parkhe, 1993a; Pauwels & Matthyssens, 2004). A rigorous research design and standardisation at some level is even more important in multiple case studies to maintain consistency and to ensure comparability across individual cases (Miles & Huberman, 1994).

Yin (2014) argued that research documentation and data usually consist of two separate sources: (a) the data or evidentiary base; and (b) the reports of the researcher (articles, reports, notes). According to Yin, a case study database includes capture notes, documents, tabular materials, and narratives, and markedly increases the reliability of the entire case study.

5.5.3 Data Saturation

I ensured the estimated sample size was adequate through awareness of data saturation and the point at which no new information or themes were observed in the

data. Based on the data set of four projects and six to eight respondents per project, I found saturation occurred within the first four interviews, although basic elements for themes were present as early as the second interview (Francis et al., 2010).

5.5.4 Member Checking

Member checking was used to ensure that interviews secured key points to reinforce the validity of the findings (Carlson, 2010). To demonstrate that an ethical approach had been followed and to support the establishment of rigour and trustworthiness, summaries of the key points from each interview were sent to each interviewee and confirmed as accurate (Krefting, 1991). When inaccuracies were noted, the note and findings were updated; this demonstrated the flexibility of data collection, which is argued by Ghauri (2004) and Miles and Huberman (1994), as being one of the benefits of qualitative methods.

5.6 Data Analysis

The descriptive technique used to address the research questions focused on project-level findings, covering four dimensions of comparative research: corporate strategy, business model design, distribution model (e.g. channel and mobile banking), and to a lesser extent, a service delivery model and customer segmentation of financial institutions. Thus, the links from the boardroom to the low-income customers across the financial inclusion agenda and within the specific banks were analysed (Easterby-Smith et al., 2009). This method of data analysis fits the case studies approach well (Yin, 2014).

The strategy for analysing the data included within-case and cross-case analyses, as well as identification of emerging patterns from the case analyses and using the findings to extend existing theories, and the use of a pilot case study. The multiple-case-study analysis starts with a within-case analysis of each individual case study, as recommended by Eisenhardt (1989b), Parkhe (1993a), Stake (2013), and Yin (2014). Stake argued that a case study cannot be placed in its proper perspective unless some reference to the history of the organisation is made; hence, the chronological nature of each case and a cross-case analysis is provided.

To ensure the data analysis process was consistent with the qualitative approach, a comprehensive analysis of the case studies was performed; brief histories of the case

study firm, the project, and important milestones for the banks were provided by the case firms to support the research process (Andersen & Skaates, 2004). This awareness of the past provided the understanding necessary for analysing the case. That is, evidence, facts, and conclusions were sought for each individual case study first (Yin, 2014).

The individual case reports include both chronological case descriptions, which were especially important in longitudinal studies, and a more structured analysis based on the conceptual framework model (Ghauri, 2004). During the pattern-matching phase, the data were divided into categories based on the conceptual framework and compared systematically with similar and conflicting literature (Ghauri, 2004; Pauwels & Matthyssens, 2004; Yin, 2014). The emerging within-case patterns were identified and evaluated based on how well they fit the propositions (Ghauri, 2004; Pauwels & Matthyssens, 2004; Yin, 2014).

The case study interview and data collection process identified emerging data and the importance of allowing categories to fit the data, rather than actively creating categories to fit the data (Dye, Schatz, Rosenberg & Coleman, 2000). The constant comparison approach was introduced following the completion of the first case study interviews and data collection to organise the data and categories. The constant comparison approach allowed me to analyse data and make constant comparisons with the relevance of themes being identified (Dye et al., 2000). Strauss and Corbin, (1998) and Lincoln and Guba (1985, p. 339) described the constant comparison approach as two distinct stages: (a) comparing incidents applicable to each category; and (b) integrating categories and their properties. I combined inductive category coding with a simultaneous comparison of all social incidents observed (Lincoln & Guba, 1985, p. 58) to allow hypothesis generation of key themes, supported by a process of continuous refinement throughout the data collection and analysis process, continuously feeding back into the process of category coding of key themes (Goetz & LeCompte, 1981).

The purpose of this study was to search for and display evidence; search for common themes; understand any causal relationships and whether or not they support any theory; and to identify any gaps in the data (Eisenhardt, 1989b; Ghauri, 2004; Pauwels & Matthyssens, 2004). For analytical purposes, the data were coded

based on the concepts and themes of the study (Eisenhardt, 1989b; Ghauri, 2004; Pauwels & Matthyssens, 2004; Sinkovics et al., 2008). Tables and matrices enabled organisation, analysis, and presentation of both chronological and conceptual data based on the recommendations of Eisenhardt (1989b), Miles and Huberman (1994), and Ghauri (2004). Additionally, the individual cases were documented in detail. This documentation facilitates within-case analysis, the importance of which was stressed by Eisenhardt (1989a). Content analysis was used to count the occurrence of keywords to highlight their positive or negative relevance in order to develop insights. Content analysis templates can be used to collect key themes across multiple interviews, utilising the data repository of the qualitative and quantitative data gathered (Easterby-Smith et al., 2009, p. 97).

Following the within-case analyses, a cross-case analysis was carried out. Cross-case analysis is useful in finding similarities in terms of patterns and behaviours in all case studies, as well as explanations for divergent cases before final inferences can be made (Eisenhardt, 1989a, 1989b; Miles & Huberman, 1994). This analysis was a useful process in terms of enhancing generalisability and deepening the understanding and explanation of a phenomenon (Miles & Huberman, 1994). Cross-case analysis involved describing and rationalising all the events and the co-creation choices made by each company into a holistic account, according to the categories and themes applied.

The conceptual framework structure brought together the data from each individual case study in a logical pattern, followed by a systematic comparison in a cross-case analysis (Yin, 2014). Patterns emerging from the within-case analyses were compared with each other, with the research propositions and the emerging theory, and with alternative theories (Guba & Lincoln, 2001; Parkhe, 1993a; Pauwels & Matthyssens, 2004; Yin, 2014).

Similarities and differences were analysed, and causal meta-patterns developed (Eisenhardt, 1989b; Pauwels & Matthyssens, 2004). Tables and meta-matrices were used, including direct quotes from key executives and project team members of the case firms (extracted from interviews, newspaper articles, and annual reports), to compare and present the data (Ghauri, 2004; Miles & Huberman, 1994). Eisenhardt (1989b) argued that cross-case study analysis requires researchers to use three tactics

while searching for patterns across cases. Acknowledging the fallibility of researchers, these three strategies for analysis can counter-balance problems associated with moving to conclusions too quickly, inadvertently dropping disconfirming information, and so on. The three strategies are as follows:

1. Select dimensions or categories, and then look for within-group similarities and cross-group differences. The dimension notion can be developed by comparing matrices with different dimensions. Eisenhardt (1989a) suggested using 2-by-2 matrices, but there is no reason why 3-by-3 matrices or even three-dimensional matrices should not be used. Indeed, it can be said that 2-by-2 matrices lead to oversimplification and detract from real understanding.
2. Select pairs of cases and find the similarities and differences between the pairs.
3. Divide the data by source (e.g. interviews or observations). The researcher is searching for similar patterns of evidence from different sources, with a view to the different types of data providing corroborating evidence.

A deduction can be made from the thematically presented data for all the case firms. Evidence-supported categories and themes are displayed, as are any counterevidence and subsidiary or branching paths, either to support the existing patterns or otherwise. Themes were also analysed within individual cases, and findings on each theme were aggregated across cases. The results of the data analysis can be presented topically in narrative form, based on the research questions or the propositions, before a conceptual and theoretical summary of the findings is made. The analysis and the key findings are discussed in Chapter 7.

The cross-case analysis includes an annotated bibliography, which lists the documentation sources used in preparation of the case study, in addition to the larger bibliography of the doctoral thesis. The patterns emerging from the case analyses were identified and summarised. The process included systematic pattern matching of the empirical data, the emerging theory, and the alternative theories; thus, analytical generalisations were developed (Dubois & Gadde, 2002; Miles & Huberman, 1994; Pauwels & Matthyssens, 2004; Yin, 2014). When systematic patterns were found, the positions were accepted (Dubois & Gadde, 2002).

Generally, if the patterns from two or more cases provide support for a theory, replication can be confirmed (Yin, 2014). In some categories, similar patterns may emerge; in others, they may not (Eisenhardt, 1989b). Confidence in the findings increases significantly if alternative explanations have also been considered and reasons given as to why they do not hold up (Shadish et al., 2002), demonstrating that the data supports the emerging theory, but not any alternative theory (Yin, 2014). Only the validity of the theory directly linked to the research propositions is evaluated (Pauwels & Matthyssens, 2004; Yin, 2014). Easterby-Smith et al. (2012) argued that there are five different levels of theorisation: metaphors, dualities, conceptual development, context-dependent theories, and context-free grand theories.

As discussed earlier, the term ‘conceptual framework’ has been used in this research rather than ‘theoretical framework’, even though the objective is that the final framework will fulfil the requirements of at least the context-dependent theory, that is, middle-range theory. In an explanatory or illustrative case study, the contributions to theory will extend and refine existing theories rather than generate new ones.

The objective of these types of studies is to develop sub-models to contribute to a more comprehensive grand theory, rather than a grand theory itself (Benito & Welch, 1994). In other words, an objective and a result in an explanatory and illustrative study in most cases is a middle-range theory, in which the phenomena and context are analysed in categories, and which together with in-depth analyses, can be linked back to the grand theory (Pauwels & Matthyssens, 2004).

5.6.1 Validity and Reliability in Quantitative Studies and Findings

Different approaches to assessing the validity and reliability of the research design and thesis findings were used to ensure a comparative assessment was made and different authors’ views were considered. Tracy (2010, p. 176) argued: ‘The proliferation of concepts for qualitative excellence undeniably illustrates the creative complexities of the qualitative methodological landscape.’ Guba and Lincoln (2001) proposed that four key criteria were required for evaluating the soundness of qualitative research: (a) credibility, (b) transferability, (c) dependability and (d) conformability. In contrast, Tracy suggested eight criteria of quality in qualitative

research: (a) a worthy topic, (b) rich rigour, (c) sincerity, (d) credibility, (e) resonance, (f) significant contribution, (g) ethics, and (h) meaningful coherence. Tracy's eight-point conceptualisation offers a useful model and provides a common language of qualitative best practices that can be recognised as integral by a variety of audiences.

5.6.2 Credibility, Transferability, Dependability and Conformability

Guba and Lincoln (2001) suggested four key criteria were required for evaluating the soundness of qualitative research: credibility, transferability, dependability, and conformability. Guba and Lincoln determined that: (a) credibility refers to the concept that the results were believable (participants were the main evaluators of credibility though a checking of the transcript of their interview); (b) transferability is the extent to which the study results might be transferred to other populations; (c) dependability is the need to reflect on the context of the study and changes that may occur within the study setting; and (d) confirmability is the extent to which the study results may be confirmed or duplicated by others. In contrast, Tracy argued (2010, p. 839) that each of his criteria for quality in qualitative research (Table 5.2) 'may be achieved through a variety of craft skills and were flexible depending on the goals of the study and preferences and skills of the researcher.'

Table 5.2: Criteria for excellent qualitative research and researcher assessment

Criterion	How to achieve it	Researcher assessment
Worthy topic	Topic of research is relevant, timely, and interesting.	Relevance and importance of topic noted by UN Secretary-General, NGOs, and banks themselves.
Rich rigour	Study uses sufficient, abundant, appropriate, and complex theoretical constructs, data and time in the field, samples, contexts, and data collection and analysis processes.	Study used significant primary data collected from projects in Africa, a rigorous data collection process, and recognised theoretical constructs from leading authors in the field
Sincerity	Study is characterised by self-reflexivity about subjective values, biases, and inclination of the researcher, and transparency about methods and challenges.	Study was transparent throughout to ensure trustworthiness and repeatability from all areas of primary and secondary resources.

Criterion	How to achieve it	Researcher assessment
Credibility	Research is marked by thick description, concrete details, explication of tacit knowledge, and showing rather than telling. Triangulation, crystallisation, multi-vocality or members' reflections.	Research underpinned by comprehensive interviews from over 45 respondents and supported with secondary data. Member checking and use of experts allowed researcher to achieve full validation and reflection.
Resonance	Research influences, affects, or moves particular readers or variety of audiences through naturalistic generalisations or transferable findings.	Use of banks and their projects as a bounded system ensured findings were transferable to other banks or regions.
Significant contribution	Research provides a significant contribution: conceptually, theoretically, practically, morally, methodologically, or heuristically.	Literature reviewed demonstrated scarcity of research into banks' activities in the BoP, and specifically approaches to business model effectiveness, which is a real strategic issue for banks globally post-GFC.
Ethics	Research considers procedural ethics (such as human subjects), situational ethics, relational ethics, and existing ethics (leaving the scene and sharing the research).	Researcher ensured all ethical considerations were followed given his professional status in the industry and ongoing board-level relationships with the banks researched.
Meaningful coherence	Study achieves what it set out to achieve, using methods and procedures that fit its stated goals and meaningfully interconnecting literature, research question, and findings.	Study's use of case studies and comparative analysis achieved goal of answering the research question. Meaningfully interconnects literature, question, and findings, although challenges of working in regulated, competitive banking markets and with BoP need to be considered in further studies.

Note. Adapted from 'Qualitative Quality: Eight 'Big-Tent' Criteria for Excellent Qualitative Research', by S. J. Tracy, 2010, *Qualitative Inquiry*, 16, p. 840. Copyright 2010 by Sage Publications Inc.

5.6.3 Construct Validity, Internal Validity, External Validity, and Reliability

The methods used to verify the quality of the multiple-case-study process (e.g. rigour and accuracy) include tests of construct validity, external validity, and reliability, as recommended by several researchers (Cavana et al., 2001; Miles & Huberman, 1994; Yin, 2014). Yin (2014) suggested these tests have become common in establishing the quality of any empirical social research.

- *Construct validity* - identifying correct operational measures for the concepts being studied.
- *External validity* - defining the domain to which a study's findings can be generalised.
- *Reliability* - demonstrating that the operations of a study, such as data collection, can be repeated and achieve the same results.

5.6.4 Construct Validity

To test the construct validity, multiple sources of evidence and different data collection methods were used, combining both primary and secondary data sources (Andersen & Skaates, 2004; Cavana et al., 2001; Miles & Huberman, 1994; Yin, 2014). A chain of evidence was established between the case study reports, the case study databases, citations, the case study protocol, and the case study questions (Yin, 2014).

5.6.5 External Validity

External validity is achieved with literal replication (Yin, 2014) by selecting four typical cases. This method used broadly in multiple cases by many researchers can be as scientifically valid as other sampling logics (Yin, 2014). Furthermore, the findings were connected to the prior theory, and suggestions for further tests were made (Miles & Huberman, 1994).

5.6.6 Reliability

Miles and Huberman (1994, p. 278) argued that reliability is the process of the study that is consistent and reasonably stable over time, and across researchers and methods. Reliability is a measure of consistency of the response. A survey hopefully measures a concept or construct (i.e. the response) both correctly (validity) and without error (reliability). Reliability is ensured with the development of a case study protocol (Ghauri, 2004; Miles & Huberman, 1994; Yin, 2014). This aspect of reliability is repeatability. It is not feasible to replicate the whole qualitative study due to its complexity. However, providing as detailed a description as possible of the research process improves the transparency, comparability, testability, replicability, and confidence in the study (Cavana et al., 2001; Miles & Huberman, 1994).

5.6.7 Testing Research Validity and Reliability

This generalisation is conducted systematically, starting with individual within-case analysis and later progressing to cross-case pattern matching. Codes and pattern codes were created for the data analysis (Miles & Huberman, 1994). In addition, data displays, such as conceptually ordered displays, charts, figures, and matrices (e.g. time-ordered matrices, conceptually clustered matrices, and meta-matrices) were used based on the recommendations of Miles and Huberman (1994) for qualitative research. Supportive tables to present the events chronologically were used to help identify causalities (Miles & Huberman, 1994).

Cavana et al. (2001) proposed that an analysis of the sequence of time is essential in qualitative research on processes. This analysis was further enhanced by systematic documentation. For example, case study databases were created, key words for data searches listed, and sources of the empirical data identified (Miles & Huberman, 1994; Yin, 2014). In addition, the voice of the source was reported using the actual words of the interviewees where relevant (Cavana et al., 2001; Ghauri, 2004).

The recommendations by Cavana et al. (2001) for reliability were followed by acknowledging possible subjectivity to prevent any unacceptable personal effect or contamination by the researcher. Cavana et al. argued that because it is nearly impossible to avoid this type of influence in a study, researchers need to be aware of their frame of reference and try to benefit from their insight. Miles and Huberman (1994) argued for objectivity, stating that a good qualitative researcher needs to be familiar with the phenomenon and the environmental setting, as well as with his or her own personal assumptions and biases. There were potential biases arising from my own views and perceptions of the case firms, as well as those of key executives working in them. My objective has been to report and interpret the empirical data as authentically and precisely as possible (Cavana et al., 2001).

Table 5.3: Test of research validity and reliability

Test	Criteria	Research evidence
Construct validity	Multiple sources of evidence gathered and used directly by the author over the years, which provided the necessary triangulation. Chain of evidence established (between case study report, database, citations, protocol and questions).	Researcher collected primary data about each bank's strategies and results in the BoP throughout the study's duration. This was used to support interview credibility and creation of findings.
External validity	Literal replication logic used, as recommended for multiple case studies.	Findings were tested with sources at World Bank, the UN, and think tanks to test their external validity.
Reliability	Case study protocol developed and used; case study database developed. Systematic documentation used and researcher's subjectivity acknowledged.	Researcher reliability was ensured by following the protocol and ensuring any interactions were done with supervision.

Note. Adapted from *Case Study Research: Design and Methods* (p. 56), by R. K. Yin, 2014, Thousand Oaks, CA: Sage. Copyright 2014 by Sage Publications, Inc.

5.7 Ethical Considerations

This section addresses the critical ethical considerations in this doctoral research to demonstrate how it was conducted in an ethical manner and how ethical practices for dissertation research were followed. The ethical practices for my dissertation research covered: (a) key principles in research ethics; (b) participant privacy and confidentiality; (c) how the research ensured privacy and confidentiality of data; (d) mitigation of any risk (potential harm) to respondents through identification and selection; and (e) relational ethical considerations.

Tracy (2010, p. 23) argued that researchers 'must consider the rightness and wrongness of their actions as qualitative researchers in relation to the people whose lives are being studied, to our colleagues and to those who sponsor the work.' Emphasising the importance of ethical considerations, Miles and Huberman (1994) further stated: 'Naiveté about ethics is unethical' (p. 288), illustrating the importance of protecting respondents' rights, data security, privacy, and confidentiality.

5.7.1 Key Principles in Research Ethics

Easterby-Smith et al. (2012) argued that research ethics is about protecting the interests of the research subjects, or information sources, and ensuring accuracy and a lack of bias in the research results. They set out 10 key principles of ethical research:

- Ensuring that no harm comes to any participants involved in the research.
- Respecting the dignity of the research participants.
- Ensuring the fully informed consent of research participants.
- Protecting the privacy of research subjects and their firms.
- Ensuring the confidentiality of research data and any associated analysis.
- Protecting the anonymity of individuals or organisations.
- Avoiding deception about the nature and aims of the research.
- Declaring any affiliations, funding sources and conflicts of interest.
- Honesty and transparency in the community about the research.
- Avoiding any misleading or false reporting or research findings.

Tracy (2010) argued that ‘ethics are not just a means, but rather constitute a universal end goal of qualitative quality itself’ (p. 846). Ethical practices in qualitative research include procedural, situational, relational, and existing ethics. These practices are discussed in this section to demonstrate understanding and to indicate how they have been applied to this thesis.

5.7.2 Participant Privacy and Confidentiality

Tracy (2010) argued that procedural ethics are necessary for larger organisations, such as MNCs and banks. Procedural ethics include mandates, such as do no harm, avoid deception, negotiate informed consent, and ensure privacy and confidentiality. In addition, Tracy proposed that procedural ethics must also include practices such as accuracy and avoidance of fabrication, fraud, and omissions.

Tracy (2010) further declared that procedural ethics suggest that research respondents have a right to know the nature and potential consequences of the

research; adoption of these practices not only ensures ethical practice but leads to more credible data. Following procedural ethical practices requires that researchers secure all personal data. The privacy of respondents is ensured by avoiding deductive disclosure and preventing information from being used that would allow damaging or private information about the respondents to be deduced (Tracy, 2010). The ethical considerations taken into account in this doctoral research demonstrated that procedural ethical practices were followed and participant privacy, the confidentiality of all personal data collected, and the privacy of respondents, were considered throughout.

