

**DEVELOPING ENTREPRENEURSHIP THROUGH MICROFRANCHISING: EVIDENCE
FROM SOUTH AFRICAN PRACTICES**

by

KNOWLEDGE SHUMBA

Student Number: 11605757

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Promoter: Professor. R. Shambare

Co-Promoter: Dr. L.G. Nkondo

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DECLARATION

I, Knowledge Shumba student number 11605757, hereby declare that this thesis for Doctor of Philosophy in Business Management (PhDB), submitted by me, has not been submitted previously for any degree at this or any other University, and it is my own work and execution, all reference material contained therein has been duly acknowledged.

Signed



Shumba Knowledge (16-06-2020)

ABSTRACT

'Microfranchising' is one of the new innovative entrepreneurial concepts that has gained traction in the past few years and potentially can provide a livelihood to the three billion people that live at the Bottom of the Pyramid (BoP) (InnovationCenter, 2020) on less than US\$2 a day. While microfranchising is a strategy meant to rapidly scale-up entrepreneurship behaviour, very little is known about the microfranchising processes as well as its ability to enhance entrepreneurship in South Africa. Resultantly, the latter is ignored from entrepreneurship discussion and discourse at both academic and policy levels. To address this gap the study assessed microfranchising practices in South Africa, with the aim of proposing a microfranchising framework that will enhance entrepreneurship development. The study used the interpretivism research paradigm to achieve the study objectives. Primary and secondary data were employed to collect data on the microfranchising practices in South Africa. The study sampled five microfranchise entrepreneurs (four microfranchisees and one microfranchisor using the in-depth structured interview format while secondary data (microfranchisees and microfranchisors success stories) and was employed to collect data on the former and current practices of microfranchising in South Africa. The collected data was analysed using the ATLAS.ti. The study results show that microfranchisees exhibit traits of successful entrepreneurs. As a result, the study concludes that microfranchising can be used as a tool for entrepreneurship development using the proposed microfranchising framework developed in Chapter 6 of this study. The value of this work is among the first in seeking to propose a framework for developing entrepreneurship through microfranchising. The implication of the study is that it potentially provides policymakers with valuable tools to understand microfranchising practices and its efficacy in stimulating entrepreneurship development in South Africa. The study recorded and established microfranchising practices in South Africa to enhance the extinct academic literature on microfranchising and entrepreneurship ventures operating at the BoP.

Keywords: *microfranchising, microfranchisor, microfranchisee, micro-entrepreneurs, entrepreneurs.*

DEDICATION

I dedicate this thesis to my parents (Gladys Ncube and Kenneth Shumba) and my late uncle Isaac Sibanda for challenging me to undertake PhD studies, their morale support and for their love for education they instilled in me. To the late Isaac Sibanda, I will never forget how you challenged us to pursue education. You said to us as your kids, “I as your father I have set up a good example for you, and I have a Master’s qualification, I would love to see you all surpassing my highest qualification”. I have surpassed your qualification, although you are not physically present to witness this, but you will be there spiritually, and all is well. May your soul rest in eternal peace.

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CHAPTER ONE

INTRODUCTION AND BACKGROUND TO THE STUDY

1.1 Background and Introduction

Poverty remains an on-going problem in the world's developing countries given its impact on restricting people's ability to meet their basic needs, live lives that they value and contribute constructively to society (Camenzuli & McKague, 2015; Sen, 1999). According to (BoPInnovationCenter, 2020) nearly 4.5 billion people live at the base of the economic pyramid, with 1.4 billion of them living in extreme poverty. An estimated 1 billion of the nearly 4.5 people living at the base of the economic pyramid have started micro businesses out of necessity in order to generate income for themselves as an effort to alleviate themselves out of poverty due to lack of employment opportunities (Banerjee & Duflo, 2011; Camenzul & McKague, 2015). Suffice to say, micro-enterprises play an important function in the economic well-being of rural areas and low-income countries (Banerjee & Duflo, 2011; Camenzuli & McKague, 2015). However, recent findings increasingly show that the majority of these businesses tend to be very small, undifferentiated, and, at times, unprofitable, thereby, leading to the prevalent attrition rates among micro enterprises (Camenzuli & McKague, 2015). Burand and Koch (2010) attribute this state of affairs to general lack of skills, limited access to markets and finance. Clearly, the collapse of these micro-enterprises results in the constant suffering of the poor. As such, stimulating micro enterprises in South Africa is a priority for policymakers (Turton & Herrington, 2013).

