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Microfranchise emergence and its impact on entrepreneurship

Abstract Our investigation uses structuration theory to explore the emergence of a microfranchise whose aim is to raise the income of smallholder farmers in Kenya by enabling an increase in productivity. This longitudinal real time qualitative study tracks the key actions taken in developing the venture, beginning in the conception phase of startup and continuing through to the initial stage of operations. In doing so it focuses on how agency and structure reciprocally influence the resulting social enterprise. The findings indicate that agency is not exclusive to the founders. Rather it was distributed among the micro-franchisor's stakeholders to significantly shape the nature and scope of the enterprise. While franchising, generally, is not noted to provide autonomy and independence to franchisees, we find the opposite in this emerging market context. Implications are discussed.

Keywords microfranchise emergence, emerging markets, social entrepreneurship, autonomy, necessity entrepreneurship, longitudinal study

Introduction

Beginning in the 1980s there has been increasing support, globally, for programs and initiatives aimed at encouraging entrepreneurship. Foremost among the early supporters were economic development policymakers (Cappellin 1992; Glasson 1992; Pecqueur and Silva 1992) intent on addressing the growing dependence on governments to create jobs, particularly in rural disadvantaged regions experiencing declining and disappearing industries. Indeed, the longstanding association of entrepreneurship with independence and autonomy had considerable appeal.

More recently, social development policymakers, as well as philanthropists, have been embracing the entrepreneurship mantra in response to persisting levels of poverty that decades of government (and other forms of) intervention have been unable to reduce. In differentiating this distinct domain of activity, where the purpose is very much social in nature, the term "social entrepreneurship" (SE) has been widely adopted.

Nowhere is the challenge of poverty more pronounced than in Kenya. In this emerging market context, which is commonly referred to as the Base of the Pyramid (BOP), we find mostly necessity entrepreneurship. This is a consequence of the constrained structure, the social and economic context. Thus, entrepreneurial agency is limited by the poor opportunity structure. But structure and agency exist dynamically; agency can modify structure and vice versa. We examine an unusual but interesting form of business organization – the microfranchise – to see if the different structure affects the distribution of agency. In doing so, we use Giddens' structuration theory.

For social entrepreneurship, a field that is relatively new, the need for theory-building is well-recognized (Arend 2013; Choi and Majumdar 2014). Toward that end, we argue that the use of different lenses enable us to gain a richer understanding. As with any complex phenomenon, taking different views contributes insight (Sarason, Dillard and Dean 2010). Indeed, such insight is important in a field where theory is lacking.

Our research contributes in three key areas. In terms of theory, it demonstrates the dynamic and collective aspect of agency and the fact that different stakeholders can play different roles over time, highlighting the need for longitudinal research. In terms of policy, it suggests that in emerging markets, providing support to microfranchises can be an effective way to enable individuals to help themselves, by leveraging education and training to provide a hand up as opposed to a hand out. Finally, in terms of practice, it shows that being a necessity entrepreneur is not an immutable destiny. Rather, microfranchising can serve as a key enabler in transforming from necessity to opportunity entrepreneur in a social enterprise context.

The paper is organized as follows: It begins with a review of the literature that explores how the relationship between autonomy, independence and entrepreneurship manifests itself in an emerging market context; the role of agency and structure in (social) entrepreneurship; and the link between franchising, microfranchising and entrepreneurship in a start-up context. Next it presents the methodology, outlining the research design as well as case selection, data collection and analysis. Upon providing a contextual overview, the findings are presented followed by analysis, discussion and conclusions.

Autonomy, independence and entrepreneurship

Autonomy and independence – two inter-related terms - have long been associated with entrepreneurship (for example, see McClelland 1961, 1975, 1987; Miller 2015; Sexton and Bowman 1986). As key non-monetary motivators for engaging in the entrepreneurial process (Rindova, Barry and Ketchen 2009; Zhu, Chen and Li 2011), these concepts continue to be studied, particularly among nascent entrepreneurs. Autonomy is defined as “the ability to work independently, make decisions, and take actions aimed at bringing forth a business concept or vision and carrying it through to completion” (Lumpkin and Dess 1996 in Lumpkin, Coglisier and Schneider 2009 pp 62-63) with independent thinking and action part and parcel of autonomy. For many prospective entrepreneurs, autonomy means having control over one’s own destiny by being one’s own boss (independence). Accordingly, it is a key aspect of entrepreneurial value creation.

While research has established that non-monetary motivations are important across the spectrum of firms that are started (Zhu, Chen and Li 2011), these conclusions are based on research that is primarily conducted within a developed country context. Within a developing - heretofore referred to as ‘emerging market’ – context the circumstances are quite different, especially for those individuals at the Base of the Pyramid (BOP).

Indeed, non-monetary motivations tend to be associated with ‘opportunity entrepreneurs’ (individuals starting a business to take advantage of a unique market opportunity) rather than ‘necessity entrepreneurs’ (individuals who start a business when there is little or no employment

available) (Reynolds et al. 2005). Recent research (Liñán and Fernandez-Serrano 2014) has shown that necessity motives are tied to economic conditions, whereby low-income countries have higher rates of entrepreneurship and lower levels of opportunity entrepreneurship. According to Reynolds et al. (2005) the notions of necessity and opportunity entrepreneurship relate to the earlier work on ‘push versus pull’ motivations for starting a venture (Amit and Muller 1995; Block, Kohn, Miller and Ullrich 2015; Cooper and Dunkelberg 1986; Solymossy 1997).

In a BOP context, ‘necessity entrepreneurs’ predominate. Studies of necessity entrepreneurs have uncovered distinct socioeconomic attributes -lower education, for example (Block and Wagner 2010; Poschke 2013). Moreover, these individuals were found to differ from ‘opportunity entrepreneurs’ in other attributes as well such as the level of human capital (Block et al. 2015). With necessity entrepreneurs ‘pushed’ into entrepreneurship, they tend to have less time and resources than those individuals who are ‘pulled’ into venture creation (Block et al. 2015). Indeed, necessity entrepreneurs typically have lower growth expectations and operate smaller businesses than their opportunity entrepreneur counterparts.