5.7.3 Ensuring Privacy and Confidentiality of Data

Miles and Huberman (1994, p. 291) argued that ‘weak consent usually leads to poorer data: respondents will try to protect themselves in a mistrusted relationship, or one formed with the researchers by superiors only’, thereby illustrating the importance of ensuring full consent from the outset. Easterby-Smith et al. (2012) argued that control and use of data obtained by researchers is a common ethical issue; in most cases the researcher must control and take ownership of the data, and exercise due ethical responsibility by not publicising or circulating any information that might cause harm to the respondents or their communities or firms.

To ensure that critical ethical considerations in this doctoral research took into account the privacy and confidentiality of data throughout, the following guidelines from the US Department of Health and Human Services, Office of Research Integrity (2011) were followed:

- *Definition of key data.* Data can include measurements, observations, survey results, recorded or videotaped interviews, or any other primary products of research activity that provide a factual basis for inference, conclusions, and publication.
- *Responsible data management.* This involves record keeping, ensuring accuracy and avoiding bias. Planning for data collection continues after the thesis is published.
- *Maintaining integrity of data.* This is a shared responsibility; everyone with a role in research has a responsibility to ensure the integrity of the data. The

ultimate responsibility belongs to the researcher, but the central importance of data to all research means that this responsibility extends to anyone who helps in planning the study, collecting the data, analysing or interpreting the research findings, and publishing the results.

- *Data collection and record keeping.* Data collection can be repetitious, time-consuming, and tedious, so its importance cannot be underestimated. Care should be taken to ensure that those responsible for collecting data are adequately trained and motivated. Employ methods that limit or eliminate the effects of bias and keep records of what was done by whom and when.
- *Ownership of data.* The products of research involve creative contributions to new knowledge; it is easy to assume that the resulting data are different from the routine products of employees in any other private or public institution. Researchers should assume that their original data will stay with the principal investigator.
- *Retention of data.* The quality of data supporting published work becomes moot if the data are lost. This concern raises issues of what should be retained, how it should be stored, and for how long.
- *Sharing of data.* This is generally in the best interests of researchers and respondents, but it is clear that such sharing can place participants at risk. It is reasonable to fear that sharing data before publication can result in loss of credit or opportunity. Other concerns include exposure of data to the prejudiced scrutiny of competitors or detractors, risk of compromising confidentiality of human subjects, and the expense of time and resources to meet requests for sharing of data (US Department of Health and Human Services, Office of Research Integrity, 2011).

However, reasonable strategies to minimise potential problems should make it possible to choose sharing over secrecy. Before publication it is best to maintain an open data policy with appropriate caution. After publication it is best to grant reasonable access to the raw data, that is, to honour requests that are in the interest of scientific inquiry and can be accomplished without inordinate expense or delay.

5.7.4 Mitigation of Risk to Respondents through Identification and Selection

Tracy (2010) maintained that situational ethics assumes each circumstance is different; researchers must repeatedly question their ethical decisions to mitigate any risk to their respondents. Adoption of procedural ethical practices ensures participant privacy and confidentiality of data. However, awareness of situational ethical practices ensures mitigation of unplanned risks and consequences to respondents. Ellis (2007, p. 4) proposed that ‘situational ethics deals with the unpredictable, often subtle, yet ethically important moments’, illustrating the often unplanned and unforeseen nature of research; a researcher needs to be able to cope with the unexpected. Tracy determined that awareness of situational ethics means that researchers must constantly reflect on their methods and whether the data are worth exposing; ethical decisions should be based on the specific considerations of that time.

5.7.5 Relational Ethical Considerations

Gonzalez (2000) suggested that researchers ‘as human instruments should always respect others’ (p. 24) and allow participants to assist in defining the rules of the research, which supports the researcher in practically understanding the traditional ways of doing things and implications of getting it wrong. This understanding is particularly pertinent for research into how banks work in emerging markets based on historical failures, imperialist connotations, and the fears and doubts that local consumers have about banks. Gonzalez further proposed the positive effect that independence between researcher and respondents can have and suggested; ‘Indigenous respondents in the culture teach the human instrument how to function as a human being in the world’ (p. 643). This illustrates a specific form of co-creation and the importance of engaging BoP banking customers in an appropriate manner.

Fine, Weis, Weseen and Wong (2000) argued for the importance of presenting cases that might do more damage than good, and understanding who might consume or exploit them. They used examples of cases about the poor, the stigmatised, the abused, or the marginalised, in which research can easily further portray a negative image, even when not intended by the researcher. Within this context, they argued

that qualitative researchers practice ethics when they ‘come clean ‘at the hyphen’’ (p. 127), meaning that we interrogate in our writing who we are as we coproduce the narratives we presume to collect and anticipate how readers will receive, distort, and misread our data.

In addition, Christians (2005, p. 151) highlighted the importance of promise keeping, relationships, caring and collaboration, intimacy, emotionality, and connectedness. He argued that relational ethical considerations achieve ‘inter-locking personal autonomy with communal well-being’ (p. 151). Ethical considerations of this doctoral research follow the ethical model proposed by Christians, in that ‘researchers who keep their promises, provide readers with a moral compass and concern themselves with human flourishing not only in the process of engaging the research but also in returning to the scene and sharing their findings’ (2005, p. 156). Tracy (2010, p. 45) built on Gonzalez (2000) and Christians (2005), and argued that awareness of relational ethical considerations involves ‘an ethical self-consciousness in which researchers were mindful of their character, actions and consequences on others and do not co-opt them to get a ‘great story’.’

This section has explained the key principles in research ethics and ethical considerations in order to demonstrate that this doctoral research was conducted in an ethical manner. Snell (1993, p.45) argued that ‘ethical issues were extremely complex’, involving dynamics of power and competing ideologies relevant to a discussion on bank initiatives to overcome BoP obstacles to achieve financial inclusion and improve business model effectiveness in the BoP. Snell determined that further ethical guidelines can be too rigid and simplistic to deal with real cases. This study followed all ethical considerations in demonstrating that this doctoral research was conducted in an ethical manner.

5.8 Chapter Summary

This chapter provides an explanation and justification of the research methodology informing the present thesis, as well as the research process from the design of the case studies to the selection of the case firms, explaining the choice of the case study approach in doing so. This chapter explains the choice of research design, data collection, and analysis, and details the steps required to ensure that the research is

conducted in an ethical manner. The purpose of this chapter has been to outline the research methodology and research process employed in this study, the justification for the use of a multiple-case-study approach for the research, the research design and the case study protocols. Finally, the validity and reliability tests for research quality are set out and discussed. The outcomes of the research methodology are outlined in this chapter, which sets the foundation for the case study in Chapter 6 and the cross-case analysis in Chapter 7.

Chapter 6 - Within-Case Analysis

6.1 Introduction

This chapter describes the four case studies derived using the constant comparison method research process key and knowledge gained from research. The analysis is contextualised by relevant interviews and data, and sets out the relevant evidence to analyse co-creation between banks and their stakeholders. Themes were identified by comparing similarities and differences that existed between banks' projects and their use of co-creation to develop their business models, products, and services in the BoP market in Africa. The case studies are practical examples based on evidence from interviews, with supporting data provided for the conclusions. The aim of this chapter is to highlight key information and knowledge gained from research and interviews, describe findings from the four case study projects research in the BoP in Africa, focusing on how banks used co-creation with stakeholders to deliver financial services in the BoP markets.

This chapter comprises five sections. Sections 5.2-5.5 set out a synopsis of each case, an overview of the case study project, a case study chronology, a case study summary demonstrating insights gained from the interviews, and quotes from respondents. The cases are supplemented by Appendix D, which provides the background on each bank and its emerging markets strategy in Africa. This chapter provides a context and links to Chapter 7, Cross-Case Analysis, which identifies the themes, findings, and analysis to provide evidence of similarities and differences between the cases. Chapter 7 presents the themes, findings, and results that are mapped in relation to the theory and literature discussed in previous chapters.

The multiple case studies are: (1) Barclays Africa Project Modjadji; (2) Standard Bank's Dairy Distribution project; (3) SCB's NGO project; and (4) Orange Money Madagascar Customer Engagement project. To maintain respondent confidentiality, the following case study referencing is applied, and Table 6.1 lists the banks, the projects, the respondents' job titles, and the references used.

Table 6.1: Case study respondent codification

Case	Bank	Project	Job Title	Reference
1	Barclays Africa	Modjadji	Head of Mass Market	C1/E1
1	Barclays Africa	Modjadji	Director Operations	C1/E2
1	Barclays Africa	Modjadji	Modjadji Product Owner	C1/E3
1	Barclays Africa	Modjadji	Business Development	C1/E4
1	Barclays Africa	Modjadji	Marketing Director	C1/E5
1	Barclays Africa	Modjadji	Programme Manager	C1/E6
1	Barclays Africa	Modjadji	Customer Analysis	C1/E7
2	Standard Bank	Dairy	Head of Consumer Channels & Payment Africa	C2/E1
2	Standard Bank	Dairy	Head of Business Banking Kenya and South Sudan	C2/E2
2	Standard Bank	Dairy	Head of Product Kenya	C2/E3
2	Standard Bank	Dairy	Head of Finance Kenya	C2/E4
2	Standard Bank	Dairy	Customer Relationship Manager Kenya	C2/E5
2	Standard Bank	Dairy	Finance Director Fontana	C2/E6
2	Standard Bank	Dairy	CEO MegaPack	C2/E7
2	Standard Bank	Dairy	CEO Meru Dairy	C2/E8
3	SCB	NGO	Global Head of Research	C3/E1
3	SCB	NGO	Head of Community, Public Affairs and Sustainability	C3/E2
3	SCB	NGO	Head of Economic Research	C3/E3
3	SCB	NGO	Global Head of NGO Banking	C3/E4
3	SCB	NGO	Global Head of MFI	C3/E5
3	SCB	NGO	Save the Children	C3/E6
3	SCB	NGO	International—Head of Change Save the Children	C3/E7
3	SCB	NGO	International—Group Treasurer	
4	Orange Money	Project	Head of Product	C4/E1
4	Orange Money	Project	Head of Customer Design	C4/E2
4	Orange Money	Project	Head of Customer Programme	C4/E3

Note. NGO = non-governmental organisation; SCB = Standard Chartered Bank.

6.2 Case Study 1: Barclays Africa Project Modjadji

This case study comprises three sections: an overview of Barclay's Project Modjadji, a chronology of the project activities, and a case summary. I used unstructured interviews (see Appendix B) to collect respondent data from seven Barclay's employees across different functional areas working on the project (see Table 6.1). The primary data collection of confidential project documentation (see Appendix C) supported the qualitative method, multiple-case-study design. Analysis of the interview transcripts and primary data supplied by the bank supported the

development of key themes to assess how a Barclay's project used co-creation to develop Barclays Africa business models in BoP markets in Africa.

6.2.1 Overview of the Case Study Project

The knowledge gained from research and interviews of the Project Modjadji proposition and its open marketplace platform launched by Barclays Africa in September 2015 is highlighted below. The research determined that Project Modjadji is an extension of Barclays Africa's business model that serves the pan-African low-income micro-SME market.

6.2.1.1 Project Objective

The project's objective was to build a business model extension to provide the pan-African low-income micro-SME market with an affordable mobile platform to leverage the bank's network of services and partners. The African micro-SME market is estimated to comprise approximately 30 million businesses that employ 41% of the total African labour force; SMEs are defined as businesses with 10 employees or fewer (Barclays, 2015). A key objective of Project Modjadji was to empower local communities and target sectors to become digitally included, while improving Barclay's access and relevance to existing and new BoP/low-income customers. Knowledge gained from research and interviews demonstrated that Project Modjadji was a business model extension that provided low-income, micro-SME consumers across Africa with digital identities; it secured remote access to relevant banking products and services specific to their needs and marketed by relevant providers.

6.2.1.2 Problem Addressed

Project Modjadji aimed to sustainably create a new means to service Africa's low-income market by exploiting mobile applications, devices, and infrastructure. This represented a shift of the bank's business model into the BoP market in Africa at scale. The model refocused from providing value to customers with 'structured' financial affairs, in terms of customers' regular incomes, addresses, and identities, with matching products and fees, to the 'unstructured' low-income customer segments across the BoP market in Africa.

Unstructured customers, who are mainly self-employed, unemployed, or underemployed, predominately use cash as their means of exchange. These customers historically have found banking services to be too complicated. Customers are unable to maintain minimum balances in their accounts, required to hold a Barclays Bank account, and consider the costs and banks poor perceptions of BoP customers as a barrier to effective engagement with traditional banks such as Barclays (Barclays, 2015).

Project Modjadji focused on supporting the unstructured low-income customer segments by providing access to an affordable range of services to low-income entrepreneurs or micro-SMEs. The value created from a trusted digital open marketplace for their employees and their communities relied on customers' ability to interact via their mobile devices. Key information gained from interviews highlighted that the project created secondary benefits of trusted identities and payment histories, a long-standing BoP obstacle, providing significant value to low-income customers with unstructured incomes. BoP obstacles were identified, such as providing customers with digital identities, and services that securely and remotely offers relevant products and services to BoP customers at affordable prices and fees to build trust with BoP customers. Respondent C1/E3 stated:

Test and learn allowed us to constantly refine the proposition's relevance to our customers. For example, we found the user structure is too rigid, as businesses have multiple owners and owners have multiple businesses, so we enhanced the proposition by being able to add and delete users to ensure flexibility and usability across all micro-SME groups.

Respondent C1/E3 stated further that: *'adults often ask children how to use certain features on their smart phones, limiting their desire to use phones for banking services'*. Seeking to overcome this BoP obstacle, the Barclays project team introduced free data charges for Modjadji customers. This removed a barrier for BoP customers to use their smart phones and encouraged greater adoption of smart phone usage and applications of the proposition in BoP customers' daily lives.

6.2.1.3 Approach Taken

Knowledge gained from research highlighted that the project demonstrated co-creation with stakeholders by gaining strong internal sponsorship from the bank's

boards and retail bank CEO, who provided guidance on strategy and investments. Fortune-creating approaches were apparent through active customer engagement, using market research to provide a detailed understanding of the micro-SME market in South Africa in terms of size and scope, but also characteristics and behaviours. Market research was supported by local micro-SMEs getting involved in the development of the application, using a test-and-learn approach that permitted quick modifications to overcome unforeseen BoP obstacles, such as screen and font size, providing free data services to encourage usage, and revised security approaches. Interviews revealed that test-and-learn approaches required elimination of some elements of Barclays' proposition to better serve the segment of the marketplace. C4/E2 noted:

Our approach to creating a compelling proposition for financially excluded customers was about learning how to see our market through the eyes of our customers and focusing on the benefits customers will derive from the service.

Barclays Modjadji project's test, learn and scale approach was evidenced by Respondent C1/E3, who stated:

Success of Modjadji's proposition is directly correlated to the digital inclusion and improvements in literacy taking place across the country. Many low-income BoP customers in Africa have smart phones. This is mainly a demonstration of status rather than knowing how to use it properly.

Focus groups of local micro-SMEs were formed and consulted with on a bimonthly basis to test the relevance of the new services. The team measured adoption and usage to ensure the mobile platform started building an active customer base, in order to effectively leverage the bank's network of services and partners. The proposition attracted partners who saw value in being part of a scalable open market platform to sell their products and services to a diverse BoP market, reducing their sales and distribution costs. C1/E4 evidenced their approach by stating:

A key principle of the Modjadji's proposition was to segment sensitive pricing, rapid development, and viral growth, only charging where customers found convenience, ensuring commission and fees were transparent and the proposition remained relevant, by constantly

improving products and service providing real-time market feedback to ensure we remained customer-centric.

6.2.1.4 Proposition Created

Insights gained from interviews illustrated that the Modjadji proposition was designed to be constantly evolving in the market, using a test-and-learn approach, and learning from an increasing understanding of consumer preferences, demand, and feedback, and the taking on board of new partners, with products based on analytical trends. The Modjadji proposition was built to provide an incentive for frequent interactions via a mobile application on a smartphone device between micro-SMEs, low-income customers, and communities, using the flexibility of mobile phones and providers of relevant products and services across Africa.

The Modjadji proposition aimed to support communities by attracting providers of relevant products and services to targeted groups, such as burial societies, women's groups, savings and loans collectives, labour unions, churches, schools, small enterprises, transport networks, and NGOs operating in BoP markets across Africa. The customer segmentation targeted by the Modjadji proposition resided in the BoP across 13 countries in Africa with access to mobile devices and data, where Barclays had existing operations. The customers were those who typically receive some form of wage (i.e. salaries, grants, remittances, donations, or aid), who had incomes under \$300 per month, and who were between 45 and 60 years old.

The Modjadji social proposition aimed to improve the lives of low-income customers and communities by providing specific value exchange not available in physical stores, branches, and existing mass market platforms (e.g. eBay, Amazon, Alibaba). The proposition logic was that effective engagement of low-income customers (fortune creating) is achieved by designing goods and services that are flexible, reflecting the irregular incomes of the BoP. Self-service allows transactions to take place where BoP customers feel secure, thus building on the secondary benefit of digital identities and payment and employment histories.

6.2.2 Case Study Chronology

Table 6.2: Chronological list of key milestones for the Modjadji project

Date	Event
Oct. 2014	South African government issues tender for banks to provide payment for social grants across South African market, including requirements for biometric, fingerprint, and secure identification solutions.
Oct. 2014	Barclays create project to respond to tender and explore feasibility of solutions and commercial viability.
Jan. 2015	Barclays' response not submitted, as it was deemed technically infeasible to provide a solution to all requirements.
May 2015	Barclays Singapore technology teams created an open market platform, building on the knowledge created from the South African government issues tender, which supported a secure mass market payment system and provision of value-added services and security.
Aug. 2015	Modjadji project team created to develop mass market position for Barclays Africa.
Sep. 2015	Modjadji proposition piloted to customer groups in Johannesburg, providing payroll, chat, and access to open marketplace services for low-income Barclays' micro-entrepreneurs.
Oct. 2015	Modjadji proposition Version 2 launched based on customer feedback, providing improved chat, group money transfers, and payments.
Mar. 2016	Uptake of the Modjadji proposition evidenced by adoption of over 50K new accounts.

Note. Data are from Barclay's Modjadji business plan (2015).

6.2.3 Case Study Summary

Based on my interviews with key decision makers, the main issues in this case can be summarised as follows:

- Project Modjadji was a creative way for Barclays Africa to approach and service Africa's low-income micro-SME market. It exploited mobile applications and devices, shifting Barclays from the bank's traditional high-cost, inflexible, multichannel business model to a mobile-first approach focused on providing value to customers by understanding their context in a progressive and iterative manner.
- Within the business, challenges remained due to the loosely defined link between the bank's business strategy, its legacy operations, and its high-cost base, and the project's ability to deliver outcomes governance challenges.

- Empirical evidence from C1/E1 and C1/E7 demonstrated that the project benefited from a test-and-learn approach to delivering the solution. The solution used co-creation approaches across all aspects of market research and proposition development, and with internal stakeholders.

6.3 Case Study 2: Standard Bank's Dairy Distribution Project

This case study comprises three sections: an overview of Standard Bank's Dairy Distribution Project, a chronology of project activities, and a case summary. The research used unstructured interviews (see Appendix B) to collect respondent data from six Standard Bank employees and two banking clients across different areas of the project (see Table 6.1). The primary data collection of confidential project documentation (see Appendix C) supported the qualitative method, multiple-case-study design, building on the key information and knowledge gained from research and interviews.

Analysis of the interview transcripts and primary data supplied by the bank supported the development of knowledge gained from research and key themes to assess how Standard Bank's projects used co-creation with strategic partners to develop its business model in BoP markets in Kenya, and supported its clients and dairy distribution market ecosystem strategy. Standard Bank's ecosystem strategy is to work with its clients' economic and community interests, including suppliers, producers, competitors, and other stakeholders.

6.3.1 Overview of the Case Study Project

The knowledge gained from research and interviews demonstrated the Standard Bank's Dairy Distribution Project aimed to digitally connect and integrate all partners within the sector's ecosystem, including farmers, milk manufacturers, bottlers, factories, and all downstream retailers and customers, using mobile wallets, payments, mobile transfers, stock control, and ordering systems. These systems support dairy producers with their milk collection and the bank with its desire to extend loans to these clients. Based on secondary data and feedback from respondents, the context of Standard Bank's Dairy Distribution Project is the bank's strategic focus in Africa on MNCs, large domestic corporations, and the provision of investment banking and corporate banking services to these clients. The bank's

clients included power suppliers and water, commodities, and infrastructure companies, with a specific focus on customer groups within these clients, such as business managers, corporate executives, and employees with regular incomes.

