Managing inequalities with WhatsApp: A sociolinguistic approach to emergence-based institutionalisation of a financial inclusion programme

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Introduction

Multinational Enterprises (MNEs) are constantly faced with the challenge of managing inequalities. Indeed, bridging 'institutional distance' between markets requires managing geographically bounded inequalities and disparities (Lumineau et al., 2021). Moreover, increasingly MNEs have been called upon to directly address Grand Challenges such as economic inequalities (Neto, 2019). MNEs have taken up this challenge, creating products aimed at serving poor communities in developing countries (Seelos & Mair, 2007; Webb et al., 2010). This constitutes a double challenge for MNEs who need to develop products that genuinely contribute to redressing societal inequalities, while simultaneously establishing organisational practices to overcome intra- and inter-organisational inequalities when managing these products in informal settings.

Collaborations with local organisations and other stakeholders – including non-governmental organisations (NGOs) – are a particularly important tool for firms to purse successful strategies in informal settings while addressing development challenges (Webb et al., 2010). Such collaborations can over time lead to the emergence of proto-institutions (Lawrence et al., 2002) that provide the basis for more permanent bridges over the interface between formal and informal economies (Mair et al, 2012; Nason & Bothello, 2022).

However, we still know very little about how and when exactly interactions between business partners in informal settings lead to the establishment of proto-institutions (Hensel, 2018; Colyvas & Maroulis, 2015). Recent studies have focussed on the emergence of proto-institutions as a result of 'emergence-based institutionalisation,' i.e. bottom-up, relational processes through which 'a practice moves from rare and unacceptable to preponderant and legitimate' (Colyvas & Maroulis, 2015: 601). This focus on relational processes can be usefully applied to enhance our understanding of how foreign firms manage inequalities in developing countries through trust-building practices.

We study a micro-credit project in Eastern Africa targeted at small shops in poor areas. Financial inclusion programmes rely increasingly heavily on advanced technologies to deliver services that reduce poverty, while also relying on modern technology – specifically WhatsApp – to manage such programmes in infrastructurally challenging locales. This creates *technological inequalities* that add an additional dimension to the institutional disparities between Western companies, local partners, and the poor communities targeted.

We draw on multiple datasets, including interviews, fieldnotes and a unique data set of WhatsApp messages exchanged between members of the project team spanning two years (2018-2020). We apply an interactional sociolinguistics (IS) approach to study in detail how new practices emerge over time in and through interactional processes, leading to proto-institutions.

Our study seeks to answer the question: What interactional processes lead to the emergence of practices that allow organisations to overcome inequalities between different stakeholders in financial inclusion projects and thus make the collaboration viable despite these disparities?

We contribute to the literature on inequality by showing how practices emerge and are institutionalised that allow organisational actors to overcome inequalities within and across organisations. We also contribute to the literature on proto-institutions by showing how institutions and trust relationships emerge as a discursive practice through interaction and to the literature that seeks to move beyond simplistic conceptions of informal contexts (Mair & Marti, 2009; Bothello et al., 2019; Nason & Bothello, 2022)

Theoretical background

Organisations play a key role in creating and perpetuating societal inequalities (Amis et al., 2020). Yet, firms have also become involved in initiatives seeking to reduce economic inequalities, e.g. through so called 'base of the pyramid' (BoP) strategies (Seelos & Mair, 2007). Financial inclusion initiatives have received particular attention for their promise to alleviate poverty and – often – their failure to deliver on that promise (Banerjee & Jackson, 2017).

A key challenge for financial inclusion programmes stems from the fact that the inequalities they seek to remedy pose problems to the management of such programmes themselves.

Indeed, the literature shows that doing business in developing countries – especially when also aiming to deliver social value – requires unique capabilities (Lashitew et al., 2021).

Foreign companies' increasing reliance on technologically sophisticated business models further deepens the inequalities between actors in the formal and those in the informal economy. Such business models require technological literacy, familiarity with, and trust in technologies that actors based in informal economies may not have.
At the same time, technology is also increasingly used to try and bridge the gap between the formal and the informal spheres. Specifically, WhatsApp has become a key management tool in informal settings, because it is relatively widely available even among very poor strata of society in developing countries (Gomez Cruz & Harindranath, 2020; Tufte, 2017). In the context of our study WhatsApp provides a discursive space for actors to navigate and bridge the interface between formal and informal institutional spheres.

The reliance of actors in informal contexts on personal relationships and interpersonal trust rather than impersonal transactions and 'generalised trust' (Lazzarini et al., 2008; Oborn et al. 2019; Zaheer & Venkatraman, 1995) constitutes a specific challenge facing foreign companies in developing countries. Conversely, personal interactions between business partners can over time lead to the establishment of 'proto-institutions' – i.e. "new practices, rules and technologies that transcend a particular collaborative relationship and may become new institutions if they diffuse sufficiently" (Lawrence et al. 2002: 281).