‘Necessity entrepreneurs’ in emerging markets, characterized by low levels of education and human capital, tend to operate a microenterprise in the informal economy. With no social safety nets and virtually no employment opportunities, it is not surprising that the primary motivation for engaging in the entrepreneurial process would be monetary in nature.

In BOP contexts, characterized by low incomes, we would expect franchisees to be necessity entrepreneurs while franchisors would be more opportunity driven and, therefore, autonomy would play more of a role in their motivation. But how would this be different in the social entrepreneurship domain where the primary motivation for launching an enterprise is at the ‘societal’ rather than ‘individual’ level? While autonomy is important to entrepreneurship, few studies have looked at how it contributes to the entrepreneurial value creation process (Lumpkin et al. 2009). We aim to gain insight into this issue in an emerging market context.

Agency and Structure in (Social) Entrepreneurship

Exploring the role of autonomy and independence in the entrepreneurial process focuses attention on the age old question: Are individuals ‘masters of their own destiny’ or are they subject to the control of ‘social forces’? This question has preoccupied sociologists and anthropologists for decades. In responding to it, three distinct positions have emerged (Peacock and Kao 2013). The first, originating with Weber, considers action to be the result of individual judgment and decisions, with society consisting of aggregated individual action. The second, traced to Durkheim, considers the behavior of individuals and the relationships between them to be solely a result of the influence of structures (such as family, law, market). The third sees the relationship between ‘structure’ and ‘agency’ as one of dialectic synthesis. Scholars adhering to this position, notably Bourdieu and Giddens, view both structure and agency as important in the explanation of social life and organization. At the core of this perspective is the mutual and equal co-determination of agency and structure (Connor 2011).

While there are various ‘agency’ theories, a common assumption is that individuals are motivated by self-interest and within the process of social exchange, exchange or relationships will only continue if both parties perceive themselves to be ‘profiting’ (Homans 1961). While this perspective’s explanatory utility within the broader field of entrepreneurship may be defensible, the same cannot be said when it comes to social entrepreneurship, a field in which self-interest has no conceptual purchase.

Criticisms, generally, of agency theories (Connor 2011; Duncan 2000) include an inability to explain the role of norms, cooperative collective action or to consider power in exchange relationships. However, it is within the context of poverty that the focus on agency has garnered the most scathing criticism - for ignoring social and economic inequalities (Schild 2007). In aligning with the ‘agency’ camp, policymakers have been criticized (Connor 2010 ii99) for developing social welfare policies that draw on and try to impose a particular notion of agency. Arguably, agency theory provides an inappropriate conceptual foundation for social entrepreneurship - activity focused on addressing the poverty and marginalization (Defourny 2001; Mason et al. 2007) that occur as a result of inequalities.

The theories and approaches of the structural ‘camp’ view structures as ‘supra-individual phenomena’, with the attributes, attitudes and behavior of people explained according to individuals’ position within wider social relations. Accordingly, understanding how society works requires studying the structures and their configurations at particular times and places (Connor 2011). In denying agency, adherents of this perspective believe that individuals, groups and communities have no potential or capability to ‘chart their own course’. However, social entrepreneurs such as Muhammad Yunus (Grameen Bank) and Dr. G. Venkataswamy (Aravind) provide evidence to the contrary, thereby challenging the adequacy of explanations that are solely structural.

The discussion thus far suggests that *both* agency and structure may have a role to play in social entrepreneurship. Outside the agency/structure polar opposite positions are perspectives that view structure and agency as both the producers and products of historical processes (Connor 2011) which, in turn, offer potential explanatory value for the context under study. Of the two most prominent among these perspectives, Bourdieu’s focus on ‘reproduction’ was not deemed relevant as a conceptual basis for social entrepreneurship, a process oriented toward finding innovative solutions to the problems associated with poverty and marginalization. However, Giddens’ structuration theory, which is focused on change, is considered well aligned with social entrepreneurship as change is inherent in innovation.

Structuration theory specifies a reciprocal relationship between agency and structure. Therefore, these constructs cannot be understood separately (Mair and Marti 2006; Sarason, Dean and Dillard 2006). The structural properties of social systems are both medium and outcome of the practices that recursively organize. Indeed, structures are not created without agents and they cannot be maintained or changed without agents (Sarason et al. 2010). In turn, actors may be both enabled and constrained by the duality (Peacock and Kao 2013). Essentially, in deciding “to make a difference”, the agent is viewed as the causal starting point for any eventual historical change (Giddens 1984 p. 14).

Mair and Marti (2006 p. 40) view social entrepreneurship as “a process resulting from the continuous interaction between social entrepreneurs and the context in which they and their activities are embedded.” Adopting structuration theory as the lens to investigate the emergence of a particular form of social enterprise – a microfranchise - offers a different perspective on the entrepreneurial process – one whereby the social entrepreneurs (founders) and the social structures co-evolve (Mair and Marti 2006; Sarason, Dean and Dillard 2010).

We do not purport this to be the only way an understanding of microfranchise emergence can be developed. However, structuration theory has a capacity to add insight into the interconnection between the context (structure) and the microfranchise founders (agents) (Mair and Marti 2006). It suggests that social structures both constrain and enable [social] entrepreneurs in the venture emergence process. Despite widespread consensus that entrepreneurship is a dynamic process that occurs over time, there is a dearth of research that studies the process as such. In doing so, we aim to contribute to the limited knowledge base characterizing social entrepreneurship (Grimes, McMullen and Miller 2013) by examining and theorizing about the role of agency and structure in an emerging market SE context.

Arguably, structuration theory can facilitate a better understanding of social entrepreneurship as it has a capacity to consider how social structures influence action and how action, in turn influences structure. With the assumptions underlying the main theories used in researching franchising - agency theory and institutional theory – proving to be invalid in a BOP context (Kistruck, Webb, Sutter and Ireland 2011), this underscores the inappropriateness of adopting either of the polar opposite positions here. The next section explores the franchising concept, its relationship to entrepreneurship and its role in an emerging market context.