Interviews demonstrated that Standard Bank's Dairy Distribution Project is an example of the bank's open market mind-set, a case study of how Standard Bank created relevant and desirable services, using an innovative business model and co-creation approach. These services were focused on the 'last mile': customers beyond its target segmentation but within its clients' ecosystem.

6.3.1.1 Project Objectives

Knowledge gained from research demonstrated that in developing its ecosystem banking strategy for Africa, Standard Bank wanted to have more impact and realised it needed to change its approach to partnering in local countries. Executive C2/E1 stated: *'To deliver our strategy of ecosystem banking across Kenya, we had to change our approach to working with local and established partners.'* Standard Bank's strategy to service ecosystems to help clients succeed, with no strategic focus on last-mile customers beyond target segmentation, meant the bank had no relevant or scalable infrastructure and had gaps in its capabilities for servicing low-income retail customers in Kenya.

6.3.1.2 Problem Addressed

Insights from the interviews demonstrated that the Kenyan banking market is concentrated and highly competitive, comprising 42 commercial banks. Standard Bank has only 24 branches in Kenya, which are important to supporting account opening and funding options for SMEs and retail banking activities. Standard Bank was unable to compete with other banks in Kenya, who had up to 200 branches.

Standard Bank's strategy had been to only move into non-core markets once a critical mass of infrastructure and operations was achieved, and commercial viability and a sustainable business model had been established, which created gaps in its value chain and distribution network at a country and continent level. The knowledge gained from research highlighted the bank's business model extension then moved into new retail and small-business banking services, established on a country-by-

country basis, to expand the retail banking operations in cities and large towns, leveraging existing bank infrastructure and partners.

Interviews highlighted working with its clients; Standard Bank found that many of its large dairy-producing corporate clients began distributing milk through their supply chains at 4 a.m. every morning. However, dairy producers had limited knowledge of when cash was collected or payments made, given the rural and dispersed coverage of its downstream wholesalers, retailers, informal traders, and end-user customers. The clients' ecosystem challenged the bank's ability to provide loans and credit to its dairy-producer clients, as they often had uncertain revenue and income streams and suffered from above-average fraud levels.

Additionally, in Kenya the launch of M-Pesa in 2007 had a significant impact on the Kenyan economy across all segments, achieving first-mover advantage in providing access to payments and basic financial services. M-Pesa was seen as competition to Standard Bank in Kenya, and it was considered challenging for banks to directly compete with M-Pesa due to the company's penetration of 25 million account holders within the 47-million Kenyan population. Plus, it had brand awareness, advertising, and incentives in place, making it a dominant market force in Kenya.

6.3.1.3 Approach Taken

Insights from interviews demonstrated that Standard Bank's approach to African markets is an 'open market' mind-set, focusing its business model on servicing its clients' ecosystem to 'help clients win'. While the rural, low-income, and unbanked customers are not priority markets for the bank in Africa, it does use innovative approaches to provide relevant and desirable services to the last mile or customers beyond its target segmentation. The bank uses innovative approaches to holistically support low-income individuals who are seen as important to its success in Kenya, and a natural extension of the bank and its client business model.

Standard Bank executed its strategy by exploring co-creation and collaboration with M-Pesa in Kenya. M-Pesa's innovation in the Kenyan telecommunications market, its move away from fixed-line voice revenues (which were becoming increasingly competitively priced), combined with pressure on interest from loans

from banking competition, meant collaboration could create synergies for both parties. Knowledge gained from research illustrated that M-Pesa's innovation was to mobilise retail banking customers; by acquiring customers and moving them onto their mobile platform, the dependency on banks' branch networks was reduced, allowing M-Pesa to make interest income from low-cost mobile deposits. C2/E2 stated:

Collaboration between Standard Bank and M-Pesa is about allowing customers to focus on their core businesses, make payments that allowed them to open and run their businesses, opportunity to add value to customers, meet a need and provide a solution that makes people's life better while transcending value creation to the next level driven by high competitive pressure, compelling us to speak to customers' needs.

Interviews described M-Pesa's success as being built on making mobile payments and transfers, overcoming the challenges of fixed-line communications, being location sensitive, and only providing limited communications coverage across Kenya. M-Pesa's ease of use, simple features, portability, and unlimited coverage provided significant value to all customer segments across Kenyan communities. C2/E1 noted:

We realised M-Pesa provided access to people who might not have traditionally used payments; however, the bank's strength was innovation and product development. If we could leverage M-Pesa's existing infrastructure and operations, we could find a way to work together.

Insight gained from interviews demonstrated that Standard Bank's approach was to test its ecosystem banking strategy assumptions and understand the feasibility of M-Pesa integrating into the bank's systems by mobilising a joint technology and operations team. A joint team was composed of four people from the group head office in South Africa and a cross-functional team in Kenya, made up of a product lead, digital, IT, commercial banking and agricultural SME experts, and experts from M-Pesa. The governance was a payment and collection board in Kenya, composed of 15 staff from across the bank, who became custodians of the bank's Kenyan ecosystem strategy and risk management.

Knowledge gained from interviews demonstrated that commercial relationships between Standard Bank and M-Pesa centred upon a collaboration agreement between the partners. C2/E4 stated

Both parties saw value in the partnership, so the agreement was based on being equal partners, ensuring value was created and understanding M-Pesa needed a banking system as much as we [Standard Bank] needed a telecommunications system.

C2/E1 commented:

Senior leadership from both companies meet regularly to ensure the partnership was maintained and sponsorship at the highest levels within the organisation was informed. This not only ensures effective collaboration remained the focus, but the bank's ecosystem strategy can stay one step ahead of the market as we seek for new opportunities to bring in deposits for lending and change the nature of fast execution across our clients' value chains.

6.3.1.4 Proposition Created

Interviews demonstrated that Standard Bank and M-Pesa's joint proposition was piloted in the Kenyan flower producers' market with a firm called Fontana, one of Kenya's top flower-producing farms and one of Standard Bank Kenya's top five most profitable customers year-on-year. A payments solution was created that provided Fontana's temporary workers with the ability to continue working in green houses assigned to them, as opposed to congregating at the finance office once a week to receive wages. The solution was premised on the integration of Standard Bank's new business online platform 'nBOL' into M-Pesa, where the workers' mobile numbers were effectively converted into mobile wallets for receiving payments. The benefits of this collaboration meant that the scheduled flower harvests continued without interruption or compromising of quality, achieving material benefits for Standard Bank clients.

As a market leader in the floriculture industry, Fontana noticed its proceeds from the sale of cut flowers/kg were always consistently higher than any other farm. From interviews with Fontana's customers, I discovered that its competitive advantage was premised on two key factors. First, it had worked out how to optimise on the packaging of its cut flowers to ensure consistent quality between the farm and the

flower markets, and had identified MegaPack as its preferred supplier of quality packaging materials. Second, Fontana had chosen Signon Logistics, a first-class handling and logistics company, to move its flowers from the farms to their ultimate markets in Europe, demonstrating the importance of the strategic partnerships it had created across its supply chains in BoP markets across Africa.

Information from interviews shed light on the success of Standard Bank's ecosystem pilot with flower producers; the bank offered tangible value to its clients and low-income workers beyond target segmentation, demonstrating the mutual value and importance of co-creation with partners to support the low-income segment in Kenya. It was critical to connect the bank's services with its corporate clients' profits and its workers' activities, as stated by C2/E1:

Building on the success of the flower producers' pilot, Standard Bank assessed a large group of its clients and identified that providing specific banking services to a large segment of the Kenyan dairy-producers market would be worthwhile and support the bank's ecosystem strategy.

Standard Bank looked at the dairy-producers' market and supply chain, comprising farms, cows, milk product, dairy plants, trucks, wholesalers, retailers, and rural consumers, which created a fragmented and lengthy reimbursement process for dairy producers and thus affected their cash flows. Critical to the dairy producers' business was their need for trucks to deliver milk very early each day to ensure that it was available for breakfast in rural areas. This required the dairy producers to entrust truck drivers with cash and make them responsible for compiling stock and cash each day. Financial leakage occurred through fraud, theft, or loss of milk, which could not be reconciled and had to be written off each day. Standard Bank worked with M-Pesa to create a new solution called Lipa Na M-Pesa, a bill-paying system that provided a cash collection service. Lipa Na M-Pesa allows organisations to collect money on a regular basis from customers through M-Pesa, and offers businesses and customers a secure, convenient, real-time settlement procedure that is low cost and easy to reconcile.

Standard Bank undertook a comprehensive analysis of the M-Pesa business model in Kenya to determine whether M-Pesa would be open to co-creation and support its ecosystem value chain approach to the last-mile banking customer. Standard Bank

determined that Kenya M-Pesa had 125,000 accounts, of which only 25,000 were active. M-Pesa takes a 3% commission on payments, which acted as a disincentive to low-income users. Standard Bank's Lipa Na M-Pesa solution offered M-Pesa a high-volume, straight-through processing and settlement system directly into customers' bank accounts. Knowledge gained from interviews showed that this allowed M-Pesa to reduce its fees rate to 1%; the increased active connection benefited Standard Bank, which made a profit on clients' funds in their bank accounts. This illustrates the value of firms' co-creation in BoP markets.

The co-created solution involved assigning a number via SMS to milk delivery trucks, giving them an electronic reference. Drivers were given mobile handsets, which allowed them to take payments and confirm the status of deliveries and stock, and it also removed the need for drivers to carry cash. The Lipa Na M-Pesa solution allowed drivers to take payments directly into the milk producers' bank account and receive notification of payment and customers' payment history, which was not possible with cash payments. The ability to create a real-time itinerary of stock sold from trucks allowed producers to electronically record collections, check sales, record customer data, and optimise their distribution, reducing wastage and maximising producers' sales and revenue forecasting. This was important as it allowed milk producers to demonstrate to Standard Bank their greater financial resilience against lending and credit. Low-income customers benefited from milk producers' ability to ensure distribution to more rural areas, and it increased reliability throughout the last mile of the ecosystem.

6.3.2 Case Study Chronology

Table 6.3: Chronological list of key milestones for Standard Bank's Dairy Project

Date	Event
Jan. 2014	Standard Bank investigated partnering options and analysed feasibility of working with M-Pesa in Kenya.
Mar. 2014	Standard Bank and M-Pesa undertook operational and technical feasibility to ensure systems and processes could be integrated.
May 2014	Pilot of flower producers market started.
Aug. 2014	Dairy distribution project undertaken with 15 of the bank's 20 key clients.
May 2015	Dairy distribution project deemed a success and new market explored.
Jan 2016	Dairy distribution strategy taken to all clients and new client ecosystems assessed.

6.3.3 Case Study Summary

Based on my interviews with key decision makers, I can summarise the main issues in this case as follows:

- Standard Bank's Dairy Distribution Project demonstrated new and innovative ways banks cooperate and collaborate with strategic partners to meet their business objectives of servicing Africa's low-income market.
- Standard Bank's Dairy Distribution Project assessed the benefits and risks of competing with, or cooperating with, M-Pesa in Kenya to exploit and enhance its existing mobile services. Standard Bank realised its dairy-producer clients suffered from a range of business challenges from working in rural and low-income markets, and refined its ecosystem strategy to meet its clients' needs. Specific obstacles were the time it took to get paid for their products and the inability to hold people across the supply chain accountable for cash, collections, and reconciliation and fraud.
- The introduction of Lipa Na M-Pesa into the dairy producers' supply chain created immediate benefits, including the ability to digitally follow the money to the last beneficiary, generally low-income and rural customers in BoP markets in Africa, by collaborating with strategic partners.
- Collaborating with strategic partners allowed the bank to create deeper relationships with its clients, create barriers to entry against its competition, and create synergies and ancillary benefits to BoP customers.

6.4 Case Study 3: Standard Chartered Bank's NGO Programme

This case study is comprised of two sections: an overview of SCB's work with NGOs and a case summary. The research used unstructured interviews (see Appendix B) to collect respondent data from four SCB employees and two employees from the NGO Save the Children International (SCI) (see Table 6.1). Primary data collection of public documentation (see Appendix C) supported the qualitative method, multiple-case-study design. Analysis of the interview transcripts and primary data supplied by the bank supported the development of key information and knowledge from research and interviews of key themes to assess how SCB

provides NGOs in Africa with banking services and uses co-creation with SCI to provide banking services in the most inaccessible parts of Africa.

6.4.1 Overview of the Case Study Project

SCB has operations across Africa. Its strategy focuses on creating value in countries across the region directly and indirectly by creating jobs, strengthening trading ties, and broadening access to financial services. SCB aims to add value to the African economy by providing financial support to African trade and helping businesses and NGOs in the region connect to financial markets. The bank supports 1.9 million jobs in sub-Saharan Africa through direct and indirect activities, comprising 0.6% of the region's total workforce and contributing 1.2% of sub-Saharan Africa's gross domestic product in 2014 (Kim & Kapstein, 2015).

Knowledge gained from research highlighted how SCB supports low-income and BoP markets across Africa by providing banking services, such as letters of credit, transaction banking services, local currency, and cross-border payments directly to NGOs. These are critical services that enable NGOs to operate in rural and developing parts of Africa across an extended value chain and network of stakeholders, often in the most inaccessible parts of the continent, based on strategic relationships and project delivery of services.

SCB believes it indirectly supports NGOs work by being customer-centric and enabling NGOs to operate in BoP markets that they might not otherwise be able to access, or create a sustainable presence in, without reliable in-country banking and cash services. Additionally, in September 2006, at the Clinton Global Initiative, SCB committed to establishing a \$500 million microfinance facility over a 5-year period to provide MFIs, development organisations, and fund managers with credit and financial instruments, as well as technical assistance to support financial inclusion initiatives.

6.4.1.1 Project Objectives

SCB's objective for having an NGO programme was to create sustainable funding for NGOs in BoP markets, indirectly supporting low-income customers via relationships with NGOs in the field and overcoming BoP obstacles. Knowledge from the research demonstrated SCB's strategy was to support NGOs making a

positive contribution to BoP markets by providing access to capital markets, and in the long-term, integrating low-income regions and markets into the formal financial sector.

SCB works with NGOs for several reasons including: (a) good, replicable market opportunities; (b) scalable business models; and (c) the growing number of robust NGOs in the market. This presents a way for SCB to earn sustainable profits in BoP markets. SCB aimed to offer a wider range of products and services to the greatest number of people in BoP markets by supporting its NGO client network, making a positive impact on the environment and society through financing NGO activities to support long-term sustainable development. Peter Sands, former group chief executive, stated ‘Sustainable economies rely on healthy and productive people. That is why we [SCB] invest in programmes that address the root cause of community issues, using our core skills, networks and resources’ (Kim & Kapstein, 2015).

6.4.1.2 Problem Addressed

Interviews provided the insight that working with NGOs in Africa created a specific set of problems or risks that needed to be managed by the bank and the NGOs, namely regulatory, reputational, and operating model fragmentation. Knowledge gained from research illustrated that SCB is risk averse in its focus on emerging markets; it selects markets and clients carefully, given the regulatory requirements placed upon it in terms of client on-boarding, KYC, and AML regulations. This means market and customer due diligence has to be cost effective. C3:E7 commented:

US regulation is forcing a fear of significant fines on banks operating in markets where there is a risk the money might go to the wrong people. Charities work in countries that need our most help; we [SCB] try to ensure money in the field only goes to where it should. However, we are seeing a divide between the banks that want to help NGOs and the ones that feel the risks are too high; people’s hearts are in the right place, people are doing their best and help NGOs to support humanitarian relief and get money into countries across Africa. We are sympathetic with the regulatory constraints the banks have to work under, but have to find solutions that allow us to do our work also.

Knowledge gained from research illustrated that SCB's work with NGOs in Africa means the bank often provides critical services in high-risk, high-profile environments, where failure to consistently deliver upon expectations carries a reputational risk for the bank at the highest levels of government and among people of influence. C3/E4 noted:

SCB's work with development organisations in Africa is clearly a double bottom-line initiative based on creating trust and strong advocacy, based on aligned interests, local knowledge and synergies across the in-country network. The franchise value of being a trusted adviser to governments in Africa, SCB being part of their banking ecosystem, is more than just providing transitional banking support. It's about a fragile economy or volatile government knowing SCB is committed to their economy, market, businesses and people for the long-term, which means we have to find ways to service clients however possible.

For example, SCB provides banking services to the UN and its 17 agencies. SCB has significant experience in supporting donors to reach BoP markets and working in different fields across Africa. It is responsible for enabling the UN and its NGOs to operate by providing letters of credit to operate quickly in remote, rural locations. NGOs have little operational support in developing economies and SCB provides access to local currencies to pay local staff, and procure local resources, pay suppliers, and make cross-broader payments. SCB uses its platform and in-country banking arrangements to support NGOs working in countries across Africa to deliver their humanitarian and technical programmes in low-income communities and across BoP markets. The risk of failure is often high and comes with serious consequences.

SCB, working with NGOs in Africa, can create business model fragmentation between ToP relationships and expectations of moving into BoP markets. C3:E7 said:

Working with banks in a developed world context (ToP) as an NGO we receive a standard package of products and services, while in the field in developing countries such as Africa we see more 'mix and match', creativity and thinking outside the box to provide services that meet our needs. Generally the innovation occurs out of necessity based on a specific situation on the ground, such as how to move cash and getting a receipt for a mobile payment as proof it went to the right person or organisation, which doesn't happen normally in developed markets or using standard systems.

As an example of how SCB works with NGOs, the relationship with SCI is managed centrally from London by SCI's treasurer, who is responsible for budgeting and payment across SCI operations globally. The treasurer is responsible for ensuring SCB provides the services needed, and for managing the cash flows into each country and project. C3:E7 said:

Challenges exist at a country level as SCB is decentralised, as are the SCI operations, so services immediately can become fragmented, with little synergies, cross-border sharing of innovations or benefits working together to shape new products and services which can be frustrating at times.

SCB's ToP relationship seeks to provide a seamless service to SCI, achieving global economies of scale, collaboration, and the co-creation of ideas and benefits to support SCI delivering aid on the ground in BoP markets. SCI uses centralised procurement to ensure it receives consistent value and service from SCB, while SCB provides IT and security services from its ToP centres. However, SCB businesses are managed at a country level in BoP markets, which means local SCB managers run profit and loss businesses, and have local targets, while local SCI project priorities are to deliver aid and alleviate humanitarian crises with a sense of urgency. C3:E7 said:

The key issue for SCB supporting NGOs in the hardest to reach areas of Africa is also a lack of basic infrastructure, such as power, Internet connections or poor mobile coverage in some instances.

6.4.1.3 Approach Taken

To meet its objectives and overcome these problems, SCB's approach is to engage broadly with stakeholders, such as clients, governments, NGOs, and communities, using partnering, training and capacity building, creating new products and structures, and engaging in policy advocacy to ensure the bank's activities are legitimate and mitigate any negative impacts that might stem from its activities in BoP markets. SCB's approach is to work with NGOs in local markets to provide liquidity to help them unlock the economic potential of their markets and stimulate grassroots enterprise. SCB offers NGOs financial services tailored to local communities' needs, with a strategy that poverty should not be a barrier to the financial development of individuals and businesses.

Research further highlighted the key information that SCB also partners with MFIs in Africa, providing them with access to local currency, transaction banking services, and products from its global markets business. Working with 41 partner MFIs that follow a range of business model, including individual lending, the Grameen model, lending to self-help groups, and microenterprise financing, SCB invests in training and capacity building, providing SCB clients, NGOs, and customers with technical assistance and capacity building for the microfinance sector. In partnership with experts, SCB provides training, technical assistance, and thought leadership to MFIs in areas where the bank has natural skill sets, such as credit operations, processes, and governance.

SCB works with MFIs to create innovative products and services, leveraging alliances with development organisations and multilateral and bilateral agencies to participate in innovative risk management solutions and asset distribution deals. SCB actively seeks investors to participate in the distribution of microfinance assets through capital markets structures, such as securitisation, asset assignments, and local currency bond issuances. Collaboration enables SCB to accelerate its support for MFIs by providing a platform for investors to participate in the microfinance sector in Africa through its network, and ensuring MFIs have access to alternative sources of funds (Kim & Kapstein, 2015).

As an international brand and leading international bank, SCB uses its position with stakeholders to engage with governments and regulators to look at ways of strengthening regulatory frameworks within the MFI industry and BoP markets. SCB leads in the building of multi-stakeholder perspectives on corporate governance and enhancing the adaptability of MFIs to their new governance framework, targeting management of MFIs, and engaging thought leaders, academics, and industry heads with the objective of encouraging best practices in corporate governance in the MFI and NGO financing sectors (Jha, Amerasinghe & Calverley, 2014).