Similar sentiments on the utility of micro-enterprises has been expressed by entrepreneurship specialists such as (Christensen, Parsons & Fairbourne, 2010; Fairbourne, 2007). These latter scholars advocate for innovative business models that ameliorate several entrepreneurial challenges, as identified by researchers including (Burand & Koch, 2010; Karasi, Shambare & Nkondo, 2017) among others. Fairbourne (2007), largely advocates for increased attention on microfranchising, as a sustainable approach towards building a vibrant micro enterprise sector. Generally speaking, microfranchising, according to (Christensen et al., 2010), is a business model that usually requires a nominal start-up capital and heavily relies on a "systematic replication" of existing business models and products such as the ones shown in the Table 1.1, below.

The microfranchising economic developmental tool is currently prevailing in many developing countries across the globe especially in India, Kenya and Brazil (Sunanda, 2016). Christensen, Parsons & Fairbourne, (2010:594) posits that, "microfranchising provides, via sale, a vetted

and replicable turnkey business to buyers in subsistence markets who commit to follow the model.” The franchise business model is the most effective tool currently available to create large numbers of successful, locally owned SMEs. Researchers concur that microfranchising addresses three core problems in the economy like; 1) the lack of skills needed for a micro entrepreneur to grow a successful business 2) the lack of jobs in developing countries 3) the supply chain available to the poor” (Fairbourne et al., 2007; Sunanda, 2016). Microfranchising provides a solution to these core problems by first, providing those who do not possess entrepreneurial skill set with a business blue print and adequate training, if followed, will lead to greater individual economic success (Fairbourne, 2006).

Table 1.1: Examples of Microfranchising businesses

Name	Year established and location of business	Products	Marketing or Selling method	Remarks
The Clothing Bank (!!! INVALID CITATION !!! ())	2010 Cape Town Johannesburg	Clothes	Door to door	Women micro entrepreneurs are trained for 2 years to empower them become financially independent. The women entrepreneurs are expected to generate a profit of R4 000 per month.
GROW Educare Center Project South Africa	2013 Kwazulu Natal	Education services to children	Door to door	Provide excellent early childhood education services at affordable prices in low income communities while ensuring the micro owners operate them sustainable.
Vision Spring	2001 India, South Africa	Reading glasses, minor eyesight problems	Door displays in Stand-alone optical shops, shops located within partner hospitals and surgical centers	Micro entrepreneurs are provided basic training in selling optometry and glass products at affordable process in rural communities who have less access to optometrist and eyes correction services.
Fan Milk	1960 Ghana	Dairy, ice creams and milk drinks	Door to door through bicycles.	Fan Milk Ltd provides credit and on job training to micro entrepreneurs who act as their sales agents.

Source: Researcher’s own construct

Examples of microfranchising enterprises that operate in South Africa and other countries across the world attest that there are micro-entrepreneurs who are operating their business successfully through microfranchising. Therefore, microfranchising, as illustrated in Table 1.1 below, compensate for some of the shortcomings of traditional microenterprise strategies that

often assume that subsistence entrepreneurs have a certain level of skills, knowledge, and entrepreneurial expertise which are necessary for venture success (Smith & Seawright, 2015). Having noted the challenges micro-entrepreneurs are facing in South Africa, this study considered it opportune to assess the microfranchising practices in South Africa with the aim of proposing a microfranchising framework that will enhance entrepreneurship development in South Africa.