Franchising, Microfranchising and (Social) Entrepreneurship

While franchising, broadly, is well recognized as a business growth strategy (Kistruck et al. 2011; Welsh, Alon and Falbe 2006), it is not always recognized as a form of entrepreneurship (Ketchen, Short and Combs 2011). For many scholars, the reduced decision-making autonomy and lower risk are among the reasons franchisees are considered ‘managers’ rather than ‘entrepreneurs’ (Seawright, Smith, Mitchell and McClendon (2013). However, a poll (Ketchen et al. 2011) of the editorial board of one of the leading entrepreneurship journals – Entrepreneurship Theory and Practice – was less definitive when it came to franchisors. In fact, the majority of respondents indicated they *would* consider a founding franchisor an entrepreneur and that research focused on the start-up stage of franchising would be well within the domain of entrepreneurship research. Indeed, few entrepreneurship scholars would dispute the contention that the independent founding of any organization would involve risk taking and autonomous decision-making.

The paucity of published research articles on franchising in the top entrepreneurship journals, underscores the need for more rigorous study of franchising relationships and processes (Combs, Ketchen, Shook and Short 2011). A review of the extant literature indicates that agency theory and resource scarcity theory are the conceptual frameworks that have been relied upon in theoretically grounded franchising research. Yet, most of this research has been focused on

developed economies, with the exception of Kistruck et al. (2011) who focused on understanding the economic benefits to the microfranchisor in emerging markets.

Franchising is generally defined as “a contractual arrangement in which one firm, the franchisor, licenses a business concept, operational system, or trademark to a second firm, the franchisee” (Kistruck et al. p. 505). In an emerging market/BOP context the term ‘microfranchise’ is used to describe “a vetted and replicable turnkey business” that is sold to franchisees in subsistence markets who, in turn, are provided with proven mentoring, marketing and operating procedures (Christensen, Parsons and Fairbourne 2010 p. 595). What differentiates a microfranchise from a traditional franchise is “the intent to alleviate poverty” (Fairbourne 2006 p. 18; Kistruck et al. 2011). In an emerging market context, franchisors focus on increased profits with a concomitant focus on the microfranchisee and how he or she benefits. Some of these benefits include increased income, legitimacy (from being linked to the formal economy), access to training, formal marketing, collateral, legal protection as a certified vendor... (Christensen et al. 2010; Fairbourne 2006).

In comparison to a traditional franchise where the focus is solely on generating personal financial gain for the franchisor, the microfranchise is differentiated by its focus on generating public social benefits in BOP markets. When it comes to research, microfranchising is similar to traditional franchising in that it has yet to garner much theoretically grounded research attention (Christensen et al. 2010; Siqué 2012), despite its growth in popularity and practice. Of the research that has been done, much of it focuses on the microfranchisee. Indeed, a comprehensive search of all entrepreneurship journals found no research dealing with franchise start-ups in emerging markets.

We contend that structuration theory’s capacity to simultaneously consider agency and structure forms an appropriate basis for better understanding one form of social entrepreneurship - microfranchising. For example, franchising is noted for requiring strict compliance with policies, procedures and rules (highly structured) while contracts within emerging market countries are known for being legally unenforceable (Siqué 2012). In using structuration as a theoretical lens, it is possible to better understand how this context impacts issues like autonomy and the entrepreneurial start-up process more generally.

Although the literature sets out microfranchising as a scaling strategy that is anchored in replicating a proven business model, there is a need for theoretically grounded research to better understand it. In identifying and studying a rurally based case where microfranchising is being used as a start-up strategy, it helps to address the void in rural social enterprise research (Munoz, 2011). Moreover, it provides insight into the issue of how agency and structure interactively influence social enterprise emergence.

Method

Research design

Since developing a microfranchise from scratch is a process, there is a need to study it as such. Indeed, gaining an understanding of process requires a longitudinal design to facilitate tracking

over time which encourages the development of theory that builds explanations forward, thereby averting hindsight bias. It also requires methods that allow research participants to talk about their experiences and what they mean to them (Gartner, Bird and Starr 1992).

Arguably, adopting a longitudinal case study design is well suited to our purpose. Case study is known for its capacity to accommodate different perspectives (Howorth, Tempest and Coupland 2005) and build theory when a phenomenon is poorly understood (Cepeda and Martin, 2005; Roethlisberger, 1977). Indeed, the merits of conducting qualitative research that tracks a nascent venture over a number of years has been espoused by Miller (2011) as a way of ‘enriching our understanding’ of the activities of entrepreneurs. However, longitudinal research in the field of entrepreneurship has been sparse (Galloway, Kapasi, and Whittam 2015). One noted exception is a study of Bangladeshi female entrepreneurs (Maas, Seferiasdis, Bunders and Zweekhorst 2014), although this covered a fairly short time period – two years. Moreover, there have been very few investigations that have focused on the recursive relationship between agency and structure in the formation of a social enterprise.

Case Selection

The selection of Seed, Stock and Supplies (SSS) for ongoing study was rather serendipitous as the researchers were introduced to one of the founders during the conception phase of the microfranchise’s development. As the proposed enterprise was pursuing a unique, non-traditional solution to a social problem and had no proven business model at the outset, the researchers seized the opportunity to study its development. Indeed, at that time, the founders had a vision of being ‘born to scale’, which is one attribute that distinguishes this venture from franchises in the western world that have a well-established business model prior to scaling. Taking into account that high-growth ventures typically represent three to five percent of all small firms (ICSB Bulletin, 1993; Industry Canada 2013), having the chance to study a nascent social enterprise that has high growth aspirations presents a rather rare opportunity. Although growth has been associated with both franchises and microfranchises, it has not been examined in a start-up context. Since the investigation began before the process outcome(s) was known selection bias is avoided.