Finally, SCB provides governance by acting as independent advisers, guiding the bank on ways to develop and execute products and transactions in accordance with MFI principles. SCB works to shape the industry by engaging with regulatory bodies in different countries. For example, it has worked with the Islamic Finance Experts Group in the UK, a task force of the Hong Kong Government, and the Advisory

Council of Dubai International Financial Centre for Islamic Finance, to develop Islamic regulations and solutions (Kim & Kapstein, 2015).

To support an inclusive financial services agenda, SCB works across public policy activities, such as Davos and open market reforms, local community programmes that support financial education for youths, and specifically, entry-level training programmes for young people in Africa focused on training in financial literacy. SCB's inclusive financial services agenda is managed internally by the bank's Global Community Committee, which centrally coordinates the bank's financial inclusion activities, although each country has the authority to opt in and out of programmes according to their local market strategies and conditions (Consultative Group to Assist the Poor, 2009; Jha et al., 2014).

6.4.1.4 Proposition Created

Knowledge gained from research and interviews demonstrated that SCB's strategy in Africa is focused on strengthening trading and broadening access to financial services. However, the lack of investment in infrastructure in sub-Saharan Africa and an insufficient and unreliable power supply has hampered long-term growth in the region. SCB has been collaborating with the international community and NGOs to improve local infrastructure across Africa and bring innovation to the region, such as establishing the first digital branches in Ghana and Kenya, and working with SMEs, the most powerful job creators within the region, to provide greater access to value chain finance (Kim & Kapstein, 2015). Gareth Bullock, Group Executive Director, Middle East, Africa, Americas and Europe, stated:

It may be hard to see how a simple loan of \$150 could help reduce poverty, but it has been shown that a 10% increase in private credit relative to the size of the economy can lift 3% of the population out of poverty.

Insight from interviews showed SCB leverages its presence across Africa with a market coverage strategy that works on a country-by-country basis, organised on a global, regional, and country business model and product line basis. Each country understands the local market, how local banks have competitive advantages, and how they segment the market and service-specific customer bases. C3/E3 commented:

Removing the physical, bureaucratic, and regulatory barriers to financial inclusion remains a challenge for many emerging and developing countries. There is still much more to do, but it is promising that countries are pushing through reforms that are starting to bear fruit and should enable them to move many steps closer to greater financial inclusion.

C3/E4 also noted:

We use liquidity, education and technical assistance across credit, operations, processes and governance to support and collaborate across the network of stakeholders in emerging markets and ultimately support NGOs in the field by providing them with in-country banking arrangement, local currency, and transaction banking services, which allows NGOs to work in the poorest communities and environments.

6.4.2 Case Study Summary

Based on my interviews with key decision makers, I can summarise the main issues in this case as follows:

- Since the 1870s, SCB has pioneered the provision of banking services across Africa, working with MNCs, NGOs and MFI organisations from developed market relationships and stakeholders into BoP Markets and the most inaccessible areas of Africa, often having to overcome significant BoP obstacles and complex regulations.
- To manage the cost of services and regulations, SCB offers a standard set of global products and services partially adapted using co-creation with NGOs in the field through country managers and operations working closely with NGOs teams, to support them in delivering humanitarian relief. However, they were not designed to meet specific BoP customer needs from the outset.
- SCB's ability to deliver banking services in BoP markets in Africa is underpinned by a complex network of critical ToP, NGO, and BoP stakeholders, based on a long-term strategy of sustaining a solid franchise, partnerships, and trust in its leadership, brand, and commitment to Africa.

6.5 Case Study 4: Orange Money Madagascar Customer Engagement Project

This case study comprises three sections: an overview of Orange Money Madagascar Customer Engagement Project, a chronology of project activities, and a case summary. The research used unstructured interviews (see Appendix B) to collect respondent data from three Orange Money Madagascar employees across different areas of the project (see Table 6.1). The primary data collection of project documentation and public access information was accomplished via internet searches in English and French (see Appendix C), supporting the qualitative method, multiple-case-study design to gain knowledge from the research. Analysis of the interview transcripts and primary data supplied by the Mobile Money Operator (MMO) supported the development of key themes to assess how the Orange Money Madagascar Customer Engagement Project actively used co-creation with customers and banks to develop its business model in BoP markets in Madagascar, providing financial services to the financially excluded in its BoP market.

6.5.1 Overview of the Case Study Project

Orange was acquired by France Telecom in 2000; Orange Madagascar launched its branchless banking operations in 2010 with a strategic business initiative focused on financial inclusion. Madagascar is among the poorest countries in Africa and ranks low for financial inclusion; only 5.5% of the adult population has a bank account. Banks provide only 19.5 bank branches for every 100,000 people across a population of 23 million. In 2014, Orange Money had more than 12 million customers and saw \$4.5 billion exchanged across its 13 countries in Africa. Orange Money is similar to the M-Pesa service, launched in 2007 in Kenya by Safaricom, which revolutionised the delivery of financial services across the local economy. Orange Money has over 17 million monthly users within an adult population of 19 million. As an MMO, it provides digital financial services to 1.4 million customers and 10,000 agents, aimed at servicing the low-income and unbanked market. Orange Mobile enables its customers to cash in money on a wallet linked to their mobile phone number and to access a wide range of services, such as domestic and international money transfers, bill payments, and airtime top-ups.

6.5.1.1 Project Objective

Insight gained from interviews showed the objective of the Orange Money Madagascar Customer Engagement Project was to achieve customer-centricity of services for low-income customers by refining customer segmentation and evolving a segmentation strategy based on BoP customers' evolving needs, building staff understanding of the needs of the low-income segments, and engaging low-income customers in actively using and adopting the services offered. The aim of the project was to facilitate work on practical financial inclusion across usability, security, speed, and ease of financial transactions, on the assumption that access to financial services promotes capital accumulation and that the development of personal and family economic activity contributes to improving the standard of living of the population, thus deepening Orange Money Madagascar's relationships with its customers.

6.5.1.2 Problem Addressed

According to knowledge gained from research and interviews, Orange Mobile found that its customers had poor relationships with their banks, which were hampered by numerous barriers. Local barriers included economic ones, microsavings and microcredit remained inaccessible to the rural population due to a lack of local infrastructure across Madagascar, and social barriers, such as filling out various forms and preparing administrative documents. Low-income people were afraid of completing them, the illiteracy rate is as high as 40%, and illiteracy is concentrated among BoP customers. Plus, customers and BoP inhabitants had a general lack of trust in banks.

The project realised that services provided by mobile microcredit ignored the collective dynamics of savings in BoP markets among families, communities, and small businesses, which confined their personal use of Orange Mobile Money to individual cash requirements. Working closely with customers in the field, the project realised it needed to understand in detail how BoP customers saved, similar to how the M-Pesa proposition in Kenyan set up separate services (M-Pesa, M-Shwari, KCB-Mpesa) representing a separate pot for customers' payments, savings, and loans.

Working closely with customers, Orange Mobile found that separate pots for payments created significant risks for families, as increased enrolment in Orange Mobile Money services created mobile offers for microcredit, ultimately putting families into greater debt. Savings are meaningful only in the extension of social resources they provide in BoP markets. Using a test-and-learn approach, the project developed technical tools to allow low-income users to lend to each other. C4/E1 suggested:

The services that focus on individual savings are impersonal and are not open to collective management; in case of temporary difficulty, customers do not have the social and cultural tools to negotiate a deferral of repayments directly with their banks, which is very different compared to relational loans between families and communities. Beyond the temporality of family loans that are elastic, it is common to pay in kind, working in direct assistance, if a repayment cannot be made in the Madagascar low-income community, which we didn't realise or build into our initial proposition.

6.5.1.3 Approach Taken

Knowledge gained from research and interviews illustrated that to support its customer-centricity approach, Orange Madagascar created a specific centre for piloting and testing its products with customers to validate new value propositions prior to launching new products in the market. This involved worked closely with customers and experts. Expertise included support from the World Bank's CGAP team. Alongside usability, the project also tested pricing structures that enabled free money transfers up to a defined threshold and worked on expansion of its agent networks in rural areas to provide local access and support directly to customers in the field. The customer engagement project focused on ensuring relevant customer-centric measures were also adopted for low-income customers, and developing internal capabilities to provide a customer experience based on a growing understanding of the low-income customers' unique circumstances.

The team worked on creating customer journeys that optimised customer experiences, measuring the optimisation of the customer journey and training and equipping staff so they could respond to customers' needs. Customer engagement was adapted to low-income customers using appropriate messaging, easy-to-use menus, and visuals versus text to support illiterate and partially sighted customers.

The project also worked on enhancing call centres for customers through measurement and improvement of all operational activities that support the customer experience specific to low-income customers' needs. The project's approach was to work with partners to share and learn country best practices between Orange Money country teams across Africa. Co-creation allowed the projects to go much deeper into details about how BoP customers understand and manage their finances, and value Orange Money services and customer-centricity.

Insight from interviews showed Orange Money used surveys on current practices; management found that new services needed to revise traditional concepts of analysis, as the agents of banks or government institutions failed to grasp the inadequate context of savings products or the reality of the insecurity that populations felt about putting savings in banks. The project developed user-centred design concepts to better understand the collective activity applied to customer needs for banking services and specifically in their BoP markets.

6.5.1.4 Proposition Created

Orange Money is the mobile money service of Orange S.A., which is available in most of the group's affiliates in Africa. The main competitors for Orange in Africa are other pan-African firms, such as MTN, Airtel, Vodacom, and Millicom, plus some local firms operating similar services, like Telma in Madagascar. Across Africa, mobile money services enable the population to access basic financial services and tools, especially in countries where bank accounts are still limited to a minority. However, mobile money services across Africa are becoming highly competitive markets, requiring Orange Money to continually focus on innovation and launch new and relevant propositions.

The Orange Money Madagascar customer subscription is free and accessible from any point of sale displaying the Orange Money logo; customers need only fill out a subscription form and provide a copy of their passport or national ID. To deposit money in their account, customers can visit any Orange Money point of sale to cash in. Customers can also receive money from other users through a P2P transfer or directly receive their salary in their account. Customers can directly access their accounts on their phone through a protocol used by the Global System for Mobile Communications (GSM) cellular telephones to communicate with the service

provider. This allows customers to check their balances, change their secret code, and access all services available. Every transaction is protected by a four-digit pass code. Core services are: (a) cash-in, (b) cash-out, (c) airtime top-up, (d) domestic and international money transfers, and (e) bill payment (water, electricity, pay TV, education, phone bill, etc.). Therefore, this offers greater convenience and adoption of mobile financial services compared to traditional banks.

Knowledge gained from research showed Orange Money Madagascar's customers have started to trust the mobile banking solutions as they have responded quickly to their daily needs; by engaging with the project, they have adapted a learn-and-use approach that is of increasing relevance to BoP customers. Besides the ease of subscription, requiring only one identity card, Orange Money mobile banking has used Malagasy (the first language of most people in Madagascar) since its launch in 2010 to ensure it is accessible to all BoP customers. This was also a critical requirement to build trust in BoP markets. Orange Money Madagascar's customer-centric approach means the service has 1.5 million customers of the 2 million active customers on the Orange network, making it a sizeable operation in the country.

Before Orange Money Madagascar's services were launched, many BoP customers had specific unmet needs around transferring money, such as when travelling on a bus, the significant time spent walking to and from work, and having to pay for public transport costs securely. The Orange Money transfer service, directly accessible via mobile phones and available to all Orange customers immediately, provided more banking services in Madagascar than its banks. The project ensured all Orange Money Madagascar's services were usable and accessible, allowing all customers to perform practical and useful daily operations, such as depositing and withdrawing money from their Orange Money accounts. Operations include transferring money to all customers with a mobile phone in Madagascar, transferring money to and from bank accounts, paying bills (telephone, electricity, and rent), making purchases, purchasing Orange phone credit, and receiving salaries.

In 2012, the project attempted to create a proposition that would enable employees who received their salary via Orange Money to receive advances if their payment system failed. Working with local customers across two focus groups, comprising 18 people, the project explored customers' expectations. This service

translated into a simple application process: the employer and customers wanting an approach that had minimal contractual conditions between the employee and the employer and a free service. Orange Money Madagascar was unable to create a solution that met these expectations and was unable to implement the basic features of the offer designed by the project. C4/E1 stated:

When we started the salary advances work to allow customers to receive advances on their salary, it made sense and got good feedback from the working groups. However, we overlooked that when dealing with low-income customers, given they are dealing with such small amounts of money, any fees act as an obstacle, and we were unable to provide this service for free given the costs and risk to the business. This was an important lesson in truly understanding how low-income [customers] prioritise and measure value.

Also, in March 2012, following working sessions with experts and low-income groups, Orange Money launched a life insurance product that was open to all customers between 18 and 70 years. Again, it was not successful. C4/E1 stated:

Again we found that testing and piloting can only provide so much insight into the values of low-income customers. We were told by customers that they did not want to pay money for misfortune, and would prefer to buy phone credits.

Management realised life insurance, or paying for a benefit after death, was not part of the mentality of the low-income Madagascan population. It was also felt that the product was too complex, and product investment to promote education about the service in the form of communication was considered inappropriate.

Following the overall success of the project in attracting customers, in 2013 Orange Money Madagascar created a partnership with Microcred Bank, and in 2014 with Bank of Africa, to meet its legal requirements of partnering with a bank to provide credit and savings facilities. Orange Money set up the banks' services on its wallets, allowing customers to transfer money from their bank accounts into their Orange Money account and vice versa. This provided Orange Money Madagascar's customers with the widest point of mobile distribution network and the ability to conduct transactions directly via their mobile, further allowing low-income customers to conduct their financial transactions in remote areas where a bank was not present.

The Madagascar banked population remained very low, at only 5% of the population of 23 million. In partnership with Bank of Africa, in 2015 Orange Madagascar embarked on a project to provide customers access to microsavings and microcredit on an emergency loan basis. Orange Madagascar's research conducted in 2012 and 2015 revealed a real need and expectation of customers for microcredit and microsavings facilities. As part of the research, the project engaged with external stakeholders, such as anthropologists, sociologists, and economists, who agreed that people living around the poverty line faced extreme volatility in their revenue streams (more than 50% from one month to another) and expenditure levels. External research concluded that the BoP population faced multiple demands for financial services: (a) daily, dinner, normal repair of equipment; (b) medium and long-term savings, means of production acquisition, stock in trade, education; (c) contribution to family events, accidents, illness; gifts at weddings, births, or deaths; and (d) relational, meeting loan demands for troubleshooting or investment and aid in kind.

In 2015 the project realised the creation of an emergency loan facility for its customers using a mobile device. After responding to a series of questions, it provided significant value to its low-income customers. The short-term loan service allowed Orange Money customers to make emergency loans at any time wherever they were, without having to make a specific commitment. Different levels were proposed and based on analyses of the questions answered by customers and their behaviour they had access to the level that matched their status. To be eligible, customers must be Orange Money customers with a tenure of 6 months or more to allow enough data to be collected to undertake behavioural analytics.

6.5.2 Case Study Chronology

Table 6.4: Chronological list of key milestones for Orange Money Madagascar

Date	Event
2000	Orange acquired by France Telecom.
2007	M-Pesa service launched in Kenya by Safaricom.
2010	Orange Madagascar launched its branchless banking operations with a strategic business initiative focused on financial inclusion.
2012	Project to enable employees who receive their salary via Orange Money to receive advances on their pay fails.
2012	Orange Money Life Insurance launched an insurance product open to all persons 18 to 70 years, which again was not successful.
2013	Partnership with Microcred Bank.
2014	Partnership with Bank of Africa.
2014	Orange Money had more than 12 million customers and saw €4.5 billion exchanged in 13 countries.
2015	Creation of an emergency loan facility for its customers.

Note. Data are from Orange Money Business Plan (Appendix D).

6.5.3 Case Study Summary

Based on my interviews with key decision makers, I can summarise the main issues in this case as follows:

- Orange Money Madagascar has become the market leader in mobile banking in Madagascar based on the number of users and transactions, and the diversification of services offered, which is underpinned by a clear strategic intent to service BoP customers and be customer-centric in terms of services and products to meet their needs.
- Orange Money Madagascar's services developed rapidly due to the high density of the population, even in rural areas, after it took advantage of a merchant network that is close to customers. The service is popular for its speed, reliability, and cost. Currently, the average daily value of its transactions amounts to €4.5 billion.
- Orange Money Madagascar's success can be attributed to its ability to co-create with customers and experts in creating and launching new services, taking an end-to-end approach across its operations for the need to create a

business that understand the needs of the low-income and financially excluded population.

6.6 Chapter Summary

This chapter provides a qualitative understanding of multiple case studies based on their contexts and particular situations, which informs the study based on information and knowledge gained from research and interviews. This chapter summarises four cases. The common theme is how banks have deployed strategies and projects to provide banking services to the BoP by assessing the use of co-creation in achieving their objectives and the impact of their bank business models in being scalable and sustainable in BoP markets. The validity and reliability of the cases demonstrate the research quality, as discussed in Chapter 5.

This chapter sets out the themes associated with the projects and how co-creation is used to develop bank business models in BoP markets in Africa. Insights gained from the research support Chapter 7, Cross-Case Analysis, which builds on the case study themes and maps the theory and literature related to BoP strategies (Prahalad, 2005), fortune-creating business models (London & Hart, 2012), sustainable development through innovation and entrepreneurship in the BoP, wider business model strategies in the BoP (Hart & Casado Cañeque, 2015), and technology innovation to accelerate development in the BoP (Realina & Mehta, 2015).

Chapter 7 - Cross-Case Analysis

7.1 Introduction

This chapter builds on the within-case study and describes the results of the cross-case analysis derived from the research process. Key themes are identified across the cases by comparing similarities and differences that existed between banks and their use of co-creation to develop relevant business models and propositions in BoP markets in Africa. The case studies are practical examples, based on evidence from interviews and primary data, to support the cross-case analysis, whereas the cross-case analysis of the four projects in the BoP assesses how banks used co-creation with stakeholders to deliver business models and services in BoP markets. Cross-case analysis identified key themes to draw comments, analysis, and findings mapped against the literature discussed in previous chapters. This chapter is comprised of two sections: the first set outs the key themes, and the second is a chapter summary.

7.2 Key Themes

This section builds on the conceptual model to identify themes, using the constant comparison method discussed in Chapter 6, to compare similarities and differences between the case studies. The research identified BoP obstacles that are barriers to banks providing services in BoP markets, including natural barriers, such as geographic distance, lack of infrastructure, restrictive regulations, governance failures, and lack of suitable propositions and distribution of services relevant to BoP customers' needs (Napier, 2010, p. 15).

Analysis demonstrated that banks' progress towards developing effective business models for BoP markets can be explained by their progress towards directly or indirectly surmounting BoP obstacles, pursued by bank initiatives that demonstrate tangible benefits exploiting the adoption and development of technology, innovation, collaboration, and co-creation between key stakeholders.

The themes identified from the cross-case analysis, which support banks' co-creation efforts, have implications for banks' ability to create business models for

BoP markets. The case study research supported the analysis of co-creation between banks and stakeholders using pattern matching and identification of causal themes, to derive five themes grouped into the following categories:

- leadership: demonstrating commitment and unblocking internal challenges;
- governance: adapting traditional governance approaches to BoP markets;
- business model: overcoming legacy inflexibility and high cost to serve BoP customers;
- proposition development: approaches needed to iteratively gain a deeper understand of BoP customers' needs; and
- partnership strategy: demonstrating value in partnerships to fill gaps in the BoP value chain.

A summary of the case studies, key themes, and high-level analysis is set out in Table 7.1 below. The cross-case analysis summary provides an overview of the themes, cases, and key data collected from the research process.

Table 7.1: Cross-case analysis

Theme	C1: Barclays	C2: Standard Bank	C3: Standard Chartered Bank	C4: Orange Money Madagascar
Project	Barclays Africa Modjadji Project	Standard Bank Dairy Distribution Project	SCB NGO Project	Orange Money Customer-Centricity Project
Key factors	Lack of internal legitimacy to overcome governance/culture change required, given ToP and BoP governance.	Strong internal/external legitimacy to support co-creation with stakeholders and development of strategic partnerships.	Strategic intent to work with internal and external stakeholders demonstrated strong legitimacy.	Strong strategic intent to co-create in BoP markets, strong adoption of BoP design principles, demonstrated strong internal/external legitimacy.