1.2 Research Gap and Formulation of the Research Problem

Microfranchising started to emerge since the early 1980s and has gained momentum in many developing countries such as Ghana, Kenya, India and Bangladesh (Fairbourne, Gibson & Dyer, 2007; Platzer & Heierli, 2015). This has seen studies being conducted on the benefits of microfranchising to microfranchisors and microfranchisees, opportunities and constraints of microfranchising and different types of microfranchising that exists (Christensen et al., 2010, Heinonen, 2010). This confirms a wide interest in microfranchising phenomenon across the globe, however, there is a gap in literature on the influence of microfranchising phenomenon in stimulating entrepreneurship, particularly in South Africa.

Microfranchising has been singled out as a panacea for economic development by scholars (Fairbourne, 2006; Fairbourne et al., 2007; Magleby, 2005). However, the concept is not widely known and used as a tool for economic development in South Africa when compared to the developing countries mentioned above, although its ideas are starting to gain momentum. This leads one to question; what are the former and current microfranchising practices used in South Africa that can stimulate entrepreneurship. At the same time microfranchising fills an economic development gap by that not all business owners are entrepreneurs and that some might be better suited to replicating proven business models for small and successful business. It is in this context that one can conclude that microfranchising has been largely ignored in South Africa and particularly in stimulating entrepreneurship. As such, it is an opportunity for this study to propose a microfranchising framework that will enhance the development of entrepreneurship in South Africa.

From the above identified gaps, the research problem is:

Despite microfranchising being singled out as a panacea for economic growth across the world, very little is known about microfranchising practices in South Africa and its ability to enhance entrepreneurship development.

1.3 Aim of the study

To assess microfranchising practices in South Africa with the aim of proposing a microfranchising framework that will enhance the development of entrepreneurship in South Africa.

1.4 Objectives of the study

- To determine the practice of microfranchising in South Africa.
- To profile the characteristics of microfranchisees in South Africa.
- To examine the efficacy of microfranchising in stimulating entrepreneurship in South Africa.
- To propose a microfranchising framework that will enhance the development of entrepreneurship in South Africa.

1.5 Research Questions

Consequently, the following questions were addressed in this research

- RQ1:** What are the microfranchisees former and current ways of operating their businesses in South Africa?
- RQ2:** What are the profiles and characteristics of microfranchisees operating in South Africa?
- RQ3:** How do microfranchisees utilise microfranchising as a means and strategy to stimulate their businesses?

1.6 Justification and Contribution of the study

The study is of good value to producers, managers, owners and the South African government, because different recommendations have been made on how the microfranchising model can be used in general and as a panacea for entrepreneurial growth. The results of this research are of interest to emerging entrepreneurs seeking information about options for business models, as well as relevant government agencies responsible for stimulating the growth of entrepreneurship. They are of interest to existing and potential players in the microfranchising business model. This research can be also relevant for larger businesses, who can adopt and utilise microfranchise models for introducing new technology.

Theoretically, the study provides an understanding of the microfranchising business model, and its ability to be used at the BoP (Bottom of the Pyramid) to stimulate the growth of entrepreneurship. The study generates knowledge through exploring the microfranchising practices in South Africa. This adds value to businesses' and micro entrepreneurs' attempting to restructure their operations to reap big profits from penetrating markets at the BoP.

The study complements the National Development Plan (NDP) and National Planning Commission (NPC) goal of reducing unemployment to 14% through inclusive, sustainable and equitable methods (Zarenda, 2013). Micro-entrepreneurs are a vital component of South Africa's economy and their growth may be catalysed through the microfranchising business model. Therefore, microfranchising businesses must be fully supported and be guided against failure. This is because the failure rate for microfranchising business model is still very low when compared to individual owned micro enterprises. It is in this context that microfranchising entrepreneurship has been investigated in South Africa.

1.7 Delimitation of the study

The study was delimited to microfranchisee entrepreneurs in Limpopo, and Western Cape, provinces. The two provinces were purposively selected due to prevalence of microfranchising in the Western Cape while the Limpopo province was chosen because the University of Venda is located in the Limpopo province.