Data collection

Data were collected annually over a four year period. During the course of the investigation, multiple data collection methods (both primary and secondary) were utilized. At conception, semi-structured interviews were conducted with the cofounders. These included questions such as the following¹: ‘Can we begin by talking about how the original idea for SSS developed?; Considering the context SSS is operating in, how do you view your capacity for obtaining the various resources that you need in terms of supplies, employees, start-up capital, working capital, customers? Annual follow up interviews were conducted in subsequent years.

As franchisees joined the organization, annual interviews were conducted with them as well. The following provides a sample of the questions asked of them at the outset: ‘Can we begin by talking about how you decided to become a SSS agrodealer?; In your view, how has your

association with SSS influenced your capacity for obtaining: supplies, employees, start-up capital, working capital, customers, technology, and quality standards?’

In year four a farmer focus group was undertaken as well as interviews with funders. Additionally, these forms of data collection were supplemented with observation as the researchers spent time at various franchise events and activities during the field work periods. Secondary data included various organizational documents including records, reports, press releases, website information and other ‘grey literature’ which was used in triangulating the primary data gathered from the interviews and observation. This enabled us to develop a more holistic and contextual understanding of the microfranchise’s development.

To date, 21 interviews with active franchisees have been conducted. Initially all franchisees were interviewed, as we intended to track them over time. However, in year three, with only one original franchisee remaining, additional franchisees were added to the cohort. These additional franchisees were selected based upon being part of the organization for at least a year. The interviews were recorded and transcribed verbatim. Pseudonyms are used to protect the identity of the respondents.

Analysis

Upon documenting the decisions and actions taken by the co-founders at conception, we reviewed the data, both on an annual basis and over time, to identify changes/milestones in the organization’s development. Indeed, structuration theory sees the socio-economic system as dynamic and receptive to agentic change. We then examined the nature of agency associated with these major developments/events (these being identifiable manifestations of agency). In reviewing the text of actors playing key roles in developments, different types of agency were identified. We found that the type of agency differed as the microfranchise developed. The interconnections between the context and the change agents were then assessed.

Context

Emerging/ BOP markets are renowned for being very poorly served, having inadequate infrastructure and chronic shortage of resources (Gupta, Beninger and Ganesh 2015; Sheth 2011). For the most part, people depend upon the local informal economy which is inefficient, offers poor quality goods, and has poor distribution (Hammond, Kramer, Katz, Tran and Walker, 2007; Subrahmanyam and Gomez-Arias 2008).

Those in the BOP often pay higher prices than mid-market consumers for the same service or commodity (Hammond et al. 2007). Therefore, when they do spend, large portions of their incomes are spent on only the necessities for survival, with food dominating BOP household budgets (Hammond et al. 2007). Most people have no bank account or access to financial services.

The average annual income for those at the BOP is below US\$3,000 (London and Hart 2010). Being short of cash, BOP consumers tend to shop daily and buy very little at a time. Among those earning less than US\$3,000, (Guesalaga and Marshall, 2008) 82.6 of the buying power is concentrated among people with an income of \$2,000 or less.

Key obstacles to financial self-sufficiency include a lack of business-related skills and a dearth of goods and services available to the poor due to an absence of delivery systems (Fairbourne 2006). Operating and regulatory environments also are difficult (Hammond et al. 2007). The challenges presented by the economy tend to be reflected in the quality of life people experience. For example, many live in informal settlements with no formal title to their dwelling, lack access to water and sanitation services, electricity, and basic health care. (Hammond et al., 2007, p. 4).

The situation in Kenya typifies an emerging market context. Its population is estimated at 44.4 million (World Bank 2015), with close to 80 percent of it dependent on agriculture (Bryan et al. 2013; Kibaara 2006). More than three quarters of the population live in rural areas, and rural households rely on agriculture for most of their income. The rural economy, in turn, depends mainly on smallholder farming (Kinyua 2004), which produces the majority of Kenya's agricultural output.

The Kenyan economy displays most of the characteristics of emerging market economies. Noted among the country's challenges are poverty, inequality, governance, low investment and low firm productivity (World Bank 2015), although poverty has declined from 47% in 2005 to 34-42% recently (Unicef 2015; World Bank 2015). Indeed, the poverty headcount ratio at \$1.25 a day is 43.4% (World Bank n.d.). Among those with an income of \$3,000 or less, 47.1 percent of expenditure is on food (Guesalaga and Marshall 2008).

About 70 per cent of the poor are in the central and western regions, living in areas that have medium to high potential for agriculture. Poverty and food insecurity are acute in the country's arid and semi-arid lands, which have been severely affected by recurrent droughts. Indeed, Kenya has the dubious distinction of being one of the most unequal countries in the sub-region.

Kenya also has one of the world's highest rates of population growth, tripling in the past 35 years. This increases pressure on the country's resources, leaving young people vulnerable to poverty. In rural areas subsistence farming is the primary source of livelihood for most women, who face additional challenges due to unequal access to social and economic assets. Rural poverty in Kenya is also strongly linked to environmental concerns – especially poor water management, soil erosion, declining soil fertility and land degradation. Climate change, which is one of the major challenges facing the Kenyan economy, could undermine the resource base and contribute to declining agricultural yields (Rural Poverty Portal 2015).

It is the abject poverty of Kenyan smallholder farmers that the founders set out to improve when the idea for Seed, Stock and Supplies was conceived. In the next section we briefly outline the startup story and document the venture's development.

Findings

Seed, Stock and Supplies: *The Founding Story*

Kagunda and Neil's decision to found the microfranchise Seed, Stock and Supplies was made in response to a problem being experienced - there was no system for getting farm inputs to the majority of people needing them. With Africa's population being primarily rural and relying on agriculture for their livelihood, a lack of access to inputs was having a negative impact on

productivity and income. Exacerbating the situation was the fact that the products going through the system tended to be of very poor quality, typically being diluted or manipulated and repackaged.