Theme	C1: Barclays	C2: Standard Bank	C3: Standard Chartered Bank	C4: Orange Money Madagascar
Conceptual framework mapping	Project-level adoption of BoP design principles with unclear strategic intent meant BoP design principles were only partially adopted.	Strong leadership to overcome BoP obstacles/develop BoP service characteristics/adopt BoP design principles.	Co-creation in ToP markets. Failed to adopt BoP design principles and have approach to directly overcome BoP obstacles.	Strong leadership to overcome BoP obstacles/develop BoP service characteristics/adopt BoP design principles.
Co-creation with stakeholders	Collaboration between board and project, project and customers.	Collaborative project across supply chain and customers.	Collaboration between boards, NGO client's projects.	Collaboration between project and customers.
Target customers	Micro-SMEs in South Africa, pan-Africa.	Dairy producers in Kenya, pan-Africa and users across value chain.	SCB NGO clients operating in Africa.	Financially excluded Orange Money customers across Madagascar.
Proposition	Mobile application and product usable, accessible, and relevant to micro-SME's (often employers of <10 people, financially excluded and urban).	Distribution of financial services within critical areas of dairy producers' value chain (often financially excluded, urban, and rural).	Distribution of financial services into hardest to reach areas of Africa in harsh conditions (often urban, rural, and part of humanitarian relief work).	Mobile application and products usable, accessible, and relevant to financially excluded rural Orange Mobile customers across Madagascar.
Corporate governance	Barclays PLC board, Barclays Africa Group Board, and Retail Banking/Mass Market BU.	Standard Bank Africa Board, Kenya country board.	SCB PLC board, Global Community Committee, Fixed Income SBU, Global Head of Public Sector, and development organisations.	Orange Money Madagascar country management team and customer-centricity team.

Theme	C1: Barclays	C2: Standard Bank	C3: Standard Chartered Bank	C4: Orange Money Madagascar
Leadership: demonstrating commitment and unblocking internal challenges	Board sponsor and project executive sponsor leading project team in Johannesburg and Singapore. Reporting to Group CIO in London.	Group strategy to deploy ecosystem strategy into regions, country, and sectors, coordinated by managers at a country and client level to execute project.	Group strategy, board sponsorship, ToP accountable executive and country heads leading deployment of services to NGOs across Africa at a country level on an ad hoc activity basis.	Orange group set strategy, Orange Money country management team across Africa define direction, and customer-centricity team in Madagascar execute projects.
Governance: adapting traditional governance approaches to BoP markets	Extensively governed by international regulations.	Governed by regulations within African markets.	Extensively governed by international regulations.	Limited direct governance due to status as an MMO.
Business model: overcoming legacy inflexibility, high cost to serve BoP customers.	Business model in Africa based on legacy technology, processes, and costs - restrictive to change.	Business model in Africa based on technology and processes aligned to corporate customers, creating gaps in value chain.	Business model based on legacy technology, processes, and costs - restrictive to change.	Business model based on mobile technology and infrastructure, flexibility to change, and corporate partnerships with banks to fill gaps in value chain.
Proposition development: approaches needed to iteratively gain a deeper understand of BoP customers' needs.	ToP bank in BoP market to BoP customers.	BoP bank in BoP market to BoP corporate and retail customers.	ToP bank to ToP NGO, to BoP bank into BoP NGOs, into BoP markets to BoP customers. Demonstrating a longer supply chain / decision process.	MMO and banking partner in BoP market to BoP customers demonstrating co-creation.

Theme	C1: Barclays	C2: Standard Bank	C3: Standard Chartered Bank	C4: Orange Money Madagascar
Partnership strategy: demonstrating value in partnerships to fill gaps in BoP value chain.	Technology and infrastructure provided by bank, partners provide services to BoP customers via mobile application.	Technology and infrastructure provided by bank, strategic partner (M-Pesa) enables bank to provide services to corporate and BoP customers via mobile infrastructure and distribution.	Technology and infrastructure provided by bank, no partners.	Technology and infrastructure provided by MMO, partner provides banking services and licence.

Note. CIO = chief information officer.

The following section analyses the similarities and differences that exist between the case studies and sets out findings to support the analysis of co-creation between banks and stakeholders in BoP markets in Africa, while recognising the differences in each case's business, strategy, and type of respondents.

7.2.1 Leadership: Demonstrating Commitment and Unblocking Internal Challenges

7.2.1.1 Theme Findings

The cross-case analysis demonstrated positive results; strong leadership and commercial management were critical to banks operating successfully in BoP markets in Africa, concurring with the arguments put forward by Casado Cañeque and Hart (2015) and extending London and Hart's (2010) analysis into a banking context. Findings support London and Hart's argument that new approaches for BoP markets must be based on leaders working with stakeholders, internally and externally, by focusing organisations' capabilities on the importance of building mutual value through co-creation and fortune-creating approaches.

Leadership supported co-creation across stakeholders; however, Barclays, Standard Bank, and Orange Money demonstrated fortune-creating approaches that personalised their services for the BoP market by working with BoP customers in the field to design appropriate propositions. While SCB failed to demonstrate customisation of its proposition for BoP markets, influences by ToP practices

impacting the bank reduce its degree of outsidership and LoF due to the location of its decision makers. Findings reinforce Johanson and Vahlne's (2009) analysis of the need for MNCs to have local decision making and evidence of autonomy to reduce the challenges the LoF ToP decision making creates in BoP markets.

7.2.1.2 Theme Analysis

Analysis of the cases demonstrated similarities in terms of commitment by bank leaders, the desire to operate commercially, and awareness of the social consequences of working in BoP markets in Africa. Similarities were evident across the cases of leadership driving strategies into BoP markets, although analysis identified subtle differences based on each bank's primary motivation and immediate objectives.

Subtle differences highlighted Barclays' leadership focus on supporting the project to demonstrate the need for cultural change within the bank. The project used co-creation across internal stakeholders to support the project deliver business model change, based on a business case that assumed the project would deliver mutual value to the bank and the African micro-SME market. Similarly, Standard Bank's leadership drove the project externally to achieve deep local knowledge of specific industry sectors; the bank needed to work closely with its corporate clients and key stakeholders to remain relevant in the highly competitive Kenyan market. Standard Bank's leadership set out the importance to the bank of delivering upon its ecosystem strategy to 'Help Clients Win', and gave managers permission to consider new and alternative approaches to work with new stakeholders to meet their objectives.

SCB's leaders understood the importance of demonstrating strong leadership with all stakeholders and across all activities to support its position as a leading emerging markets bank in Africa. The bank's leadership focused on its need to sustain its position as a trusted adviser to national governments and NGOs over the long term, to preserve its moral and ethical position in Africa. Finally, Orange Money's leadership focused the firm's strategy on the financially excluded market in Madagascar, recognising the importance to the businesses of having a dominant country market share in the long term. Providing direction to focus the project totally on creating relevant products and experiences based on customer-centricity, demonstrated long-term commitment and understanding of the BoP market and the

potential it offered their business as an MMO in a market with a significant unbanked population.

Furthermore, analysis of the Barclays Africa Modjadji Project demonstrated that senior leadership and sponsorship was critical to driving culture change within the bank to educate and embed a BoP customer mind-set into the decisions being made to support a business model extension. Similar to Orange Money, Barclay's leadership demonstrated commitment to working in the BoP markets and creating customer-centric solutions focused on mutual value; both used mobile-first strategies.

To support this analysis, a respondent from Barclays C1/E1 stated that; *'a committed board sponsor made it easier to make decisions on the ground and not lose sight of the end strategy'*. Respondent C1/E6 reinforced these points by stating that; *'functional teams the project has dependencies on, being aware the project had executive sponsorship, made people available to support the project, whereas usually operations kill projects within the bank such as ours.'*

Analysis of the Standard Bank case demonstrated differences in approach, as leadership took a broader strategic direction to embed the bank's technology, people, and processes into the market, assigning teams to work with specific sectors, clients, and partners. Rather than direct a specific proposition, as leaders did with Barclays and Orange Money who pursued mobile first and new market sectors strategies, this illustrated board leadership that translated the BoP opportunity into tactical initiatives to deliver immediate outcomes in the market, rather than a longer term approach (Curwen & Whalley, 2011). Barclays and Orange Money saw business model advantages to mobile-first strategies (Wroblewski, 2012); they recognised everything on a mobile device should be created specifically for a mobile, reasoning that a new piece of technology fosters new user habits, which in turn, demand appropriate content. This was contrary to the common approach across banks; usually a mobile experience for an application or website is designed and built after the desktop services are complete, which is inappropriate for the Africa market.

Similarities were observed in terms of business leaders' commitment; however, there were differences in the motivation of each case's leader. Barclay's leadership wanted to be seen to demonstrate its desire to work in the BoP markets, specifically

the micro-SME sector across Africa; this would demonstrate to external stakeholders their ability to create opportunities in the African mass market sector. Standard Bank's motivation was to add value to its corporate clients and maintain relevance, rather than work directly in the Africa BoP market. However, Standard Bank's leadership understood the long-term and strategic need to make a bold partnering decision to overcome gaps in its supply chain, which indirectly benefited BoP customers.

Comparative analysis of SCB showed an alternative leadership approach out of necessity; the bank had to follow its clients into BoP markets, needing leadership support across many external stakeholders to protect its franchise. Respondents' evidence across the cases demonstrated business leaders' commitment and desire to operate in BoP markets in Africa. However, there were differences in how leadership supported the execution of projects, and the unblocking of internal and external challenges in terms of approach, support, sense of urgency, and customisation of products and services. Analysis of the Barclays case demonstrated leaders' financial and regulatory support to the project, while Standard Bank demonstrated differences in approach to execute its ecosystem strategy. SCB demonstrated similarities in its approach to Barclays, as their leadership was located in London, taking the role of unblocking decisions and providing resources, and navigating the internal risk appetite to allow the banks to operate in BoP markets. SCB had differences in its support towards level of customisation of their products and services, offering all clients standard products and services to control costs, while the other cases sought to actively personalise their offerings for the BoP market. Additionally, respondents all commented that their banks' leadership approach to supporting their project activities primarily focused on sustaining immediate activity and unblocking middle management challenges to overcome BoP obstacles. Participants supported the long-term vision of being customer-centric in BoP markets in Africa, and adapting governance models and decision rights to support BoP market activities.

7.2.2 Governance: Adapting Traditional Approaches to BoP Markets

7.2.2.1 Theme Findings

Participants confirmed post-GFC corporate governance of banks and the importance of their boards' ability to demonstrate that their organisations are well managed, and

that management has a detailed understanding of the operations of the bank. This supports the fact that banks need to be able to demonstrate a process of control to protect themselves and their customers, leaving managers to interpret regulation, which varies across nations and jurisdictions, and is designed by government, to set out requirements, restrictions and guidelines on banks to ensure control over standardised practices.

While the main purpose of regulation remains ensuring that banks maintain appropriate capital ratios, the most relevant requirements and restrictions for BoP markets remain: (a) AML and the process for ensuring that proceeds of crime do not enter the banking system to finance organised crime and terrorism; (b) KYC and verifying customer identities to prevent money laundering and fraud; and (c) credit control and banks' lending to customers that are unable to repay loans.

Demonstrating banks' regulating new propositions, which are sometimes unproven or inappropriate in BoP markets, is challenging for regulating teams and frustrating for project teams seeking to be innovative, who use customer insights via pilots and test-and-learn approaches to working in BoP market. The cross-case analysis found that a lack of maturity existed across the ability of banks' regulatory teams to comply with the requirements and restrictions needed to protect the bank; this aligned with a frustration across project teams creating new business models and propositions for BoP markets in Africa with no immediate solutions in the short term.

Berges et al. (2014) argued that 'regulation needs to strike a balance between stability at the level of the overall banking system, and an effective working of the market mechanism, where individual banks enter and exit the system in an orderly way' (p. 22). However, the analysis and findings demonstrated that the GFC has upset the equilibrium of control and risk on banks versus opportunity, disadvantaging global banks that operate across different regulatory regimes (particularly in the United States) and wanting to operate in BoP markets. Berges et al. further argued,

Emerging markets present better growth opportunities for banks than developed market' however the analysis of the cases governance found that the combination of fast economic growth, intense competition, excessive credit expansion and weak regulation in Africa produced an

environment where banks are vulnerable to risks which need to be managed. (p. 98)

However, the overlay of ToP practices called regulation, discussed by Rivera-Santos and Rufin (2010), frustrated banks who wanted to move broadly into BoP markets in Africa. They found it more cost effective and lower risk to follow existing customers into BoP markets. Research by Bouteiller and Marois (1999) suggests that banks should choose demographic segments within BoP markets, which leverage banks' existing domestic advantage in terms of regulatory frameworks or cost of regulation to enter BoP markets.

Rivera-Santos and Rufin (2010) expanded the literature on BoP business models, extending the BoP narrative to discuss how MNCs enter new markets. The research findings illustrated that banks' abilities to adapt their governance approach and gain a deep understanding of BoP ecosystems and networks, which is critical to the success of MNCs in the BoP (Rivera-Santos and Rufin, 2010), is significantly restricted by the systemic differences between ToP and BoP governance, regulation, and penalties upon banks for failure.

7.2.2.2 Theme Analysis

Analysis of the similarities that existed across all cases illustrated the importance and challenges of strong corporate governance for providers of financial services in BoP markets. Corporate governance includes the processes through which objectives are set and pursued in the context of the social, regulatory, and market environment. Barclays, SCB, and Standard Bank have operations and clients in the United States, and therefore are regulated by the Sarbanes-Oxley Act of 2002 and the Office of Foreign Assets Control (OFAC); all respondents at different levels of seniority referred to this issue.

Respondents in management positions expressed awareness of the risks that would result from failure to comply with OFAC regulations: significant fines for the bank and personal and reputational risks. Analysis demonstrated respondents felt accountable for ensuring their projects avoided any risk of money laundering or setting up accounts or making payments for countries, organisations, or people on the OFAC blacklist. This created tensions between an open and innovative test-and-learn

approach in the market that required adaptability of processes, testing of systems, and security procedures, as it risked unknowingly working with blacklisted customers. Many on the OFAC blacklist are in Africa or use Africa to carry out illegal activities, given the continent's weaker legal and regulatory regimes, compared to other locations in which their banks operate.

Governance across all of the cases had similarities in terms of mechanisms and processes that controlled and directed business units, country operation, and project activities. However, differences existed in terms of governance of policies, practices, and decisions that affected stakeholders to demonstrate compliance to the Sarbanes-Oxley Act and OFAC. Differences also existed in stakeholders who had budget versus relationship management responsibilities. Budget holders at a country level within BoP markets were more focused on short-term financial objectives, while respondents who had relationship management responsibilities with MNCs or NGOs took a longer term and more strategic view to ensuring that the bank's projects and activities met customers' needs and delivered tangible value.

SCB mechanisms and processes to direct projects in BoP markets in Africa differed from the other cases due to its ToP London-based team working directly with NGO leaders, while the services and support were delivered in the field across Africa via country business units and operations. This meant that relationships between SCB and its NGO clients were managed centrally by bankers in a ToP context. However, services were delivered at a country level by local managers and received by NGO teams on the ground whose span of control was limited to local stakeholders, which reduced opportunities for managers to benefit from co-creation between countries or innovation to customise solutions.

Analysis demonstrated that respondents discussed governance structures and identified a broad range of responsibilities among different stakeholders involved in BoP projects, such as the board of directors, managers, shareholders, creditors, auditors, and regulators, who were included in managing the banks' and projects' rules and procedures for making decisions. For example, the inception of the Barclays Africa Modjadji Project was not a board-level or strategic decision or part of a stated BoP strategy; the project was a response to a government request for banks to provide secure payment solutions across Africa and a desire for the bank to

act in response to the opportunity presented. However, the bank's existing governance over its operation and technology was sized to meet segmentation at the top end of the mass market and was therefore not appropriate for a BoP offering. Therefore, the bank had to create new governance and business model propositions specifically for the BoP context. This created challenges for the project team, requiring senior stakeholder sponsorship to unblock internal challenges. The Barclays Africa Modjadji Project further demonstrated that the team needed to work outside the bank's standard governance model to achieve flexibility, as the existing governance model was considered restrictive by the project team for failing to be innovative compared to other industries and BoP start-up businesses in Africa. Respondent C1/E1 stated; *'A significant proportion of time is spent managing internal stakeholders, reminding stakeholders and colleagues why this is a different proposition, navigating the governance, what we are trying to achieve and not driving the project forward, which is extremely frustrating.'* Suggesting the project must constantly sustain and adapt its approach to maintaining 'internal legitimacy' as well as 'externally legitimacy' within the BoP context to be viable, a finding not anticipated from the conceptual framework analysis.

Analysis also demonstrated that when teams were made up of colleagues with experience from outside banking who had worked on low-income propositions in South Africa and Asia, they were keen to move away from the bank's traditional approaches to delivering solutions and use experience from outside the banking sector to ensure the Modjadji Project was successful. However, respondent C1/E4 stated, *'If we get too close to the 'mothership' [the core bank] the project will get derailed and lose sight of the core aim of providing genuine value to the low-income (BoP) customer base.'*

Further analysis demonstrated that the Barclays Modjadji Project was able to create solutions with costs proportional to a low-income segment by testing different approaches within the confines of the bank's governance model. In order to gain some distance and autonomy from the 'mothership', the project was able to gain acceptance from senior management within the bank through demonstrating new approaches to creating value to the bank and the market, which maintained stakeholder support.

Analysis of the SCB case further demonstrated the importance of strong governance to manage regulation. C3/E4 commented:

For the bank managing the cost of compliance is extremely important. [The bank's] long-term strategy to build our reputation and franchise across Africa [is] based on being a committed and trusted adviser to all key stakeholders. However, the cost of compliance to the bank, for a client such as Microsoft or an NGO, is still \$100,000 a year, so we have to make the same commercial judgements based on risk versus reward, ensuring we can comply with regulations and be able to do the right thing in the market and for shareholders.

To protect its franchise, SBC demonstrated governance over how it partnered with its clients to manage environmental and social risks to create a competitive advantage for its clients, strengthen and develop long-term relationships, and contribute to sustainable economic growth in its markets. Similarly, Barclays' respondents confirmed that Barclays Africa is managed in a risk-averse manner, with a strong emphasis on protecting the bank's reputation, making it resistant to change. This culture is manifested within a framework of rules, controls, and procedures, with a strong emphasis on compliance and internal governance. The fragmented control of operational decisions acts as a barrier to working across the bank's silos or benefiting from co-creation between internal and external teams. Analysis of Standard Bank's dairy producers case demonstrated differences in approach to governance, as its governance board sat at a country level. They had greater local knowledge and deeper relationships with their clients, who were predominately large Africa corporations; this meant they had less regulatory security than SCB and Barclays, who had to overcome ToP and BoP governance challenges and extended degrees of outsidership.

A consistent theme emerged of the banks' compliance and risk management functions failing to understand the challenges of running projects in BoP markets; meanwhile, project teams believed success would only be achieved if projects broke out of banks' governance processes to test propositions directly with customers, learn from feedback, and adapt a solution to be customer-centric. Rather than follow the traditional approach of creating a complete proposition internally with no input from external stakeholders, which is the least risk to banks' but an approach that is least customer-centric, was a common theme across all cases.

Analysis of respondents evidenced different degrees of governance oversight and corresponding risk appetites across Barclays, SCB, and Standard Bank, due to the different size of their operations, clients, scope of activities, projects in BoP markets, and locations of compliance colleagues. However, all cases evidenced awareness of the risk of large fines for failure to comply with regulations; projects in Africa created more risks compared to projects in developed markets. By not having a banking license, being an MMO, or operating in the United States, Orange Money expressed less awareness and focused governance on the business; thus, it was able to launch innovative products and created a compelling customer experience for low-income and financially excluded customers more freely. The other cases expressed differences from Orange Money in terms of their frustration with the time required to comply or overcome the fuzziness of regulation of their projects. Also, the impact governance processes had on innovation and launching new services, especially mobile and digital banking services, into BoP markets was noted.

7.2.3 Business Model: Overcoming Legacy Inflexibility

7.2.3.1 Theme Findings

Analysis of the cases demonstrated no common themes or banking strategies to create new business models for BoP markets was emerging in Africa and there was no immediate significant direction for traditional banks to overcome their business models' legacy inflexibility to meet the needs of BoP customers. On the contrary, Teece argued that 'business models must be more than just a good way of doing business; they must adapt to and transcend particular customer needs' (p. 26). Furthermore, banks' profits in Africa continue to come from wealthier retail customers, and corporate and investment banking clients. Initiatives to enter mass and low-income markets has been identified; however, they have not become mainstream activities and are still considered pilot projects, with limited ability to change the core business to reduce costs and create greater flexibility.

