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ENTREPRENEURSHIP AT THE BASE-OF-THE- PYRAMID: EXAMINING THE ROLE OF TRUST (SUMMARY)

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 SUMMARY **ENTREPRENEURSHIP AT THE BASE-OF-THE-PYRAMID: EXAMINING THE ROLE OF TRUST**

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Principal Topic

The relationship between trust and venture performance has been systematically examined on samples from developed economies, frequently producing positive associations. However, it is not clear if trust plays a similar positive role in base-of-the-pyramid (BOP) markets, which are characterized by weak formal institutions and can leave entrepreneurs with little recourse if others act opportunistically. In this paper, we examine: (a) entrepreneurs' trust in their exchange partners and its influence on entrepreneurial venture performance in BOP markets and (b) key conditions that moderate this relationship. We focus on three theoretically relevant exchange conditions that center on entrepreneurs' ability to: (1) draw upon legal recourse in cases of opportunism (i.e., a venture's legal (in)formality), (2) absorb losses when experimenting with trust (i.e., the availability of slack resources), and (3) know when to trust (i.e., the entrepreneurs' level of education).

Method

We test our theory using a sample of 272 entrepreneurs operating in Swaziland, a prototypical BOP context.

Results and Implications

Contrary to findings in developed markets, our results suggest that trust is negatively related to ventures' performance in BOP market settings, identifying an important boundary condition for the generalizability of trust perspectives. Our study also contributes to research on boundary conditions *within* trust perspectives (Krishnan et al., 2006; Poppo et al., 2008) by examining what factors intensify or erode the effect of trust on venture performance in BOP markets. The results suggest that even in BOP markets in which weak formal institutions dominate, formality enables entrepreneurs to use the potential for legal recourse to their advantage in dealing with trust-based relationships. Similarly, whereas higher levels of education can increase entrepreneurs' awareness of potential opportunism, slack resources might lead entrepreneurs to take too many risks in trusting their exchange partners. This study contributes to our understanding of what factors determine venture performance in BOP markets, adding to the research on sources of heterogeneity among ventures' performance. Overall, the results underscore the value, and risks, of trust in inducing entrepreneurship in BOP markets.

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