As Neil explained, *'... I went to other product manufacturers and said have you distributed in rural areas and they all basically said "we don't" because there's no network for doing it. It's too expensive, it's inefficient. If you find a form tell us please.'* After some discussions, *'it became pretty obvious pretty quickly that there was an opportunity to build the platform ... and so we did...part of the core reason why we started Seed, Stock and Supplies... to actually improve on the quality of the products that's going through the system... by providing quality control ... to make sure that real products are making it all the way to these farmers'*. The eventual retail model utilized was novel for agro-dealers. Existing shops were based on a walk-up concept whereas SSS introduced a walk-in concept where the customers could browse, touch and feel the products.

The idea was developed and refined through a very iterative process that eventually resulted in a four page concept note outlining the need and envisioned solution (value proposition). As explained by Kagunda, *'it evolved...and I think it will continue to evolve in that way'*. The time span from writing the concept note to getting grant funding (initial funding from one foundation was obtained and then leveraged to obtain a second grant from another foundation)... was extremely short - 90 days. *..'it doesn't happen this way in most cases... So I think it was the right idea at the right time and I think pitched to the right people'*.

The organization itself has elements of franchising (ie training, support, standardized signage, logos, branded clothing) but as a microfranchise it has some unique attributes (i.e..less capability for enforcement of legal contracts). Moreover, in being started from scratch it is unlike the typical franchise that launches as a replicable proven business model. While the impact group is the smallholder farmer with less than two acres of land, Kagunda describes the target group (franchisees) as *'people that are entrepreneurial by necessity rather than by interest'*, who lacked a business background.

As a fourth generation Kenyan, Kagunda feels he has a good understanding of the local operating context. According to him, that context *'really does determine a lot of success and failure in the long run'*. So, for example, the co-founders knew that training had to be provided at a basic level, in accordance with the prospective franchisees' background.

Having previously started another social enterprise in the agricultural sector (which garnered international recognition) Kagunda felt that experience *'provides me with a lot more confidence and a lot more credibility as well. It also helps to understand a lot more about how local systems here work and that means you know the hierarchy, the local kinship structure that exists in local communities, the way in which one engages government to a limited extent...'*

Kagunda's experience base had a significant influence on resource acquisition: *'I work on lots of projects which are funded by large donors... but sometimes it's so constricting in terms of the time frame, in terms of the expectations, the tracking of milestones... doesn't leave room for entrepreneurial experimentation... finding money is easy but finding the right kind of money'*

without too many strings attached... that's where the hard part comes in... we want to work with a donor that understands what it's like to do start-ups and give us space to be dynamic and sensible'. In terms of non-financial resources, Kagunda's network played a critical role. However, in his view, "I think we've been lucky so far in terms of getting the right people at the right time." With the resources in place, the founders set about prototyping the shop concept, which, among other things, validated the proposed business model.

Seed, Stock and Supplies: Beyond Conception

As the founders embraced the structured piloting phase of the venture's development, they were conscious of a number of challenges they would eventually need to address, including: *how to maintain internal standards; how to ensure the standards are applied consistently across the entire franchise; how to ensure the franchisees are sourcing the majority of their products from SSS and avoid side purchasing that risks counterfeit products entering the system and hurting SSSs reputation.*

As Table 1 attests, the changes made over time reflect the priority these issues were given by the founders at the outset. They also reflect the extent to which the context was influencing the capacity of the founders to gain the understanding they needed to finalize their microfranchise standards and systems prior to scaling. Kagunda explains, *'If I were to sort of sit back and reflect a minute I think we're exactly where we're supposed to be. ... from our perspective we're being very thoughtful and strategic about every move that we make. ... getting the absolute core of the model right in the beginning is far more essential than scale.* What is also noteworthy is that invariably, during each annual interview, Kagunda expressed confidence in SSSs progress - *we're exactly where we're supposed to be.* Despite the fact that every year actual results were below expectations set the previous year, ambitious targets/milestones continued to be established for the upcoming year. Rather than dampening their enthusiasm, the founders simply revised the numbers and timescale and persevered. The importance of 'getting it right' is reflected in Neil's conclusion that *'our core hypothesis - a modern retail distribution system would be the most efficient and most preferred mechanism for farmers to get inputs - has been validated in the marketplace'.*

Indeed, in spite of the founders' experience and background, the context had a significant influence not only on the time scale for development but also on the geographic scope of the venture. *'We were looking at establishing a branch of operations in two different locations to start with. So we were going to have a hub in this region and then one in western Kenya. That was the original design. And we thought, you know, very sensible, logical why that would make sense: two different geographies, two different contexts, away from Nairobi, different farming households, and it would give us more information to triangulate. I think that's definitely not going to happen now. I think we'll continue to grow in a spiral manner from where we are today and look for opportunities. Now, there may be some pull factors that will bring us to a location. For example, if there's a big dairy cooperative that's available at a location, we'll be thinking that, you know, that we can get maybe 7,000, 8,000 farmers... that may change our equation, but very, very carefully.'*

Fundamentally, while the initial structure (not-for-profit Trust) served SSS well in the beginning, as time went on, its adequacy was being called into question, particularly with respect to the venture's capacity to acquire financing, which will be discussed in due course. As documented in Table 1, the context had a profound influence on resource acquisition of both the franchisor and the franchisees. While the founders were aware of the challenges potential franchisees would face in obtaining financing, the difficulty they themselves would face only became fully appreciated over time. *'we realized very quickly that [franchisee working capital] was going to be a stumbling block. Everything else would be fine but if the franchisees didn't have the ability to buy the product and stock the shops to the level that was required then this would not make any sense.'* Consequently, SSS initially provided working capital loans to the franchisees...