Bank leaders historically have not seen BoP markets as a lucrative segment, because BoP customers tend to be low income, move in and out of the banking system, and to date do not adopt high-value products, like credit. They recognise the importance of the changing demographic and opportunities the BoP presents in Africa. However, their business models and strategies appear to be lagging as they

are only partially creating the right conditions for co-creation and fortune-creating strategies. This challenges London and Hart's (2004) analysis of what is required for business models to be a success in BoP markets. London and Hart stated that 'business models must ensure effective access for their customers to create the right conditions for co-creation as a mechanism to deliver fortune creating strategies in BoP markets' (p. 125). However, BoP customers in Africa are now becoming easier to access, and as a result, more attractive to financial institutions; if products are scaled appropriately, they could represent a massive revenue stream.

All banks see mobile-first business models as the best route to service BoP markets and overcome BoP obstacles, such as geographic coverage, poor infrastructure, gaps in value chains, and cost of physical presence (branches, kiosks, and offices). Findings demonstrated mobile infrastructure and devices are the key drivers for banks to change their business models to overcome their legacy inflexibility. This reinforces Teece's (2010) argument that 'the essence of business model effectiveness is when firms define the manner by which the enterprise delivers value to its customers, entices customers to pay for value and converts those payments to profit from specific customer segments or markets' (p. 23). All banks' mobile-first strategies appear to be planning to do so.

Regulation is forcing banks to assess the trade-offs and risks they face in providing banking services in BoP markets in Africa. Analysis has demonstrated three emerging approaches to business models in the BoP market that support customer-centric behaviour: (a) test, learn, and adapt, working closely or co-creating with BoP customers in the field; (b) work with partners to embed or embrace the value chain to allow banking services to be effective in BoP markets; or (c) provide standard products and services, created in developed markets and distributed into BoP markets via clients or mobile network operators. The last option exploits digital technology, like mobile phones and payment cards, to access BoP markets to build new streams of revenue in an increasingly competitive banking system. This trend will force banks to overcome their legacy business models and create new business models outside their existing franchises. In support of this theme, Teece argued that

the key elements of a successful business model is an effective distribution model and decisions on how to distribute products; whether to use the traditional distribution model as a starting point (the producer,

the wholesaler and the retailer) or the primary alternative distribution channel, for example, direct distribution across emerging markets using mobile banking. (p. 25)

Here Teece supports Barclays and Orange Money's mobile-first approach.

Finally, business models that support a focused customer segmentation approach, from banks who have divided their customer base into groups of individuals who are similar in specific ways relevant to marketing and service provision, such as age, gender, interests, location, and needs of the BoP (as defined by Prahalad, 2005), allow banks to create business models within subsectors of the BoP markets. This makes it easier to scale by understanding customer groups in detail and how to make profits from them. While bank leaders do show the social and political will to add value to BoP markets, they have not created a clear bank-led strategy for their banks in BoP markets in Africa, which will require fundamental changes to their traditional bank business models. Subsector business models might overcome the issues of banks' scaling into BoP markets and allow traditional business model challenges, high cost bases, inadequate process, and legacy technologies, to be overcome.

7.2.3.2 Theme Analysis

The cross-case analysis demonstrated similarities in that each bank used a combination of business models; the specific projects were an extension of their existing model into BoP markets to arrive at a new proposition. Traditional banks' business models are based on the secure storage of money, distribution of cash to make payments, and provision of credit in the form of loans. However, enabling technologies in the form of cloud infrastructures, mobile, and internet enabled each bank's project to be experimental in its approach to working in BoP markets, and seeking to overcome its legacy issues in the case of Barclays, SCB, and Standard Bank, who have legacy platforms and inflexible processes.

The analysis of the cases demonstrated similarities between the SCB, Standard Bank, and Orange Money business models; they were focused on generating revenues and making profits from operations while seeking to create deeper relationships with existing or new customers using existing components and functions of their businesses. However, the Barclays case demonstrated a business model extension and an experimental approach working in BoP markets by creating

a new team, infrastructure, and application to support its proposition. All respondents commented that their bank's legacy business models were less sustainable for BoP markets and needed to adapt and change to be more cost effective, agile, and scalable. To support this analysis, C3/E3 commented:

As a bank we have to adapt to digitalisation taking place within the industry, understand the importance of creating value from the acceleration of mobile technology across Africa. Exploit this to improve our capabilities to operate in BoP markets as we face strategic choices on how we organise and change our business model. We must accept digital is changing customers' expectations and see how this will allow us to extend into BoP markets, cannibalise our existing business model from within, and build a separate but internal team to foster the bank we want to become in the BoP market. However, we need to build a new culture internally and scale using low-costs platforms. Alternatively, we can change from the side, by setting up a competing business model, focused on servicing low-income customers, recognising the cost base will need to fit the margins and customer unstructured incomes. Or go further and create a start-up bank, define and create a new way of working based on overcoming BoP obstacles.

Analysis of Barclays Africa business model demonstrates restrictions in its ability to work in BoP markets, as it evolved around income and profits from corporate banking and high-end retail customers in South Africa and regional country businesses. The business model and profitability were aligned to the cost to service customers, consistent with its core systems, products, and service delivery to customer segments to support higher margin business units than a BoP customer and business unit could achieve. Higher margin business units also had embedded regulatory frameworks that slowed or resisted innovation and change, as the culture within Barclays Africa is perceived as risk averse by the respondents interviewed. Historically, transformation of the Barclays, SCB, and Standard Chartered business models has been through acquisition or product development, aiming to grow market share in customer segments or markets, while the Barclays Modjadji proposition was an extension of the existing business model leveraging new people, processes, and technologies to support the proposition, which was a new approach for the bank.

Analysis of the primary data and respondents confirmed that Barclays business unit housing the mass market customer segment called 'Retail and Business Banking' had a business model that was challenged to scale into low-income

customers across Africa, without reducing its cost base or dramatically simplifying processes, technology, and compliance (similar to the challenges SCB's business model faced). Also, ToP banks, like Barclays and SCB, had global planning processes that made them unable to deliver 'rapid development and viral growth', which hindered development of a test-and-learn or agile approach. The analysis confirmed consistent opinions on the importance of banks having a compelling mass market, low-income proposition, or risk becoming increasingly irrelevant in the BoP market in Africa unless they adopted new approaches to mass market and low-income customers.

Analysis further confirmed that all project teams had to overcome issues (BoP obstacles) related to restrictive business models in terms of policies and process not designed for BoP markets, which limited transformation and their ability to operate in the field and in BoP markets effectively. These issues included a lack of detailed understanding among executives, business units, and functional managers, of the need to work differently to be effective in BoP markets. In addition, there were no obvious linkages between business strategies and desired outcomes of working in the BoP outside key individuals; the banks' traditional measurement of the number of accounts and account profitability limited the project's ability to deliver wider value to customers quickly, requiring significant time and effort spent in internal stakeholder management 'keeping the 'mothership' happy and informed' to justify the project's aims, relevance, and continued funding. This demonstrates that the initial stages of a BoP project required much more co-creation focused on achieving internal understanding of the proposition to gain internal support, sponsorship, and permission to act.

Analysis of the Orange Money case demonstrated differences in approaches, due to it being an MMO with a more flexible business model, which allowed for the project team to focus on improving accessibility to low-income communities from the outset, even though historically it had not created scale in terms of BoP customer coverage or product relevance. Orange Money's business model was focused on improvements in infrastructure and mobile technology, which enhanced the effectiveness of its legitimacy interface by being able to adapt its core business alongside customer-centric strategies. This has a significant impact on Orange Money's ability to provide mobile money services to BoP customers, assuming they

have mobile telephones, which is a critical step towards mass market penetration and a key dependency to achieve co-creation.

7.2.4 Proposition Development: Test-and-Learn Approach Needed in BoP Markets

7.2.4.1 Theme Findings

Analysis found that bank proposition development generally focused on developed, rather than developing, customer contexts, as the majority of BoP customers in Africa remain excluded by choice, rather than cost, distance and need, as variables such as access made it challenging or impossible for banks to provide compelling bank-wide propositions. However, BoP customers in Africa are becoming easier to access as banks, card networks, and mobile network operators use digital technology like mobile phones to access BoP customer markets, at a lower cost than traditional business models, which allows new approaches, such as test and learn, to develop.

These findings challenge Hart and Casado Cañeque's (2015) argument that the banking industry pays inadequate attention to customer behaviours, pricing, and advanced technology, to provide compelling propositions to banking customers in the BoP and that the banking industry fails to introduce co-creation into its models to make it more effective. Test-and-learn approaches are allowing BoP customers to become more attractive to banks that are piloting new propositions to assess their ability to scale appropriately in BoP markets; this supports Prahalad and Ramaswamy's (2004) research finding that successful BoP ventures often included the co-evolution of product and business model development in BoP markets.

Furthermore, proposition developments in BoP markets that leveraged mobile phones to build out new financial ecosystems to access these markets, allowed banks, who had little understanding of how to develop relevant propositions for BoP customers in Africa, to effectively advance test, learn, and adapt approaches to creating new digital propositions for BoP markets; they built their local knowledge and understanding of this market segment, using customer-centricity with digital technology so that adoption could scale quickly. This supports Teece (2010), who argued that coupling competitive strategic analysis to design and implementation is necessary for sustaining a competitive advantage. This requires managers to deliver a

consistent approach across markets and propositions by: (a) segmenting the market; (b) creating a value proposition for each segment; (c) setting up the apparatus (projects) to deliver the value; (d) establishing a viable cost framework; and (e) identifying barriers to entry to ensure imitation is slow.

Mobile phones and mobile application are a key way of bringing the BoP into the financial system through services like mobile money and payments, as mobile provides account access in areas underserved by brick-and-mortar branches. A proportionally small investment in gaining a deeper understanding of the BoP's unbanked and underbanked customers has the potential to turn this market into a major revenue stream over time as customers build up larger balances; however, banks' investment in developing local knowledge and bespoke BoP propositions is not scaled to the opportunity.

7.2.4.2 Theme Analysis

Analysis demonstrated that each case took different approaches to defining and establishing their proposition for their specific BoP market in Africa. Specifically, they took different approaches to ensuring all stakeholders understood what the proposition was and seeking to achieve it for BoP customers. Each case focused its proposition on a specific customer segment, which required detailed understanding and consideration of whom each bank was seeking to serve, the associated trade-offs in terms of risk appetite, distribution and business models, and the need to work with various stakeholder groups.

The SCB approach to defining its proposition for BoP markets in Africa evolved over many decades, working with MNCs and NGOs across Africa. They worked predominately with larger corporate clients to support their ability to operate in BoP markets in Africa cost effectively, and provide traditional products and services via established distribution channels. Traditional products and services were offered to the market with minimal customisation of their developed market or ToP products and services with stakeholders. While SCB provided minimal customisation, its core proposition's benefit to its clients was confidence in its franchise and commitment to the African market, based on limited competition for the specific product or service provided by SCB.

The Standard Bank's proposition for BoP markets in Africa was different from SCB, as it was part of a deliberate strategy to co-create and integrate with its clients' value chain and the ecosystems of specific industry sectors. The development of its proposition focused on working with partners to meet specific clients' and customers' needs, with the secondary benefit of overcoming BoP obstacles. Standard Bank used partnerships, pilots, and proof of concepts before full market rollout. Benefits to the bank of the proposition were deeper relationships with its clients and the creation of barriers to entry from competition woven into its clients' value chain. The bank's clients and the BoP market derived value from its new products and services that were more bespoke customer experiences and were better able to serve segments in BoP markets.

Analysis of the Barclays Africa Modjadji Project's proposition, which was developed specifically to meet the needs of the Africa micro-SME market, showed the project developed a new experience in terms of a bespoke mobile application to support a value-creating customer experience, based on meeting the needs customers valued the most. The benefits to Barclays derived from the proposition extending its services and relevance into a new segment of the African mass market, plus the immediate benefits to customers of convenience and access to relevant services; they benefited from extending into the Barclays franchise, which was previously inaccessible.

Analysis of the Orange Money case demonstrated further differences in approaches to proposition development, as the Orange Money proposition was developed specifically to meet the needs of the financially excluded in Madagascar, unlike the SCB and Standard Bank cases where meeting the needs of BoP customers was a consequential benefit. The Orange Money project focused on developing its proposition by gaining deep customer insights based on a customer-centric approach, developed internally using 'labs', and externally with extensive piloting and refinement based on regular customer feedback and field testing. The scope of the offering of products and services exclusively focused on benefiting a country market and the financially excluded allowed the proposition to be extremely customised in terms of languages, usability, and performance. The BoP customers gained confidence in the Orange Money proposition based on Orange's commitment to the market over time, and how its proposition was specific to meeting their needs,

constantly being tested and refined to ensure continued usage and adoption of Orange Money's product or service.

Further analysis of the SCB and Standard Bank cases found similarities in their propositions: they came from an extension of their traditional proposition into the BoP market, via a desire to have deeper relationships with clients and partners, rather than being designed and developed based on a deep understanding of BoP customers' needs. In contrast, the Barclays and Orange Money propositions were similar in that their propositions used mobile infrastructure and applications based on gaining a deeper understanding of BoP market needs from the outset. A deeper customer understanding ensured that new customers valued the experience and had a customer experience they could immediately use. Barclays and Orange Money refined their propositions as they learned from feedback what the market valued most. Barclays and Orange Money's propositions were similar in that they created new propositions for new markets, and were constantly seeking to improve the effectiveness of their value proposition by gathering real customer, prospect, or employee feedback. Both cases evidenced teams focused on working with external stakeholders to increase the value propositions appeal to its target prospects.

The Barclays Africa Modjadji proposition aimed to create demand from micro-SMEs using the bank's leverage and ability to scale technology and infrastructure across Africa. The Barclays Africa Modjadji Project also learned from proven examples of digital payment services, like M-Pesa, Tigo Pesa, Airtel Money, Easypaisa, and B-Kash, among others. These propositions had advanced digital financial inclusion by giving low-income customers the ability to process frequent low-value transactions remotely and deliver a broad set of services. Key information and knowledge gained from research and interviews demonstrated that the Barclays and Orange Money propositions were designed using a test-and-learn approach to overcome BoP obstacles, working with local stakeholders and customers to overcome BoP obstacles. Respondent C1/E3 stated:

Learning directly from BoP customers in the field quickly allowed us to understand if and why the proposition was relevant, but would only be adopted and scaled, if BoP customers understood how to use their smart phones more effectively.

Analysis demonstrated elements of co-creation in learning from customers and sharing ideas from outside the bank and project team. Respondent C1/C5 commented:

Feedback from the pilot showed a strong desire for general digital literacy training; we examined how this can be added to the mobile app in future releases and can work with other bank-related programs to roll this into the communities.

Agility in the approach allowed the project team to ensure they were constantly learning from customer feedback. Respondent C1/C5 commented:

The pilot UX was too sophisticated for our entry-level smartphones user; while the app is well designed, it is not intuitive for low-end users. We overhauled the UX and already have sample screens and interactive demo that will be testing in the market this week.

The analysis of the Orange Money and Barclays Modjadji propositions demonstrated new ways of working with stakeholders to advance financial inclusion and innovation, so that more people can access a broader range of products at lower costs. Both projects recognised that innovation was already happening in their BoP markets and no single provider would be able to overcome the very different product-specific and customer value creation challenges; therefore, the teams created an ecosystem of partners whose strategy is also to serve the low-income market profitably. C1/E3 highlighted the importance of learning from others:

The relationship between identity and money and the benefits of mobile technology providing banking services to overcome the BoP obstacle of information asymmetries which prevent BoP customers from opening account, illustrated by M-Pesa. M-Pesa realised they could use transaction histories as substitutes for conventional credit ratings, extending their legitimacy interface to include agents who extended credit to BoP customers previously unable to demonstrate their identity, income and payments history, which helped to shape our thinking on how the Modjadji's proposition could be created.

Analysis of the Standard Bank case demonstrated further differences in their approach from Barclays, SCB, and Orange Money, through piloting its new propositions. Standard Bank extended its project into the field in a collaborative approach, working across 15 of its 20 flower-producing corporate clients. It

identified firms with 30 workers (three permanent and 27 temporary workers) paid in cash every seven days. C2/E5 commented:

Payment of temporary workers was made in cash every 7 days. Resulting in each producer having one day per week when production stopped, so workers could visit their banks in small towns or cities, the quality of flower production reduced and productivity was affected negatively impacting profits. Standard Bank's solution was to provide all workers with low-cost mobile handsets, allowing the Kenyan flower producers to make bulk weekly disbursements and immediate bank payment to all workers weekly. The Standard Bank proposition added value to customer by creating a payments history, notification back to the payer payment could be made and confidence in reliability of the payment as the payment was made by a reputable brand.

Analysis of the proposition demonstrated that value was created, as workers no longer had the expense of travelling to get paid or make payments; they could make mobile transfers to disburse their incomes to family and buy goods, or visit M-Pesa kiosks that could provide local access to cash when needed for day-to-day expenses. This also reduced the security risk of carrying their weekly salary in cash. According to C2/E1:

The Standard Bank and M-Pesa pilot demonstrated small changes to the bank's business model and an effective partnering approach that allowed the bank to support the bank's clients' profitability, while providing social value to low-income workers in Kenya.

Further analysis of the Orange Money project's approach to creating its proposition demonstrated that focused 'adapt, learn, and use' methods created specific customer experiences for low-income customers; it was improved further when new key performance indicators across the customer journeys moved away from a focus on product sales and financial metrics. This allowed the team to improve their proposition across all delivery channels, and especially in remote villages, which was critical to bolstering the project team's understanding. The project also learned from the Kenyan mobile payment experiences and applied lessons to the Madagascar market by making microcredit available across the mass market, seeking to achieve the benefits from economies of scale and customer relevance based on needs. C4/E1 stated:

Our approach was to work from the customer's point of view; we tried to break down the cultural barriers and help low-income customers feel Orange Money is for them. We worked to understand social and economic barriers and how to reduce them by being accessible, having accounts on the mobile that are socially accepted because we provided access to credit, reducing the need for solicitations to cash and its associated risks.

Similarly, the Barclays Modjadji Project team learned in the field and identified that micro-SMEs presented significant opportunity for banks in Africa when barriers to bank account access were removed via the mobile phones. The definition of a micro-SME is hard to standardise in BoP markets; most fluctuate as to their number of employees, income levels, and registered versus non-registered employees. Barclays defined its proposition around the subsector market of micro-SMEs with fewer than 10 employees, which represented 41% of the total African labour force or approximately 25–30 million people, with 8–15 million within Barclays Africa's geographical markets; this demonstrated a sizeable market for its proposition that was previously underexplored and illustrates how co-creation with stakeholders in the field unlocks new potential. In the same way, the Standard Bank pilot supported co-creation of the joint proposition in the Kenyan flower producers' market and used co-creation to demonstrate to the bank and M-Pesa the benefits of working together in specific customer segments. C2/E3 highlighted:

The bank offered M-Pesa the ability to mobilise low-cost added value settlement and reconciliation and also added value by understanding the business requirements and seeing partnership and collaboration as the best approach to create the right solution.

7.2.5 Partnership Strategy: Demonstrating Value in Partnerships

7.2.5.1 Theme Findings

This analysis of how Barclays and Standard Bank demonstrated value in partnerships supports Simanis (2012), who maintained that firms are more likely to be successful in BoP markets if they use existing infrastructure and local partnerships to enter BoP markets. Pioneering work on MFIs embracing new approaches to digital technology across the bank sectors has led banks to reconcile the need for new approaches to BoP markets.

Analysis of the value in partnerships for banks seeking to capture BoP customers, who have historically failed to adapt their products, processes, and technology to this complex segment, has created gaps in infrastructure, processes, and value chains. Historically, these gaps have been filled by governments, not-for-profit organisations, social entrepreneurs, or not at all. The BoP markets in Africa include various sub-economies and a large section of the financially excluded, who generally come from groups such as marginal farmers, landless farmers, self-employed, urban slum dwellers, migrant workers, ethnic minorities, senior citizens, women, and individuals with a criminal history (NextBillion, 2015). This has made it hard for banks to create standard distribution models to service all BoP customers using their existing value chains or without incurring significant costs.

Rutherford (2000) suggested that bank BoP business models must consider how to incubate technology to ensure it is sustainable, co-creates local partnerships, migrates cottage industries to generate local income, and raises standards of living across the board rather than in isolated pockets. Berges et al. (2014) reinforced the analysis further by stating that banks have increased their use of strategic partnerships with other types of companies to reach more customers in ways similar to other industries, such as utilities and airlines, which have large international customer bases (p. 113).