1.8 Definition of Key Terms

Microfranchising; is a small tested business that can be managed by an entrepreneur in a low-income market with support from a microfranchisor (Camenzuli & McKague, 2015). In this study microfranchising refers to a business model that adopts many of the business practices employed in main stream commercial franchising, involves business that are affordable enough to be owned by the people at the base of economic pyramid (Burand & Koch, 2010) and allows them to operate profitably in markets in which traditional sales channels of the franchisor cannot operate profitably due to high fixed costs.

Microfranchisee is the person that gets the right from the microfranchisor to do business under the microfranchisor's trademark or trade name (Nieman & Neiuwenhuizen, 2014). In this study a microfranchisee is the micro entrepreneur who lacks skills and training of running

a successful business that gets the training and mentoring from the microfranchisor to run his or her own business under the franchisor's trademark or trade name.

Microfranchisors are entrepreneurs who create and sell microfranchise ideas (Christensen et al., 2010). In this study a microfranchisor is the person or company that create and grants the microfranchisee the right to do business under their trademark or trade name.

Bottom-of-the-pyramid: refers to a market, which consists of the world's population that resides at the lower levels of the world's economic pyramid (Timonen-Nissi, 2017).

1.9. Research Methodology

This section discusses the research paradigm and research design used in this study. In addition, the section also described the target population, sampling technique, data collection methods, data analysis and the ethical consideration for this study.

1.9.1 Research paradigm

The study followed the interpretivism paradigm also known as the phenomenological philosophical paradigm, to understand microfranchise practices in South Africa. Interpretivism focuses on exploring the complexity of social phenomena with a view to gaining understanding (Levy, 2006). Furthermore, the paradigm allows focus of research to be on understanding what is happening in each context, hence, this study sought to understand the microfranchising practices that enhance entrepreneurship, and how microfranchise entrepreneurs have, and are operating their businesses in South Africa. In addition, the phenomenological paradigm was used mainly, due to the novelty of the research topic in South Africa. The researcher also chose the phenomenological methodology, because this paradigm seeks to describe and translate the meaning of phenomena, an objective that the researcher values, especially for an exploratory study of this nature (Collis, Hussey, Crowther et al., 2003).

1.9.2 Research design

The researcher adopted the case study research design. Bryman and Bell (2014) explained that a case study entails the detailed exploration of a specific case, like a community, organisation or a person. This research explored microfranchising entrepreneurship in South Africa, hence, a case study research design was adopted.

1.9.3 Population of the study.

The population for this study included microfranchisee and microfranchisor entrepreneurs in Limpopo, and Western Cape provinces.

1.9.4 Sampling

Purposive sampling was used to select the participants to participate in the study. Participants should have met the following criteria:

Table 1.2: Sampling Criteria

Sampling Cohort	Reason for inclusion in the sample	Criteria for inclusion
Microfranchisees	<ul style="list-style-type: none"> ➤ Share their knowledge and experience and of operating businesses thorough the microfranchising business model. 	<ul style="list-style-type: none"> ➤ Microfranchisee business owner. ➤ Experienced microfranchisees who have been operating the business for more than 1 year and above. <p>Four (4) microfranchisees were purposively selected for the in-depth interviews.</p>
Microfranchisors	<ul style="list-style-type: none"> ➤ Understanding the microfranchising business model. ➤ Experience and skills of the microfranchising practices in South Africa. 	<ul style="list-style-type: none"> ➤ Experienced owners and managers who have trained, managed microfranchising business model. ➤ Must have at least 2 years and above in microfranchising business model. <p>One (1) microfranchisor was purposively selected for the in-depth interview.</p>

1.9.5 Data collection and Instrument

The research used secondary and primary data collection methods. Primary data was collected through in-depth structured face to face interviews with the use of the interview guide. The interview guide was formulated being guided by the research questions for the study. Interviews were arranged with the participants beforehand. A digital voice recorder was used to capture the interviews. Document analysis was conducted to compliment the interviews that had been conducted.

1.9.6 Data analysis

The qualitative collected was analysed using the ATLAS.ti. software. The software is ideal for coding and categorising data into themes in a systematic manner.