The interplay between structure and agency is most vividly manifest in relation to SSSs economic model and its impact on the business model. Here's how Kagunda describes it... *the second half of last year, because we just didn't have any funding and there was nothing on the horizon ... that really threw us back a lot because we were finally getting the momentum around the shops and then we simply didn't have any inventory. We just didn't have anything. So the shops were complaining a lot about it. And it was already a long-standing complaint... So now we had great capacity. I had an amazing supply chain manager. He knew exactly what was needed but we had no money to buy it...we had staff who weren't paid ...it forced us to move the loans from Seed, Stock and Supplies to Smithfield. So it was because we were desperate we said, "Why don't we accelerate the discussion with Smithfield to see if they can buy our loan book?" Because that automatically leads to putting 5 million shillings back into our cash...And that accelerated the discussion now of Smithfield providing loans directly to franchisees. We probably would not have done it otherwise I don't think.*

As Neil explains, the founders aim to have as much flexibility as possible in building SSS as the process is an iterative one and a key piece of that puzzle is linked to financing. *'Many donors and development funds are going to want to dictate strategy to some degree. You have to go in to these geographical locations, you have to work with this percentage of whatever population group, you have to work on these value chains... our relationships generally have been with smaller, more flexible donors...'* As time went on, and the demands for funding increased, Kagunda and Neil found themselves pursuing larger amounts of money while trying to maintain their autonomy to act: *...it's a very, very delicate, well-orchestrated dance with them. It's not easy and you can't get in. And we've been trying so hard. Omono (donor) is important because it is part of what they call the "big bang" group. There's a lot of other smaller donors – small foundations who also then follow their lead. The irony is they tell us all that they're very nimble, very quick, they completely understand the entrepreneur's perspective, they're happy to move, you know. They don't. They're as risk-averse as everybody else we know and we've spent a lot of time on it.'*

Yet, being proactive in initiating and maintaining relationships with current and prospective funders has played a key role in sourcing funds: *'Tofina Foundation, I think, was probably the one surprise. It wasn't something we were expecting would happen... we've been courting them for a really long time... We've been very good at managing that conversation without asking for money – just having conversations. And then, all of a sudden, they sent us some ideas. And so we*

had two ideas that we thought were interesting, looking at what they were doing, but looking at also what the convergence would be with us. Maybe not always directly, but down the road. One was around the youth piece-the 450 young people and the second was around the farmer finance, which is of interest to them. ... So what we have now is \$250,000 from them...

The farmer finance moves us in the right direction. It's not exactly focused on the shops, but I see this as a really connected piece because if you wanted to drive business to the shops, then finance is a really important thing...The youth initiative... I think we're going to look at this strategically. And that's a difficult one to do...The youth program is good. It wasn't core to our strategy beforehand. It may become so afterwards, but again our core strategy was not to build a training program for 450 youth... The farming as a business is going to be the tough one, and it is a bit of a stretch away from where we want to go if I were just focusing exactly on just building shops. It's not easy. It's going to require a lot of work. But I also see this as giving us the impetus to start the agricultural and livestock demonstrations...

The difficulties SSS has faced in obtaining donor funding has prompted the founders to seriously consider becoming a for-profit entity: *'... So that worries me because if that continues to be the signal the market gives us, which is, "We like what you're doing, but, you know, you're going to have to wait around 'til we're ready to give you money" then sometimes the feeling is let's just go for commercial capital.'* This is especially appealing to Neil whose experience base is in the private sector where investments are made for core operations whereas donors fund tangential initiatives, not core operations.

Yet, the cofounders and their donors were not the only ones that influenced the development of the microfranchise. As Table 1 documents, the actions of the franchisees also played a role – both in terms of the business model and the economic model. Initially franchisees were franchise 'takers' rather than 'makers'. The trigger for reversing the situation seemed to be the franchisor's introduction of the franchise fee (6% of sales) which the franchisees immediately rebelled against. As one franchisee explains: *Currently 60% of the items in the shop are supplied by other suppliers but I still have to pay the franchise fee to SSS for those items as well. The more you sell the more fees you have to pay and that doesn't make sense to me.* He gave an example of 10 bags of feed that he purchased for 30,000Ksh. He sold it for 3100 per bag, making 1000 Ksh profit. However, the 6% franchise fee (1860 Ksh) payable to Seed, Stock and Supplies generated a loss of 860 Ksh.

In addition to succeeding in having the franchise fee terminated, the franchisees also lobbied the franchisor to improve the level of inventory being supplied and to provide on time deliveries of that inventory. They also began taking initiative to improve customer service. For example, the top two performing franchises began offering credit to loyal customers (up to \$20,000 Ksh), delivery and extended hours. As Sheila explains: *: ...We have the tricycle that delivers to farmers. At times we deliver for free. It makes a big difference. It makes our shop stand out. Customers 10 kms, 5 kms asking for feeds. They even wake me up in the morning. 6;00, 7:00 to bring me this, bring me this ... using the tuktuk. We share the tuktuk...*

Table 1 Microfranchise Development

		Key Changes
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Aspects of development	Conception	Year 1	Year 2	Year 3
Organizational form	Formation as a not for profit (SE) Established as Trust; at proof of concept will determine the future legal registration of the entity			Formation of SSS Limited
Time frame for development	Establish 10 outlets within one year; 500 shops within 5 years	Focus on first 5 outlets – invest more time understanding them better		<i>we would have wanted to be a little bit faster, a little bit further ahead by now</i> established new milestones: 35 shops by year end (50 is aspirational target); 120 by end of following year;
Geographic scope	sub-Saharan Africa, starting with a focus on two regions (Nairobi and Western Kenya)	Nairobi area		
Business model: franchisor	Undertake extensive research (interviews) to understand the agrodealers' business; decided to prototype the shop concept; provided working capital loans to franchisees; build "born to scale" microfranchise	Structured piloting - test assumptions of business model (12-18 months); Establish senior mgmt. team; supplying 40% of franchisee inventory requirements; Purchased canter (for deliveries) and building to serve as warehouse	Point of sale (POS) system introduced to track sales and manage inventory; Hired a supply chain manager; monthly franchisee meetings <i>we're throwing them stuff they've never thought about ever, and we're just stretching their imagination</i> '.	Systematic shop layout; capacity to supply 80% of franchisee inventory requirements; consistent deliveries; five field officers available to assist farmers; prioritized the need to standardize recruitment and selection of franchisees; systematic scheduling of marketing events and activities; Implemented rubric for performance tracking; accounting and inventory management; Key Performance Indicators (KPIs) developed
Business model: franchisee	Modern retail outlet providing quality products and services; four independent agro-dealers (two women and two	Training in business management; help with marketing, access to working capital, aggregating supply channels; provided with mentor, advisor	Training in <i>crop agriculture and agro-chemicals</i> ; shop assistants	Provide quality products and value-adding services <i>'At other places customers don't have the chance to come in and touch the products.</i>