7.2.5.2 Theme Analysis

Analysis of the Barclays case demonstrated that the project team recognised the importance of developing different types of relationships with stakeholders who are important for the Modjadji Project to be successful. The team defined key relationships to manage interactions and negotiations with its partners, and identified initial ‘founding partner’ organisations able to build, shape, and grow the Modjadji proposition from conception to a full scale customer value proposition. The Barclays case, in the early stages of developing its proposition, found two groups of key stakeholders were needed: advisers and preferred suppliers. Advisers, such as the World Bank’s CGAP, provided expertise on the mass market and inclusion strategies for banks in Africa, which provided linkages to regional initiatives relevant to Modjadji, and supported co-funding to help develop and scale Modjadji. Preferred suppliers provided critical technical, market, research, and product development capabilities to enable market/customer immersions and support test-and-learn

opportunities and field testing of technical capabilities (Viswanathan & Srinivas, 2012).

Analysis of the Standard Bank case, in contrast to Barclays, shows Standard Bank as a more mature business but with limited access to providing banking services in isolated and rural areas, facing similar problems in supporting its clients. The existence of such problems in both rural and urban areas demonstrated that Standard Bank lacked the appropriate infrastructure and access to execute upon its ecosystem strategy to support its corporate clients. Strong leadership and co-creation with strategic partners enabled Standard Bank to make progress by developing a strategic partnership with M-Pesa. M-Pesa's platform allowed Standard Bank to co-create a joint proposition that allowed payments and collections from its corporate dairy-producer clients.

7.3 Chapter Summary

This chapter sets out an analysis of the cases and themes identified across the cases by comparing similarities and differences that exist between banks and their use of co-creation to develop relevant business models and propositions in BoP markets in Africa. Analysis of the empirical data from the case studies explored how banks provide services to companies and individuals that currently do not use banks services, and acquire understanding by working with companies, individuals and other market actors to generate services that create an infrastructure for BoP markets to 'work'. The chapter builds on the within-case study and describes the results of the cross-case analysis derived from the research process. The cross-case analysis identified themes to draw findings mapped against the literature. The chapter highlighted themes on leadership, governance, business model, propositions, and partnerships important to bank projects aimed at providing banking services to the BoP. The chapter assessed co-creation with stakeholders, achieving the case studies' objectives and impacts on their bank business models to be scalable and sustainable. The findings were mapped against literature related to BoP strategies (Prahalad, 2005), fortune-creating business models (London & Hart, 2010), sustainable development through innovation and entrepreneurship, wider business models strategies in the BoP (Hart & Casado Cañeque, 2015), and technology innovation to accelerate development in the BoP (Realini & Mehta, 2015).

Chapter 8 - Conclusions

8.1 Introduction

This chapter summarises how the research question was answered, the purpose of the study has been achieved, and the conclusions derived. The conclusion stands alone and provides a justification and defence of the thesis, reaffirms the research question, and reaches a final judgment. The purpose of this research on bank business models in BoP markets in Africa was an analysis of co-creation between banks and stakeholders to extend London and Hart's (2010) next-generation business strategies for the BoP and how banks provide services to companies and individuals that currently do not use banks' services. It analyses how banks' projects use co-creation with stakeholders to advance from fortune-finding to fortune-creating business models and overcome BoP obstacles to create relevant propositions within the African BoP banking sector.

The research used a qualitative method, multiple-case-study design to research how a sample of four banks used co-creation within their projects to develop business models in BoP markets in Africa. The rationale for selecting the research design was based on Yin's (2014) work, using multiple-case-study research of four projects as the units of analysis: (a) Barclays Africa Modjadji Project, (b) Standard Bank Dairy Distribution Project, (c) Orange Money Customer-Centricity Project, and (d) Standard Chartered Bank NGO Project.

Knowledge was gained from the research and interviews with respondents in Africa working on bank projects in the field, identified as an immature area of research. The analysis of how banks operate in BoP markets in Africa contributes to the field of study by creating new knowledge through extensive and innovative in-depth research.

8.2 Contribution

The research findings have shown important implications in terms of issues critical to success and/or failure that are critical underpinnings for BoP banking and co-creation. The contribution to knowledge evolved through a selection of practices,

identified as five themes, and analysis of their implications. The themes were derived from the research and grouped into categories to analyse business models in BoP markets in Africa. I investigated how banks use co-creation with stakeholders to operate in BoP markets in Africa. The analysis included bank business models, and analysed how banks co-create with stakeholders to fill gaps in product and service delivery. Through an extensive review of the literature, I developed a systematic approach to creating comparable case studies. The research results illustrated banks' strategies from within, with projects as the unit of analysis. Through detailed case study design I created a comparative analysis that summarised findings on how banks' strategies, business models, and projects executed in the field create effective business models in BoP markets. The results highlight and extend existing literature and present new findings and knowledge.

8.2.1 Contribution to Knowledge

The research findings both justified and contradicted aspects of the relevant literature. Findings demonstrated confirmation that strong leadership was critical to banks' operating successfully in BoP markets in Africa, concurring with Casado Cañeque and Hart (2015), and extending London and Hart's (2010) analysis into a banking context. Findings supported London and Hart's argument that new approaches for BoP markets must be based on leaders working with stakeholders, internally and externally with legitimacy. Focusing organisations' capabilities on the importance of building mutual value through co-creation and fortune-creating approaches is critical.

The findings created new knowledge by expanding Rivera-Santos and Rufin's (2010) research on banking BoP business models and extending the ToP–BoP narrative on how banks enter BoP markets in Africa. More specifically, this new research highlighted the importance of banks' abilities to adapt governance approaches to gain an updated understanding of BoP ecosystems, while understanding that networks are critical to success. Findings demonstrated no common themes or banking strategies to create new business models for BoP markets emerging in Africa, nor did they indicate any immediate significant direction for traditional banks to overcome their business model's legacy inflexibility to meet the needs of BoP customers. Knowledge gained highlighted business model

restrictions, contrary to Teece (2010), who argued that business models must be more than just a good way of doing business; they must adapt to and transcend particular customer needs. In this regard the research revealed that regulatory regimes pose significant challenges to banks working in emerging markets. Findings also demonstrated that banks were restricted by the systemic differences between ToP and BoP governance, regulation, and penalties upon banks for failure, extending the research of Rivera-Santos and Rufin (2010).

Extending London and Hart (2010), the results support the value to banks of adopting mobile-first strategies to enter BoP markets. The research also added to the evolution of the idea that business models must ensure effective access for their customers to create the right conditions for co-creation as a mechanism to deliver fortune-creating strategies in BoP markets.

The theoretical and conceptual framework based on academic literature illustrated the benefits to banks of overcoming their lack of deep local knowledge of BoP market by using pilots and test, learn, and adapt approaches, working with BoP customers in the field to ensure their propositions were customer-centric and co-evolved over time with legitimacy (London & Hart, 2004). Although BoP customers in Africa are now becoming easier to access, and as a result more attractive to financial institutions, bank leaders wanted to show social and political will to add value to BoP markets. Most bank leaders have not created a clear strategy for their banks in BoP markets in Africa, which will require fundamental changes to their traditional bank business models. Few have scaled across country or regional borders, which is knowledge that supports Berges et al. (2014).

Knowledge gained from research into banks' progress towards developing effective business models focused on surmounting BoP obstacles, mainly due to adoption and development of technology, innovation, collaboration, and co-creation between key stakeholders. The case study banks extended financial access into selected demographic segments where they could leverage their domestic competitive advantage (Berges et al., 2014). Findings extended Simanis's (2012) argument that ToP firms are more likely to be successful in BoP markets by extending existing infrastructure and entering into partnerships in BoP markets, through the development of new knowledge of Africa. Banks created successful

strategic partnerships to support BoP markets by recognising the need to adapt and change, while transitioning to be more cost effective, agile, and scalable.

Results also extended the literature on BoP customers in Africa, who are becoming easier to access as banks, card networks, and mobile network operators use digital technology, such as mobile phones. New technologies allow access to BoP customer markets at a lower cost than traditional business models, allowing new approaches such as test and learn. These results challenge Hart and Casado Cañeque's (2015) argument that the banking industry pays inadequate attention to customer behaviours, pricing, and advanced technology, to provide compelling propositions to banking customers in the BoP. The results also challenged the suggestion by Hart and Casado Cañeque that the banking industry failed to introduce co-creation into its models to make them more effective. The current case studies provided evidence that subsector business models might overcome the issues of banks scaling into BoP markets, overcoming traditional business model challenges of high cost bases, inadequate processes, and legacy technologies.

8.2.2 Contribution to Practice

Contribution to practice supports insights gained from research applicable to the implications of the findings and factors, issues critical to success and/or failures, which are critical underpinnings for BoP banking and co-creation in Africa. The results of the research support my analysis of situations where contributions to practice can be highlighted.

8.2.2.1 Banks Failing to Gain Legitimacy within BoP Markets

For a bank to be considered legitimate within the BoP, it must design banking services that are highly relevant to BoP customers. This strategy requires a degree of embeddedness or local connection with the community, which would need to respond positively to a bank's proposition. To actively achieve co-creation with stakeholders, banks must demonstrate deeper social relations and a credible desire to develop and sustain a long-term proposition with all stakeholder groups throughout the project life cycle.

To gain legitimacy within BoP markets, bank social relations must include community awareness, as staff build relationships with local communities grounded

in mutual respect and trust (Wentzel et al., 2013). For banks to effectively co-create, all of the interested stakeholders must attach credibility to the bank and its proposition. This is easier to achieve if a project and its members are embedded (e.g. live, have worked, are known, and have a track record) within the relevant communities; however, such embedding remains hindered by ToP leadership, regulatory regimes, and restrictions on teams working in the field due to security concerns (Thoenig & Waldman, 2006).

8.2.2.2 Misconceptions of Characteristics and Behaviour, and Failure to

Demonstrate Inclusive Behaviours

Martin and Hill (2015) and Wentzel et al. (2013) determined that cost is a significant barrier for BoP customers, who are simply unable to afford fees for holding a bank account, as the majority of the BoP are low-income individuals or families. Practitioners need to overcome misconceptions about the characteristics and behaviour of the poor that have led banks to treat them differently (Prahalad, 2005). The perception of how BoP customers will be treated by banks has triggered self-exclusion rather than co-creation (Wentzel et al., 2013), thereby reinforcing the need to have project teams that are connected to local communities, and ensuring feedback loops that are prompt and practical. Banks will benefit from using local resources and expertise, regardless of potentially different working attitudes and abilities. If co-creation is to be sustainable, banks must ensure the development of local talent to deliver outcomes overcoming inclusive behaviours, and demonstrate commitment to remaining actively engaged in a dialogue across an extended time and over multiple interactions with people of different beliefs and values.

Operationally, bank management must ensure that they engage in solutions that achieve interlocking functions across value chains and distribution channels. Management must work across business silos and provide a seamless experience across all segments and types of customers to ensure that perceived or actual negative differentiation does not occur. This is especially related to the collection of personal data and a bank's approach to risk-profiling BoP customers. Strategically, managers must ensure solutions are scalable (Hedley et al., 2006). Projects must be designed to allow quick responses to market demand; infrastructure and resources must be available within the local emerging-market context to avoid negative

differentiation through service failures. Banks' solutions should have the perception of being bigger than they actually are, from the outset, to encourage confidence in effective access and give BoP customers the confidence to secure adoption and regular usage (Teece, 2010).

Banks' project location strategy must ensure access, convenience, and certainty of physical and mobile services for existing and future customers across all aspects of the distribution model, in order to overcome the obstacles that the financially excluded have historically experienced. For example, branches must not be too far away to be useful and products must not be too expensive. This strategy will encourage the BoP consumer to move away from informal methods of saving and money exchange (Chaia et al., 2010).

8.2.2.3 Effective Governance that Demonstrates Internal and External Legitimacy

Operating in the BoP requires banks to have effective governance. Credibility of the bank's approach to governance related to the BoP is achieved when managers have local decision-making authority that supports in-country projects, clients, and service delivery in local markets. The tenure of the local managers responsible for governance (on average, managers with 10 years or more of experience), plus the credibility of board members and non-executives, ensures that BoP banking projects have effective governance. The credibility of non-executive directors brings further local credibility with regulators and enhances the bank's consumer perception. Non-executive directors reinforce the relevance of the bank's BoP strategy, understanding of local market conditions, and ability to deal with crises and market volatility.

Effective governance ensures that the right levels of experience, skills, and escalation are in place throughout a project to deal with local and international risk mitigation requirements. For example, Simanis and Hart (2008) argued that MNCs must demonstrate adherence to policies that protect the environment; these must be visibly followed at all times and in accordance with local conditions, such as respecting local working conditions, office practices, traditions, and customs to re-enforce the brand and proposition promise to customers.

Knowledge gained from the current research highlighted that project sponsors, bank executives, board members, and business unit management need to be

politically accepted by the state, key ministers, policy makers, and regulators to unblock issues and enhance the legitimacy of banks in BoP markets. Legal status within both jurisdictions and a record of paying local taxes, abiding by local tax laws and practices, and contributing to regulatory best practice, rather than seeking minimum compliance, is critical for a bank's long-term success (Carbo et al., 2005).

8.2.2.4 Banks Fail to Understand BoP Customers Are Very Brand Aware

Prahalad (2005) argued that the dominant assumption that the poor are not brand conscious is wrong; on the contrary, the poor are extremely brand conscious out of necessity. Insights from research in banks operating in the BoP demonstrated that banks must have the customer's trust. The bank's brand and a project's sponsoring organisation must be acceptable and appealing to target audiences (Carbo et al., 2005). BoP customers are universally brand conscious, either through trust or aspiration. Knowledge gained from the cases emphasised that consideration must be given as to whether the bank's brand attribute transcends languages, cultures, and demographic groups, or whether a new or sub-brand is required to be considered legitimate within the target market (Prahalad, 2005). This reinforces the importance of the project level inputs and a customer-centric feedback. Banks' effectiveness in the BoP will be improved and co-creation will be achieved when banks design propositions that explicitly address the customer's needs, taking into account low levels of education, limited income, and use of local languages (Martin & Hill, 2015; Wentzel et al., 2013).

One example of a bank's brand proposition failure would be Barclays, who in 2005 spent £2.9 billion on a 60% stake in Absa, as part of its strategy to generate 50% of its earnings from outside the domestic UK market and recover its reputation in Africa (Ackrill & Hannah, 2001). This was the bank's biggest foreign direct investment in South Africa since it had been forced out of the country in 1986, due to political pressure from within Britain and across South Africa. However, the Barclays brand in Africa is remembered by many for its tag *Boerclaysbank* (White man's bank), because of its stance during the apartheid era. This reputation caused Barclays to sell Barclays National Bank (Barnat) after British students deserted it in droves because of its association with the apartheid government (Treanor, 2005). Barclays failed to overcome its historical brand challenges alongside the operating

model's need to reach rural areas. For example, men in South Africa travel to cities to work and hire taxis to send money back to their families because they do not have bank accounts. The Absa strategy was focused on reaching BoP customers living in the townships, which has transformed Absa's customer base from 8% Black to 50% Black since 1992. This illustrates the results of Absa's strategy to create an effective operating model for its BoP market (Treanor, 2005), while illustrating the importance of bank brands being relevant to work in African markets.

Wentzel et al. (2013) extended the discussion by highlighting that banks in the BoP can improve adoption if they address the issues of trust, cost, language, and customer treatment. Bank projects need to focus on improving these attributes to create a brand promise that supports the bank's strategy to achieve co-creation and mutual value, as previously noted by Simanis and Hart (2008) and Wentzel et al.

8.2.2.5 Banks need more Suitable Products to be Successful with BoP Customers

The conceptual models of the thesis outlined how banks and their projects must focus on creating unique products and services appropriate for BoP needs, which often requires a new approach in terms of investment, technology, and people. Success for banks in the legitimacy interface requires products to meet the needs of BoP customers; therefore, they are different in nature from the products marketed to customers in the developed world (Napier, 2010). Historically, many banks have assumed that net financial margin on microenterprise loans are very high but remained sceptical that product profitability, based on the significant transaction costs involved, could be achieved without mass market scale; this assumption restricted the creation of new or customisation of existing products for BoP customers (Carbo et al., 2005).

Moving beyond London and Hart's (2010) fortune-finding paradigm, insights from knowledge gained from the cases demonstrated that banks must decide to prioritise the creation of BoP products, even if they acknowledge that the microfinance portfolios generate a lower net profit for the bank. The total net income may not be sufficient to attract significant attention within the bank compared with other product lines that have larger volume and larger net profits (Young & Drake, 2005). However, despite this diversity, certain customer preferences and new needs repeatedly arise, regardless of whether a bank's customers are from the BoP. Product

design within the legitimacy interface, for example, must consider that customers often value service, reliability, and speed of decision making over price. Cases highlighted that sophisticated and experienced borrowers, especially those in a competitive microfinance market, will make decisions based on price as well, which means product and pricing decisions for banks seeking to attract BoP customers at scale must be closely aligned. This concept extends Young and Drake (2005).

Payroll and pension payment services are often a bank's first contact with BoP customers. By offering to convert these payment services into direct deposit savings accounts, banks have diversified and grown their deposit base and overcome the barriers of information asymmetries. In this way banks build the foundation of a relationship and create the ability to offer diverse financial services to customers who previously used banks only to collect payments or cash their cheques; this relationship is based on trust and effective access to banking services that deliver meaningful value (Carbo et al., 2005). Young and Drake (2005) argued that to make deposit services available to low-income clients, banks must offer no or low minimum balances, and provide access through frequent withdrawal and minimum fees, as these factors tend to be more important to BoP customers than the amount of interest paid.

For BoP loans, this means reducing and simplifying the paperwork, formal collateral, and time involved in applying for and receiving a loan. The collateral and co-signers that banks have traditionally required are often not available, and the costs of legally registering and executing guarantees are prohibitive relative to loan size; thus, non-traditional collateral needs to be accepted. Like informal property rights, marital status often is not formalised, which can further complicate traditional contract enforcement. Overcoming product obstacles will help banks quickly achieve co-creation in BoP markets. As most BoP customers also have lower levels of education than traditional bank clients, they require and value assistance in the application, information-gathering, and transaction processes. Even a written signature can be an obstacle for some illiterate clients, which means the bank's customer service for BoP customers must be led by customer experience and insights.

Bank product segmentations (e.g. personal banking clients, microenterprises, and small enterprises) differ significantly from each other and consequently require distinct products, services, and underwriting criteria. Many banks consider microenterprises as a way to generate small-business banking and lump the two together. However, whereas most small enterprises (micro-SMEs) come from the microenterprise segment, the vast majority of microenterprises will never become small enterprises. Moreover, whereas some salaried employees and pensioners want loans for business purposes, they may be for risky start-up enterprises or even for consumption purposes. Insights demonstrated that understanding the needs of these diverse segments has important implications for the products offered, which is likely to be more limited for consumers and microenterprises than for small businesses. Such an understanding will also help to create an operating model that will ease the bank's path to co-creation with BoP customers by offering them relevant and considerate products and services within their legitimacy interface (Young & Drake, 2005).

8.2.2.6 Banks Partially Failing to Deploy Partnership Strategies in the BoP

Research gained from the case studies demonstrated that a bank's localised understanding of value creation must be apparent and demonstrated from the outset (Simanis & Hart, 2008). Deploying business venturing strategies through franchising, agents, or local ecosystems of vendors and suppliers, or even treating the community as the customer, will enhance the effectiveness of a bank's legitimacy. Simanis and Hart (2008) built on co-creation and argued that MNCs must fill their capability gap to achieve mutual value in the BoP. Interviews created knowledge which demonstrated that mutual value, in this instance, means banks must work with BoP communities at each stage of the process to create value for all partners that is important to each (Simanis & Hart, 2008). Simanis and Hart argued that the 'co-' in co-creation expresses the need for companies to work in equal partnership with BoP partners and communities to imagine, launch, and grow sustainable businesses. Creation supports the logic that co-generated business concepts accelerate the ability of firms to identify new value propositions, especially in the absence of existing products in the market that can be used to reveal customer preferences and needs, which is often the case in BoP markets. Within the conceptual model and legitimacy interface, banks' ability to identify and agree to partnerships across value chains will

ensure that their operating models are culturally appropriate by building on local resources and capabilities (Simanis & Hart, 2008).

Hart and Simanis (2008) introduced the BoP protocol, an entrepreneurial process that guided companies in developing business partnerships with income-poor communities in order to ‘co-create businesses and markets that mutually benefit the companies and the communities’ (London & Hart, 2010, p. 120). Additionally, banks will benefit from partnerships that ensure banks are seen to be making a direct and local impact; banks’ profits are not simply being distributed back to the bank, avoiding mutual value creation (London et al., 2010).

Research demonstrated the evolution of an idea that banks entering into local partnerships are essential within the legitimacy interface, as they support the creation of necessary capabilities. This extends the thought of London et al. (2010), who asserted that MNCs who collaborate in innovative ways with governments, NGOs, and groups of multiple stakeholders, reduce their barriers to entry, advance local access and distribution channels, and alleviate constraints to creating value, not only for local producers but also for themselves.