Such proto-institutions are not necessarily consciously designed (Boxenbaum, 2004), but emerge from practice and are subject to relational processes of "emergence-based institutionalization" (Colyvas and Maroulis, 2015). We surmise that in developing countries, such 'bottom up' emergence-based processes play a key role of bridging 'institutional interfaces' (Mair, et al., 2012) between the formal and the informal economies. They do so by generating interpersonal, familiarity-based trust (Lazzarini et al., 2008).

Management studies often see trust as an attitude that exists depending on institutional arrangements or is inherent in any inter-personal relationship (Wang & Gordon, 2011). In contrast, the discursive approach see trust as something that is constructed in a social context and that requires constant work to maintain (e.g., Candlin & Crichton, 2012). In line with the discursive approach, we investigate participants' trust-building practices, which can morph into proto-institutions bridging different institutional spheres.

Methods

Case context

Our empirical case is a micro-credit programme involving a global financial service provider, a global fast-moving consumer goods (FMCG) company, a local bank in an East African country, a Western fintech SME, and two NGOs delivering text message-based basic financial literacy training to customers.

The programme provides interest free micro-credit to the owners of small shops in poor areas. These shops are often cash-constraint, which means they are unable to meet the demand for FMCGs due to their inability to purchase enough stock, thus limiting their income and growth potential. Without collateral, they are unable to obtain credit from regular banks, which pushes owners into the arms of predatory lenders. The programme seeks to solve these issues.

Rather than providing cash loans, the programme provides 'store credit,' i.e. shop owners order products from the FMCG company with the ability to pay later. The credit is interest-free for seventeen days, after which interest accrues. Rather than asking for physical collateral, the FMCG company uses data on previous trading and repayment activity to assess each shop's creditworthiness and credit limit.

The programme is based on a complex digital system that allows shopkeepers to manage their credit via feature phones using unstructured supplementary service data (USSD) rather than smart phone technology. It also comprises an app for onboarding of shops, to take orders, and to monitor stocks and repayments. Onboarding and ordering are handled by field sales representatives (FSRs) who are employed by 38 different key distributors (KDs), which are independent companies. The link between the FMCG MNE and the KDs is made by territory managers (TMs) who are employees of the FMCG MNE but involved in managing and monitoring the FSRs at the KD daily.

The programme therefore involves a complex set of face-to-face and technologically mediate relationships and actors spanning the formal and informal economies. Figure 1 provides an overview of the actors involved in the project and the flow of data/information amongst them. The figure also illustrates the actors that are part of the WhatsApp group that we analysed.

Data

Our empirical data is based on a combination of field notes from participatory observation, 11 semi-structured interviews with 13 actors, and instant messages from WhatsApp.

Two researchers carried out participatory observation and interviews in a week-long field trip to the East African country in February-March 2020, which also included informal discussions with managers, bankers, TMs, FSRs, and shopkeepers. These observations were recorded as field notes by two researchers.

We obtained WhatsApp messages from a project management group that includes the local and global project managers (PMs) from all firms involved, the TMs of the 38 KDs, and the FSRs. The data covers the period from the establishment of the group on 3 April 2018 to 12 August 2020 and comprises 7356 messages.

All the data – interviews, fieldnotes and WhatsApp messages– were read and coded in full under one master coding structure using a software programme for qualitative data analysis, NVivo to obtain a holistic understanding of the data sets and identify themes emerging across the multiple data sets (Corbin & Strauss, 2008). In a next step, based on an initial thematic analysis, we will adopt an interactional sociolinguistics (IS) approach to study in more detail interactional processes through which participants construct social meanings and trusting relationships in the digital setting, and to understand how shared language and proto-institutions emerge over time.

Findings

Our interviews, the participatory observations, and the discussions with shopkeepers revealed that a key problem of the programme is the distrust towards the technology involved. Shopkeepers only interact with the programme using USSD code on their feature phones to receive their credit balance and make payments using the digital money system *Mpesa*. This often leads to the feeling among shopkeepers of a lack of transparency, which turns into suspiciousness and hostility towards the programme when errors occur. Thus, the PM at the financial service MNE mentioned the case of a shopkeeper who had partially repaid his credit. However, due to a technical problem the credit balance did not update. Despite reassurances from the PM, the shopkeeper became suspicious of the programme and refused to pay the remainder of the balance, which led to interest payment becoming due on that outstanding amount (Interview 3, 25 February 2020).