1.9.7 Ethical considerations

To protect research participants from any potential negative impact arising from this study, the study followed the regulations and guidelines stipulated by the University of Venda Research Ethics Committee. To maintain high ethical standards, the following measures were adhered to:

- I. Informed consent – all participants and participants were notified of the nature of their participation in the research beforehand. Research assistants explained to all participants exactly what they were expected to do, as well as their rights as research participants, including the right to withdraw from participation at any stage of the research. After this, all participants' consent was sought and secured prior to commencement of any interview.
- II. Right to privacy – the identities of participants and their opinions were treated confidentially. Participants were reminded not to provide details about their identities and any other information that might suggest their identities (such as names or addresses).
- III. Dignity - the dignity and character of all stakeholders were upheld; participants were not subjected to embarrassing behaviour.
- IV. Honesty – findings of the study were reported honestly even when results turned out to be unfavourable or different from the researcher's expectations.

1.10 Chapter outline.

The dissertation is divided into seven chapters. Chapter 1 of this thesis has presented the background and the introduction of the study, research gap and formulation of the research problem, aim and objectives of the study, research questions as well as the research methodology. The thesis chapters will be structured as follows:

Chapter 1: Introduction – An introduction and background of the study was covered in the chapter. The chapter provides a general view of the research problem, the purpose of the study and significance of the study. The delimitations are also presented, the research methodology for the study and the key aspects of the study were also defined.

Chapter 2: Literature Review (South African Micro-entrepreneurship Landscape) – The chapter discusses, explains and analyses the body of literature that exists in the field of South

African Micro-entrepreneurship Landscape. These include related concepts such as the informal economy, entrepreneurship and the SMME sector in South Africa.

Chapter 3: Literature Review (Review on Microfranchising) – The exact literature on microfranchising is reviewed. The various aspects including franchising, microfranchising and the theoretical foundations of microfranchising are reviewed. The chapter also presents the proposed conceptual framework for the study.

Chapter 4: Methodology – The chapter details the different research methods employed in fulfilling the research objectives and answering research questions.

Chapter 5 and 6: Analysis and Results – The collected data is analysed in these chapters. The research utilised a qualitative method, therefore thematic analyses and framework building constitute the contents of these chapters.

Chapter 7: Conclusions and Recommendations – This chapter presents the summary of the major research findings through the conclusion. The research conclusion with a detailed discussion of the implications of the study is provided. Furthermore, limitations of the study are presented in this chapter. Finally, the chapter highlights the areas for future research in relation to microfranchising and limitations of the study.

1.11 Conclusion

This chapter laid the foundation for the study. The research problem, research question and research aims were introduced in this chapter. In addition, justification for undertaking the research and definitions of key terms as they pertain to this study have also been presented. Finally, the research design and methodology, ethics and research constraints were explained. Against this premise, the report proceeds with a detailed description of the research, beginning by reviewing the literature that pertains to microfranchising in Chapter 2.

CHAPTER TWO

SOUTH AFRICAN MICRO-ENTREPRENEURSHIP LANDSCAPE

2.1 Chapter overview

Following on from the introduction and background discussed in the previous chapter, this chapter provides insights into the South Africa micro-entrepreneurship landscape. This chapter focuses on the concepts of the informal economy, entrepreneurship, franchising and microfinance. Firstly, the informal economy is introduced in order to understand the need of formal enterprises in developing countries. Secondly, different thoughts on entrepreneurship are represented namely; the types of entrepreneurs. Thirdly the chapter discusses the small business sector of South Africa.

2.2 Introduction

Most developing countries including South Africa are suffering from high unemployment rates, high poverty rates and most of the people are often uneducated. Formal jobs are so scarce that most people are forced into self-employment in the informal sector. These reluctant micro entrepreneurs operate hundreds of millions of tiny, low-productivity, copycat businesses that seldom generate profits, build little wealth, and create few jobs. In order to survive daily, there is no other choice than to become an entrepreneur. However, these hand-to-mouth businesses are unstable usually due to numerous factors that are generally out of their control such as changes in prices, government interventions and national disasters (Fairbourne, 2007).