	men) prototyped shop as franchisees		training provided;	<i>Here we talk to them, we discuss with them. We give them information'; more time for field work with farmers as fewer inventory items have to be procured elsewhere: 'I used to waste more than 50% of my time going around to seek what I want'. access to financing; Some shops start delivery service Some shops start extended hours</i>
Economic model: franchisor	Initial fundraising to underwrite cost of research (\$274,000) Grant funding until break-even is achieved at 100 shops	Build economic model	Initiate franchise fee; secured funding of \$299,487	Secured total funding of \$1.1 million; eliminate franchise fee Revise b/e to 120 shops <i>'And we're very clear about the fact that we're going to be loss making until we get to 120'. Sold 'loan book'</i>
Economic model: franchisee	Quality products Value-adding customer service; Break even at \$120,000 ksh		Achieve b/e within 2 months	B/E within a month

The Outcomes

What have been the outcomes of this development process? For the franchisees, the outcomes have been both monetary and nonmonetary in nature. *'Now I'm earning a lot more than before... '... now I make a lot of money. I tell you, I almost do 5 times'. Among the factors contributing to this was the use of electronic inventory and sales management. As Gary explains: The main work of the tablet is to help us with the sales and control of sales....recording the sales... It eases our work. For instance for me... I am a busy man...I don't have time to go through the books'.*

In addition to monetary outcomes, franchisees experienced key nonmonetary outcomes as well. The training and support in business management and agronomy have made a significant difference: *Like I told you, I'm trained in animal health. One of the challenges we had then was selling the agricultural chemicals because we had no idea what chemical was supposed to be used for what. You know... the farmer comes and wants advice. He tells you the problem. He doesn't know how to deal with it. So I'm happy now that at least I have an agronomist on call – somebody I can get in touch with and ask him "with this kind of a problem, how do you deal with it?" and he tells me "use this chemical" so I communicate with the farmer. Sometimes, I even tell the farmers, "you can call this man directly and he will advise you about what the problem*

is.” Another franchisee explained how his reputation as a professional has grown and how he feels more confident in providing advice and responding to customer needs. *The demand for my own agrovet services has increased. The society looks at you now and everyone seems to know about my shop and me now.* Indeed, he was not the only franchisee to note a changed standing in the community: *I have an identity now. The farmer is able to identify me... as one of the Seed, Stock and Supplies network and it's a positive... Usually, farmers feel very confident when they know where their services provider is coming from.*

Here's what one farmer had to say (through a translator): *there's a big difference because the other agrovets... they just sell you... they never tell you how to dispense or use the product. So at SSS someone is advising him on how to use whatever it is he bought from SSS. From SSS... even if you have no money... you get information... When he asks a question someone answers him...*

For the franchisor, the outcomes have been largely nonmonetary as they have yet to establish the number of stores required to financially break even. Yet, the business model has been validated as evidenced by the fact that they are attracting both customers and potential franchisees. As Neil explains: *'The case is making itself now'*.

Analysis and Discussion

Autonomy, independence and entrepreneurship

In the case of the franchisor, the evidence is clear that despite initially exercising considerable autonomy and independence, at different points in time the cofounders' ability to take action was constrained by the economic structure within which they operated. Indeed, at one point, the socio-economic control was so strong that the co-founders were at a standstill, unable to take any action.

In the case of the franchisees, paradoxically, as structure and standardization of systems and procedures increased within the franchises, so too did the personal and professional autonomy of many of the franchisees. Indeed, the greater the adherence to franchise policies and procedures, the higher the sales and profits that were achieved, which in turn became the means by which many franchisees shifted from being necessity entrepreneurs to opportunity entrepreneurs. For example, the two reporting considerable financial and nonfinancial success over time credited that success to being part of SSS. Through the training (in business and technical areas) and support provided by SSS they both began to leverage their financial success in exercising greater decision-making autonomy and independence. Indeed, what they learned about customer service prompted them to think about ways to serve their customers better, which resulted in actions that directly responded to the farmers' needs, such as extended hours of operation and a delivery service. The adage 'knowledge is power' aptly describes the impetus for the autonomy exercised by the franchisees.

The franchisor also played a key role in increasing the independence of franchisees by adding value that the franchisees could otherwise not acquire as independent agrodealers. Two initiatives were significant in this respect - having field officers on call to assist franchisees and farmers; and providing a consistent supply and delivery of inventory. Moreover, the franchisor

was very supportive of new initiatives by franchisees that contributed to the growth and development of their business. As a consequence, the successful shops grew dramatically as did the growth expectations of the franchisees.

Even the few farmers we spoke with were gaining some autonomy by being able to obtain advice and quality products. Ironically, as time went on, the autonomy and independence of the franchisors became somewhat diminished by the dictates of the funders.

In sum, we see that contrary to what typically happens in a franchise, whereby autonomy is limited by strict operating procedures, here we see how systems and structures actually increased the autonomy and independence (financial and otherwise) of the franchisees. This was facilitated through increased knowledge and skill gained through training, along with the time saved through the use of tablets (for ordering and record-keeping) and delivery of stock.