Our field observations show that the shopkeepers' suspiciousness towards the technology reflects a more deep-seated distrust towards bankers and the local bank involved, which in turn relate to the deep economic inequalities in this African country. One shop owner told us: "This project is great, but they should have chosen Barclays and not [the local bank]. Stores would be much more open to it." (*field notes* 24.2.2020).

In this context of distrust in the technology and the local bank, the TMs and the FSRs' roles have evolved to include one of building trust through personal interaction with shopkeepers and thus bridging the gap between the shop owners lived experience in the informal economy and the formal requirements of the programme emanating from the companies involved.

The following excerpt illustrates how this new role first started to emerge from communicative interaction in WhatsApp:

> *[15/12/2018, 08:44:45] [TM:] hi..Am aware [customer name] paid his 1000k+ dues few weeks ago. But seems he has an outstanding of 1,191.50 from [data provider]. Is it possible I get break down of the Actual plus interest to understand this value? […]*
> *[16/12/2018, 06:10:23] [PM Fintech SME]: Hi [TM name]. I will share with you the actual statement tomorrow*
> *[…]*
> *[19/12/2018, 10:03:55] [PM Fintech SME]: That customer still owes KES -1,191.5*
> *[…]*
> *[19/12/2018, 10:09:25] [PM Fintech SME]: I am getting a lot of flak from frustrated FSRs across several groups. Let's all appreciate and inform our customers that they are dealing with a computer algorithm- which does not reason like humans. If the customer owes even a small amount, the computer treats that customer as a debtor, which is the true status. I appreciate their frustration but they need to understand that this is not personal and therefore they should educate the outlet owners to always pay up even just one shilling on top of the amount indicated*

[19/12/2018, 10:38:36] [TM]: Thats visible from the ussd. What the customer is asking for is can he be made aware of the calculations leading to that balance
[19/12/2018, 10:44:30] [PM Fintech SME]: Ok I can request the statement for you

The PM at the financial services MNE – whose previous job was as a TM at the FMCG MNE involved in the programme – described to us how, as a result, by 2020 the TM's and FSRs' role had expanded beyond the contractual obligation of the FMCG MNE and the KDs to include the practice of reminding shop owners of payments.

> "[I]t is not in the contract [of the FMCG MNE and KDs] that that they have to follow up on the payments. But for me […] when I also was at [the FMCG MNE] I know, when you go to sell, you have to be paid. I mean, it's the part of a salesman's job. […] You only give the shop what you've been paid. […] I told them [TMs and FSRs] "no", we have to also try on our side in as much as these are […] customers [of the programme]. Responsibilities [for repayments] will maybe [be with] the bank [but] even we have to have that responsibility. And that is [why] now, like for me, I started posting for them [in WhatsApp] - you know: Today when you go out [to] these other shops which are restricted, ensure you talk to your customer about paying. So, now we've had this understanding where even the sales reps they make it their kind of their duty […]. And you see like now it's actually catching up on the ones who actually refused to pay […]." (Interview 3, 25 February 2020).

Yet, this emerging practice was not only one of reminding and monitoring that payments were made on time. Rather, over time a trusting relationship between FSRs and shopekeepers emerged that we observed during the field work. Several shopkeepers could be observed handing over their mobile phones to the FSRs for them to help check their balance or make payments (field notes). On 27 February 2020, the PM at the Fintech SME commented:

> "And then the [shop] owners [….] use […] USSD. So basically, the interface with the bank is only through USSD. They [….] have no card, no app, no nothing. They just only interact with bank through USSD to check their balance and maybe make a payment. So, many of those sales reps have formed a close relationship with the outlet owners, to an extent that the outlet

owner would hand them over their phone, help them pay through Mpesa, help them figure out the balance, etc. So, there's a trust, an element of trust that’s there.” (Interview 7, 27.2.2020)

Discussion & conclusion

These findings provide a first example of an emergence-based institutionalisation process of trust-building practices necessary for the programme to work. In the initial phase, the lack of trust in the underlying technology and the local bank hampered uptake and jeopardised the viability of the programme. The evolving role of the TMs and FSRs made them key actors in bridging the interface between the informal and formal spheres by establishing trusting relationships with shopkeepers. Therefore, establishing (social) trust in the technology and the programme happened through the emergence of personal relationships, which led to ‘familiarity-based’ interpersonal trust (Lazzarini et al., 2008). Once interpersonal trust was established as ‘a necessary background condition’ (Watson, 2009, p. 475-476), trust became more generalised so that even the frequent turnover of FSRs – many of whom only stay with the KDs for a few months – is not a problem anymore (Interview 10, 17.7.2020).

Our study will allow us to identify further processes of emergence-based institutionalisation that rely on trust-building practices leading to proto-institutions that help overcome inter- and intro-organisational inequalities and disparities.

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Figure 1: Overview of project participants and communication flows