2.3 The informal Economy

There is little doubt that the informal economy is one of the biggest development challenges currently facing the developing world. The informal economy (also known as unobserved economy, unorganised sector, and unprotected sector) has grown significantly in recent years in developing countries (Henriques & Herr, 2007), and consequently plays a pivotal role in the growth of entrepreneurship. The informal economy is where large numbers of poor people work and those who would-be wage employees get into self-employment despite low business skills. Ngumkeu (2014) avers that the informal economy has a great importance for at least two reasons: firstly, informal entrepreneurs drive job formation through small-business creation. Secondly, it is considered an incubator for business potential and a steppingstone

for accessibility and graduation to the formal economy, thus it is a response to poverty, unemployment and creation of entrepreneurs. It is therefore, important to understand the role of the informal sector as it represents between 60-90% of urban and rural employment in developing countries (Benjamin & Mbaye, 2012).

While there is no accepted single definition of the informal economy, it is a phenomenon that is clearly visible to even a casual observer. The informal economy reflects a huge diversity of business transactions. The streets of cities, towns, and villages in most developing countries—and in many developed countries—are lined by barbers, cobblers, garbage collectors, waste recyclers, and vendors of vegetables, fruit, meat, fish, snack foods, and a myriad of non-perishable items ranging from locks and keys to soaps and detergents, clothing any other products and services. Economic and financial planners call it the unobserved economy (Henriques & Herr, 2007) while labour advocates call it the unorganised sector. Chen (2012) indicates that there are three related official statistical terms and definitions which are often used imprecisely and interchangeably with informal sector: the informal sector refers to the production and employment that takes place in unincorporated small or unregistered enterprises; informal employment refers to employment without legal and social protection—both inside and outside the informal sector and the informal economy refers to all units, activities, and workers so defined and the output from them. Together, they form the broad base of the workforce and economy, both nationally and globally. There is however, one common denominator in all these interpretations—all of them refer to some type of exclusion: exclusion from social security, exclusion from statistical coverage, exclusion from traditional trade unionism, exclusion from GDP estimates, exclusion from productive resources typically available to larger enterprises.

The informal sector matters because of its sheer size. Informal sector contributes half of national output and more than 80% of total employment and 90% of new jobs in African low-income countries (Benjamin & Mbaye, 2014). It also serves as a building block for economic development through its notable effects on employment opportunities, productivity, fiscal revenues, and growth (Benjamin & Mbaye, 2014). Bosma and Levie (2010) reported that entrepreneurship in developing countries is driven by necessity rather than opportunity. Furthermore, the overwhelming number of informal sector economy enterprises which operate at a survival level will continue to exist due to high unemployment rates, poverty, lack of government support, lack of education and formal sector economy barriers that exist (Bashe, Greydanus & Pediatrics, 2003). If the informal sector economy were a country; it would have the second-largest economy behind the USA (Bashe et al., 2003; Larson, 1992). Informal

trading has always played a role in South Africa's economy. With the increase in the number of informal trading, it is imperative to note that the informal sector entrepreneurs are adopting a plethora of strategies towards entrepreneurship development.

Few informal enterprises, except perhaps some survival activities, operate in total isolation from formal firms. According to (Chen, 2012) most of the informal enterprises source raw materials from and/or supply finished goods to formal firms either directly or through intermediate (often informal) firms. Sourcing and supplying of goods or services can take place through individual transactions but are more likely to take place through a sub-sector network of commercial relationships or a value chain of subcontracted relationships.

To understand the linkages between informal enterprises and formal firms it is important to consider the nature of the production system through which they are linked. Chen (2012) avers that that this influenced by the nature of the linkage specifically, the allocation of authority and risk between the informal and formal firm varies according to the nature of the production system, as follows:

Individual transactions: Some informal enterprises or own account operators exchange goods and services with formal firms in what might be characterised as open or pure market exchange (in the sense of independent units transacting with each other). In such cases, the dominant firm in terms of market knowledge and power—usually the formal firm—controls the exchange or transaction.