8.2.2.7 Exploiting Enabling Technologies Supports Bank Strategies in the BoP

Knowledge gained from the cases highlighted the value of mobile technology to banks; it is the biggest opportunity to transform their approach to servicing BoP markets in Africa, as new forms of money are created, stored, accessed and exchanged. This shift in the availability of personal technology is one of several critical factors changing perceptions of what is possible in terms of customer self-service and coverage for banks across Africa (Gould, 2016; Krugel, 2007; Mambu, 2015; Rangan & Lee, 2010).

Insights further demonstrated that enabling technologies, such as social presence, information access, and cloud computing, have the ability to transform bank business models. Highlighting the knowledge gained, many banks have created a variety of social presences. Some have built reputation and customer communication strategies around their social presence, while others have begun to deliver access to online banking transactions via social commerce (Reeves & Sabharwal, 2013).

The emergence and rapid adoption of a variety of forms of social media and P2P interactions are significant in terms of customer engagement. Research demonstrated that ToP customers are selective towards social media that combines easy access to information and bank services with reassurances about security and data privacy; in both ToP and BoP markets, social media is having an increasing influence on how consumers interact with their banks (Reeves & Sabharwal, 2013).

The growing availability and reduction of the cost of technology in BoP markets provides consumers with more access to data and information. Consumers now demand the ability to process that information at any location. The location and context for financial transactions will take on increased importance as customers come to expect a more personalised approach from banks in BoP markets (Rangan & Sengul, 2009). Knowledge gained from the research highlighted that cloud-driven initiatives within banking can achieve significant returns, particularly in terms of agility in the marketplace (Guardado, 2016). Cloud activities will be pervasive once they are embedded in banking activities; bank coverage and depth of service will increase while costs are reduced. Knowledge gained also highlighted that BoP banking customers are living increasingly digital lives, with access to technology and information that enable them to make better and more efficient decisions across their day-to-day interactions with companies and other individuals (Guardado, 2016). BoP customers are changing the way they use existing banking services, primarily through the integration of social media sites and services, which is forcing banks to adapt by tailoring personalised products and services to these digital channels. These trends highlight the importance to banks of adopting enabling technologies and test-and-learn and customer-centric approaches. Banks need to develop mobile-first strategies that are capable of supporting services to BoP customers in Africa to maintain competitiveness (Krugel, 2007).

8.3 Originality

The originality of this research is that it created knowledge not fully explored in the literature, in terms of focused insights on banks' fortune creating and co-creation in Africa. The contribution does so without adding the complexities of the global poverty reduction agenda, the issues of microfinance, and the ways in which philanthropists and governments work in partnership at the BoP, which is outside the

scope of this study and the main area of research highlighted in the literature. The originality of the research also comes from the timeliness of the study given the significant impact enabling technologies are having on disrupting the ability of banks to change their business models by exploiting digital and mobile technology, thus allowing banks to reduce their distribution costs and therefore service new markets. Expanding areas of the literature not fully explored in terms of mobile technology and mobile-first strategies to overcome the challenges banks have historically had in adapting to local market conditions in BoP markets.

8.4 Limitations of the Study

The study limitations that had the greatest potential impact are the following:

1. While significant insights have been gained regarding the issues related to banks co-creating and working with stakeholders in BoP markets, the generalisability of the findings is limited; due to the unavoidable time and resource constraints, only four projects could be studied in depth.
2. The focus was exclusively on BoP markets in Africa. It is possible that the findings do not necessarily apply to other contexts and markets, such as Asian or Latin American BoP markets.
3. I focused only on Western banks. It may be that banks from major emerging countries face fewer obstacles and develop distinctive business models that merit separate studies or comparative analyses.

These limitations could be overcome through future research by increasing the number of interviews and case studies, spending more time in the field, or choosing a different focus as discussed above to build on the results of this thesis's findings.

8.5 Indications for Future Research

Direction and areas for future research arise out of the research limitations identified in terms of the number of case studies, whether to narrow and deepen the research into Africa, and country or product specific study. Researchers may want to broaden into regional comparisons and into a specific BoP customer segmentation or proposition to support generalisation (Sethi, 2009).

There is scope for a great deal more research in areas such as linking business strategies and business models to factors that motivate banking executives to play a larger role in poverty reduction in emerging countries. Another worthwhile area for continued research would be how banks collaborate across different banking and non-banking organisations such as retailers, telecommunications, and infrastructure providers, to emulate other low-cost mass market businesses, such as Amazon, eBay, and Google, within their inclusive banking business models; however, this is out of the scope of this study (Rangan & Lee, 2010).

8.6 Thesis Summary

This study answered the research question on bank business models in BoP markets in Africa and analysed co-creation between banks and stakeholders by concluding that there is no definitive bank BoP strategy that is more or less effective than another. The research explored how banks provide services to companies and individuals that currently do not use banks services, and acquire understanding by working with companies, individuals and other market actors to generate services that create an infrastructure for BoP markets to ‘work’. The research found that banks that collaborated positively with stakeholders demonstrated a deeper understanding of their local market, customers, and context, and used test-learn-and-adapt approaches to achieve customer-centricity which were more relevant to BoP customers and markets. The research identified the importance for banks of strong leadership to lead changes that can overcome legacy business models, adopt agile and low-cost technology, and exploit mobility of financial services to have the greatest impact on their ability to succeed in BoP markets in Africa.

Success for bank business models in BoP markets in Africa will come from working with stakeholders to build or buy capabilities that transform their digital customer experience and propositions. Banks must use data to improve their abilities to acquire customers, service customers, provide credit, and deepen relationships through cross selling to achieve customer retention and loyalty. The case study analysis demonstrated that the proliferation of mobile devices across Africa is shifting BoP customer preferences among demographic groups and competition between banks, as customers expect real-time and cross-channel capabilities; physical distribution, branches, and kiosks, although relevant become less important.

Banks must work to reduce their cost disadvantages by simplifying, digitising, and streamlining their operations and cost bases. Bank business models in BoP markets in Africa require structurally lower cost bases; working with partners and stakeholders will allow banks to adopt new technologies and create opportunities to test, and scale to achieve efficiencies and new propositions (Aharoni, 2006).

The demographic shift taking place in Africa and the ubiquity of mobile devices will accelerate the demand for banking services; however, evidence demonstrated that banks still need to improve their trust with BoP customers by creating fully personalised propositions and services. Banks who use customer-centric approaches to achieve personalised propositions and services will need to focus on specific customer segments that are more likely to be receptive to what they are offering (Barnard, 2011). As co-creation with stakeholders ensures BoP customers' sensitivity to costs, openness to remote delivery and distribution is aligned to banks' need to build and scale sustainable business in BoP markets that create mutual value.

Co-creation between banks and stakeholders must also acknowledge that regulatory tolerance for lapses on issues such as AML, compliance, credit-related impacts and KYC will be low. Banks will need to build better relationships with regulatory regimes to enable them to operate more effectively in BoP markets in Africa. The research concluded that bank business models in BoP markets in Africa are inconsistent in heritage, strategies, approach, and scale; however, all the case studies recognised the scale of opportunity for banking in Africa, and the need for co-creation between banks and stakeholders to deliver upon their strategic intent in BoP markets in Africa.

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Appendix A - Research Protocol

The selected interview design is a general interview guide approach (McNamara, 1999; Turner, 2010).

Protocol:

- Same general information is collected from each interviewee.
- Researcher controls the interview with flexibility based on prompts from participants.

Approach Followed:

- Preparation for the interview, following McNamara's (1999) eight principles:
 - a. Choose setting with minimal distractions.
 - b. Explain the purpose of the interview.
 - c. Address terms of confidentiality.
 - d. Explain format of interview.
 - e. Indicate length of time interview will take.
 - f. Share contact details for follow-up if needed.
 - g. Ask interviewee if they have any questions before starting.
 - h. Do not count on your memory to recall all answers.
- In constructing effective research questions, McNamara (1999) recommended five principles:
 - a. Wording should be open ended to allow respondents to choose their own terms for answering.
 - b. Questions should be natural, avoid words that might influence answers.
 - c. Questions should be asked one at a time.
 - d. Questions should be worded clearly in tune with respondents' culture and customs.
 - e. *Why* questions should be limited or used carefully.

- In implementing the interviews, McNamara (1999) recommended seven principles to ensure interviews were completed successfully:
 - a. Occasionally verify the tape recorder is working.
 - b. Ask one question at a time to secure a complete response.
 - c. Remain as neutral as possible; don't show strong emotional reactions to responses.
 - d. Encourage responses with appropriate body language (e.g. nodding of head).
 - e. Take notes consistently to avoid a specific reaction which might influence future questions.
 - f. Provide transition into major topics.
 - g. Avoid losing control of the interview by allowing the respondent to move onto new topics.

Appendix B - Interview Guide

About You:

1. What is your name, working location, and position within the bank and on the project?
2. What are your primary functions and responsibilities in the bank and on the project?
3. What are your core skills and number of years of work experience?
4. What previous experience do you have of working with financially excluded markets, BoP markets, customers, suppliers, and partners?

About the Project:

1. Describe the project's objectives at the outset and success criteria, as you understood them.
2. Did you feel the bank's strategic objectives and team's local project objectives were aligned?
3. Were the project's objectives communicated across the bank and to all stakeholder groups?
4. Did the project have the right people and processes in place across all stakeholders from the outset?
5. Did the project use local resources, regardless of potentially different working attitudes and cultures?
6. Did the project make plans for business as usual activities to be run locally or with local teams and partners?
7. How did the project ensure the team focused on creating sensible solutions within required regulatory and compliance practices?
8. How did the bank support the project to ensure products were priced transparently, with terms and benefits appropriate for the less financially literate?

About Partners and Customers:

1. Describe the market segment, customer base, and bank's proposition.
2. What was your perspective on the bank's approaches to launching new products and services to the underbanked/unbanked markets and customers?
3. How much importance was placed on customer education and developing financial literacy?
4. What market insights or partners were used by the project to ensure local knowledge and customer preferences supported decision making?
5. Did the project learn from any existing organisations or competitors locally to support detailed understanding?
6. Did the project work with any specialist suppliers or technologies?
7. Did the service delivery model create any new practices for demonstrating inclusive behaviours and learnings from customers and local partners?
8. Did the distribution model provide local access and convenience to customers as a priority?

About the Project's Governance and Reporting:

1. Did local managers have full autonomy and accountability?
2. Did local managers have sufficient budgets to make capital investments in the projects?
3. What level of decision makers (country, business unit, product manager) did the regularly report project progress?

Appendix C - Secondary Data

Case Study 1: Barclays Africa Project Modjadji

- Barclays Group Technology Strategy Board Presentation - 11th March 2014
- Barclays Project Modjadji board briefing paper, 5 October 2015
- World Bank, CGAP Customer-Centricity Capability Self-Assessment - Initial Feedback, Barclays Africa, 25 September 2015
- CGAP Customer-Centricity Capability Self-Assessment Part 2: Report, 12 November 2015
- Barclays Project Modjadji Business Model: Modjadji, 26 August 2015
- Barclays Project Modjadji ExCo September offsite, 24 August 2015
- Barclays Project Modjadji Collaboration Strategy

Case Study 2: Standard Bank Dairy Distribution Project

- Standard Bank - Kenya Ecosystem (mp4 video)

Case Study 3: Standard Chartered Bank

- Banking on Africa: Standard Chartered's Social and Economic Impact, a report by Dr René Kim and Professor Ethan B Kapstein, 2015
- *Financial Inclusion: Reaching the Unbanked*, Special Report, 4 September 2014, Madhur Jha, Samantha Amerasinghe, and John Calverley, Economics Research, Standard Chartered
- <https://www.sc.com/en/news-and-media/news/global/2014-09-05-Financial-Inclusion-Special-Report.html>
- <http://www.standardchartered.com/sustainability-review-08/en/sustainability/access.html>
- <https://www.standardchartered.com/sustainability-review-08/en/sustainability/access.html>
- <https://www.sc.com/en/sustainability/performance-and-policies/impact-reports/sub-saharan-africa-report.html>

- <https://www.sc.com/en/news-and-media/news/global/2014-09-05-Financial-Inclusion-Special-Report.html>

Case Study 4: Orange Money Madagascar

- World Bank Customer Centricity Event, September 2015, Johannesburg, South Africa: <http://www.cgap.org/photos-videos/cgap-customer-centricity-partner-event>
- https://en.wikipedia.org/wiki/Orange_Money
- <http://www.zdnet.com/article/bank-what-bank-orange-visa-and-the-changing-face-of-africas-mobile-money/>
- <http://www.paymenteye.com/2015/02/06/orange-and-ecobank-launch-mobile-money-transfers/>
- <http://www.cgap.org/blog/small-farmers-mobile-banking-financial-inclusion-madagascar>

Appendix D - Case Study Descriptions

Description of the case study companies supporting Chapters 6 and 7.

Case Study 1: Barclays Africa

Barclays Africa is 62.3% owned by Barclays Bank PLC. Barclays Africa's strategy is based on being a local and regional bank with access to global technologies and products, with an ability to connect customers and clients to global markets using deep African insights from its local operations across Africa. Barclays Africa provides integrated products and services across personal and business banking, credit cards, corporate and investment banking, wealth and investment management, and insurance (Barclays Africa, 2015).

Barclays Africa's business model, created before digital and mobile banking service became mainstream, and was built around core systems, physical channels, and products aligned to profitability from wealthy and corporate banking clients, not directly for the mass market or BoP customer segments in Africa. Barclays Africa grew through acquisition, creating functional and business unit silos, and historically focused on growing market share with a cost base, technology, processes, and risk management in specific customer segments above the BoP mass market in Africa (Barclays Africa, 2015).

Barclays Africa's registered head office is in Johannesburg, South Africa, with majority stakes in banks in Botswana, Ghana, Kenya, Mauritius, Mozambique, Seychelles, South Africa, Tanzania (Barclays Bank Tanzania and National Bank of Commerce), Uganda, and Zambia. Barclays Africa also has representative offices in Namibia and Nigeria, and insurance operations in Botswana, Mozambique, South Africa, and Zambia; Barclays Bank Kenya and Barclays Bank Botswana are listed on their respective stock exchanges. Barclays Bank PLC has operations in Egypt and Zimbabwe, which are an integral part of Barclays Africa's coverage and ability to services customer and clients across Africa (Barclays Africa, 2015).

Case Study 2: Standard Bank

Standard Bank is a full-service financial group offering transactional banking, saving, borrowing, lending, investment, insurance, risk management, wealth management, and advisory services. Standard Bank's head office is in Johannesburg; it has a deep heritage in South Africa that provides a strong base for growth across Africa. The bank is structured into three business units comprising: (a) personal and business banking, (b) corporate and (c) investment banking and wealth management (Standard Bank, 2015).

Standard Bank Group is the largest African bank, with total assets of R 1.859 billion (approximately US\$153 billion), market capitalisation of R 259.2 billion (approximately US\$21 billion), and 51,000 employees. The bank offers a range of banking and related financial services across 20 countries on the African continent, and owns a controlling stake in the South African listed insurance company, Liberty Holdings Limited (Standard Bank, 2015).

The bank's strategy is to deliver superior return on equity and sustainable growth in earnings over the long term. The bank's strategy supports the group's purpose and factors that underpin the principle of legitimacy as its guiding principles and vision. The bank's strategy supports the belief that its long-term profitability depends on the stability and well-being of the African continent. The bank's culture supports accountability, effective decision making, and social relevance (Standard Bank, 2015).

The personal, business, and commercial business units offer banking and other financial services to individual customers and businesses from small to large enterprises in South Africa and 17 countries in sub-Saharan Africa. Standard Bank offers solutions to customers, from the most basic to the most sophisticated of financial services, and ensures customers' requirements are met through the most cost-effective and convenient method (Standard Bank, 2015).

Case Study 3: Standard Chartered Bank

SCB has been operating in Africa for more than 150 years. It is active in 15 African countries, serving over one million retail customers, 100,000 SMEs, and over 6,000 corporate client relationships. The bank provides a comprehensive range of wholesale and consumer banking services. It contributes to sub-Saharan Africa's development by channelling the efficient use of local savings and investment, playing a vital role in financing cross-border trade and investment, and bringing innovation in financial services (Standard Chartered Bank, 2015).

As of 31 December 2012, SCB provided financing to businesses, consumers, and government agencies within sub-Saharan Africa worth \$10.6 billion, which includes \$3.5 billion of international finance and a GDP contribution, through its lending, directly or indirectly associated with \$10.7 billion of value added in sub-Saharan Africa. This equals 1.2% of the region's GDP and 1.8% of the combined GDP of the countries in which SCB is present. SCB and its clients, through its lending, directly or indirectly, support some 1.9 million jobs in sub-Saharan Africa. This is equivalent to about 0.6% of the region's total workforce and 1.2% of the workforce in the countries where SCB is present (Standard Chartered Bank, 2015).

SCB's strategy is to channel capital from the rest of the world into Africa; historically the world's most capital-constrained region. The bank finances deals that are too large for local banks, partly through international finance, or convenes other banks in syndicated financing for major projects. In many of the countries where it is present, SCB is an important trader in secondary markets, actively deepening local capital markets. This in return enables better pricing of financial instruments and thus better allocation of capital in these economies (Standard Chartered Bank, 2015).

The bank's activities in Africa mean it can attract and develop some of the best talent in Africa. Over 98% of its employees are African. Thirteen of the bank's 15 country chief executive officers are African. In addition, more than 300 African staff work outside their home market in the bank's global network, helping to transfer international best practices into and out of Africa. The bank's strategy for Africa is to deepen its impact in sub-Saharan Africa, by further increasing its engagement with SMEs and by catalysing the region's economic complexity, for example through greater access to supply chain finance (Standard Chartered Bank, 2015).

Case Study 4: Orange Money Madagascar

Orange Money is the mobile money service of Orange S.A., available in most of the group's affiliates in Africa. It enables its users to cash in money on a wallet linked to their mobile phone number and to access a wide range of services, such as domestic and international money transfer, bill payment, and airtime top-up. Orange Money was rolled out for the first time in Côte d'Ivoire in December 2008, with basic services: cash-in and cash-out, airtime top-up, Orange bill payment. After an inconspicuous launch, Orange organised a large advertising campaign in 2009 and reached between 100,000 and 150,000 subscribers within a year. The roll out planned in Mali and Senegal is suffering some delays and the services were not operational as of January 2010, while one of Orange's key competitors, MTN has announced a rollout in 15 countries in Africa (Orange Money, 2015).

In 2011, Orange Money reached the threshold of 3 million subscribers and was rolled out in Senegal, Madagascar, Mali, Niger, Kenya, Botswana and Cameroon. It launched in Mauritius and Jordan between 2011 and 2012. The service now includes water and electricity bill payment in most countries, and the possibility to access savings and insurance products. In 2013, Orange Money enabled VISA card payments and ATM cash-out in Botswana. At that time, Orange Money was available in 13 countries (including Morocco, Uganda and Guinea) and served 8 million subscribers. In October 2014, Orange announced that it has reached the threshold of 12 million subscribers to the service. Subscription is free and accessible from any point of sale displaying the Orange Money logo (Orange Money, 2015).

To access the service customers need to fill in a subscription form and provide a copy of their passport or national ID. To deposit money in their account, customers can visit any Orange Money point of sale (kiosk) to pay money 'cash-in' to their accounts. Customers can also receive money from other users through a P2P transfer, or directly receive their salary on their account. Customers directly access their accounts on their phone, through a USSD menu. This menu allows them to check their balance, to change their secret code, and to access all services available in their country. Every transaction is protected by a 4 digit pass code (Orange Money, 2015).

The main services are cash-in, cash-out, airtime top-up, domestic and international money transfer, and bill payment (water, electricity, pay TV, education,

phone bill, etc.). Orange Money was available in 13 countries in 2014 covering Botswana, Cameroon, Egypt (under the brand Mobicash), Guinea, Ivory Coast, Jordan, Kenya, Madagascar, Mali, Mauritius, Niger, Senegal and Tunisia (under the brand Mobimoney; Orange Money, 2015).

Orange Money is similar to the M-Pesa service launched in 2007 in Kenya by Safaricom, which was a revolution for the local economy with over 17 million monthly users over a 19 million adult population (Orange Money, 2015). The other main competitors for Orange Money in Africa for this type of services are MTN, Airtel, Vodacom and Millicom. Some local firms also operate this kind of services, like Telma in Madagascar. These mobile money services enable the populations to access basic financial tools in countries where bank accounts are still limited to a minority; the financial inclusion rate is approximately 24% in sub-Saharan Africa (Orange Money, 2015).