Agency and structure

At this time, it is apropos to return to the question posed earlier in the paper: Are individuals ‘masters of their own destiny’ or are they subject to the control of ‘social forces’? The evidence clearly underscores the interdependent role of both agency and structure in the development of SSS. More importantly it supports the expansion of Giddens’ structuration theory by providing new insights into the nature of agency. In the case of SSS, it was not only the franchisor that exercised agency. Rather we found different forms of agency present in the structure, whereby outcomes were produced through the actions of multiple agents, some of whom had different agendas. We conceptualize this as micro agency. Collectively, these different agencies form a structure that enables entrepreneurial agency. As we have seen, the strength of the various agencies ebb and flow over time but nonetheless continuously interact with their operating context.

Indeed, there were numerous illustrations of the mutual influence of agency and structure in the microfranchise’s development. For example, as the franchise reputation grew, the community’s expectations for quality and education begin to change. Through time farmers placed their trust in SSS, confident that they could obtain the advice and products they needed to increase their productivity. Having spent time in different shops it was evident to the researchers that area residents felt comfortable coming to the shop for advice, whether or not they were making a purchase. Moreover, based on the comments of farmers and franchisees as well as the observed ‘pull’ of the ‘walk in’ shopping experience, it is evident that consumer expectations of what a shopping experience should be is also changing. In response, franchisees are becoming increasingly customer oriented.

The SSS franchise itself has made major strides in filling an institutional void. While the delivery platform for farm inputs is far from complete, the evidence is clear that it is having a positive impact. On the other hand, the context, too, had a bearing on the decisions and actions of the founders. Indeed, the need for financing has meant that SSS became engaged in some activities they may not have undertaken otherwise.

Conclusions

Addressing the lack of theoretically grounded microfranchise research, this article offers insight into how and why a microfranchise works as well as its potential. In using Giddens' structuration theory as the lens for tracing the start-up of a microfranchise over time, the focus has been on how a constrained emerging market structure affects agency in a social entrepreneurship context.

Fundamentally, the capacity of the franchisees to be masters of their own destiny increased significantly. Overall, the evidence indicates individuals may be masters of their own destiny at some point(s) in time but not at other points. Based on the SSS case, both agency and structure were found to play a role, whereby at some points in time agency dominates and at other points structural influence prevails.

In shedding light on the distributed nature of agency, this research highlights the relational makeup of agency, particularly in a start-up context, which serves to underscore the need for research to be inclusive, encompassing the entire ecosystem (in this case, of the microfranchise). This notion of micro-agency is important as most research focuses exclusively on the (social) entrepreneur(s). Arguably, the collective constitution of agency and the influence of other stakeholders have yet to be fully acknowledged and/or studied. Additionally, by tracking actions and outcomes over time this research highlights the importance of studying the associated evolutionary dynamics.

The somewhat surprising finding - the positive impact of the microfranchise system's structure on the entrepreneurial behaviour of the franchisees – has implications for both policy and practice. Considering that management theory and practice, which is based on a Western context, has not proven to be effective in informing policy and practice in emerging markets, the research findings reported here highlight the importance of underpinning policy with context specific research. While further investigation is warranted, the evidence suggests that the exercise of entrepreneurship requires threshold levels of knowledge and resources. Since the vast majority of entrepreneurs in emerging markets would be considered 'necessity' entrepreneurs, who are lacking the threshold levels of human and financial capital, they are unable to reach their entrepreneurial potential. In this case, the microfranchise provided franchisees with the skills, knowledge and support they needed to begin developing their financial resource base. In turn, once threshold levels were reached, these individuals were able to make the transition from 'necessity' to 'opportunity' entrepreneur.

While unreliable transportation infrastructure, a lack of financial capital and an absence of a reliable law enforcement has rendered franchising in Africa, generally, an unattractive proposition, this case demonstrates that it is possible to begin overcoming these barriers. For example, while there is little legal recourse for the franchisor if the franchisee fails to meet the contractual obligations as set out in the terms of the contract, SSS has made it unattractive for a franchisee to leave the franchise and start a similar business because the franchisee would no longer have a reliable source or delivery of stock/inventory or the expertise to draw on in serving customer needs. The implication for practice is that microfranchisors need to develop ways to overcome or circumvent the barriers during the start-up stage if sustainability is to be achieved. A key aspect of doing so is establishing trust, which takes time to develop. Essentially, they have to provide franchisees with more to gain by belonging to the franchise than by opting out.

For policymakers, the findings suggest that solutions to addressing poverty need to be multifaceted and more holistic – they need to encompass the development of both human and financial capital. Clearly education/training is an important aspect – as individuals gained more knowledge through training their growth aspirations increased; they became more proactive and autonomous in their initiatives. There are no simple solutions or quick fixes. It takes time to develop the trust that is necessary. In this case individuals learned about the connection between knowledge, skill and practice firsthand, through opportunities for ‘learning by doing’. Providing these opportunities in a more informal, practical setting tends to be very meaningful for the participants, as compared to training that occurs within a formal education system which is disconnected from practice. While the microfranchise has been shown to be an effective way to increase levels of knowledge, resources and, ultimately, the entrepreneurship of the franchisees, whether that would continue over time, as the franchise becomes more established, and indeed more rigidly structured, would be an issue for further investigation. Other fruitful avenues for future research include the use of different theoretical lenses to study the emergence process, the impact group (farmers), and whether agency and entrepreneurship vary by gender.

No research is without limitations and ours is no exception. While it would have been beneficial to have included more members of the impact group (farmers) in the research, these members of the ecosystem were more difficult to identify and reach, particularly given the start-up stage of the microfranchise’s development.

Fundamentally, this investigation of a microfranchise’s development has provided new insight into the interplay of structure and agency in an emerging market context. To date, the absence of ‘real time’ longitudinal study has meant that little was known about the nature of entrepreneurial agency. Here we have seen how franchising actually facilitated entrepreneurial agency among necessity entrepreneurs in a BOP context. This case also revealed that people can collectively exercise agency in constructing structure but the agents and their influence can vary over time. Indeed, structuration theory has proven to be a useful lens in gaining an understanding of how distributed ‘micro’ agency develops.

¹ The entire bank of interview questions can be obtained by contacting the author.

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