Sub-sectors: Many informal enterprises or own account operators produce and exchange goods and services with formal firms in what are called sub-sectors, that is, networks of independent units involved in the production and distribution of a product or commodity. In such networks, individual units are involved in a series of transactions with suppliers and customers. The terms and conditions of these transactions are governed largely by the dominant firm in specific transactions (as above) but also by the “rules of the game” for the sub-sector, which typically are determined by dominant firms in the network.

Value chains: Some informal enterprises and own account operators and, by definition, all subcontracted workers produce goods within a value chain. The terms and conditions of production in value chains are determined largely by the lead firm: in domestic chains, a large national firm and, in global value chains, a large transnational company. The major suppliers to the lead firm and often formal firms also help determine the terms and conditions of subcontracts to informal firms and workers down the chain.

The above shows that the informal economy lies at the heart of entrepreneurship, but however, informal economic production is under conceptualised in many countries (Dierwechter, 2002; Obeng-Odoom, 2011; Williams, 2008). The business environment in which the informal enterprises is very volatile hence the entrepreneurs are faced with many difficulties and challenges. It is in this regard that these enterprises are faced with several constraints that include; lack of access to credit, weak networks, low productivity, poor working conditions, limited access to resources, lack of information concerning prices, low level of education and skills and poor infrastructure (Henriques & Herr, 2007).

Lack of access to credit, working capital, and investment capital.

Fairbourne et al. (2007) noted that even though many SMMEs are faced with a challenge of access to credit and financial services, the situation is particularly severe for informal economy enterprises, which suffer from inadequate levels of property rights and, hence, collateral. Their source of credit is therefore, obtained from informal sources such as friends or relatives or non-banking financial agencies with unfavourable terms; insufficient funds do not allow for further investments. Also, low incomes or lack of regular income as household consumption competes for the use of business earnings often means that inadequate funds get reinvested in the business.

Weak networks.

There is much research to show that successful businesses can link with other businesses through value chains and “eco-systems, “which allow participants to gain advantages in terms of mutually beneficial business transactions and exchange of information and learning. Informal units are much less able to link with other enterprises, particularly with larger enterprises in the formal economy.

Low productivity.

Enterprises typically use labour-intensive production methods. Equipment and organisation of production are basic, and awareness of improvements in production technology and methodology is low. Because of their small size, they cannot achieve the economies of scale that are often needed to be competitive.

Poor working conditions.

Working conditions are often poor. Inadequate lighting, insufficient ventilation, and low standards of occupational safety and health contribute to low levels of productivity and product quality.

Supply and marketing.

They have limited access to resources and technology as well as to opportunities for bulk purchase of inputs and effective marketing of outputs. Lack of information on prices, viability of products, etc. Also, there are fewer market opportunities due, for instance, to non-compliance to international standards. Low level of technology and technical and managerial skills compound problems of low productivity, insufficient innovation and upgrading, and low levels of product quality. There is no access to formal education and vocational training.

Infrastructure issues. Poor infrastructure such as transport, storage facilities, water, electricity, lack of working premises, poorly developed physical facilities.

Legal aspects. Overly restrictive or cumbersome procedures and regulations for registration and expansion of businesses pose large burdens for informal enterprises contemplating formal registration. Lack of coverage in terms of intellectual property rights and trademarks may discourage the establishment of franchise systems.

Harassment. Informal sector enterprises are often subject to sustained, high levels of harassment and bureaucratic hurdles.

Despite the above constraints discussed, the informal sector economy has the potential to significantly contribute towards its country's GDP, it is prevented from doing so because it is structurally disconnected from the GDP economy (Bashe et al., 2003; Mbeki, 2004). By its very nature, informal economic activities are unrecorded, and this makes them difficult to measure. Finally, business services are seen to improve linkages between informal and formal economy enterprises. The below figure (Figure 2.1) summarises the constraints of the informal economy and shows business services, especially microfranchising, have the potential to improve linkages between the informal and formal economy enterprises.

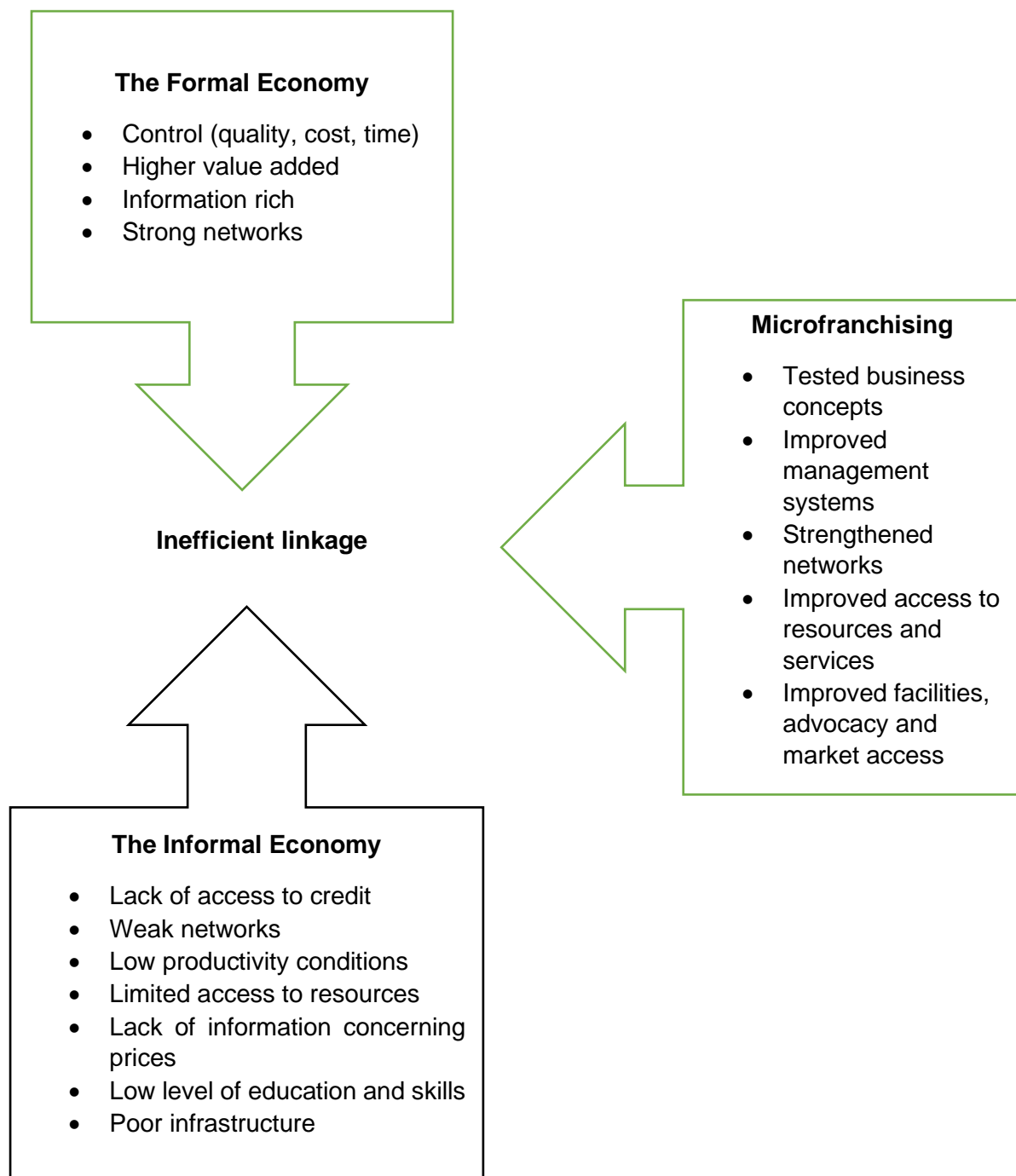


Figure 2.1: Microfranchising as an improving linkage between the formal and informal economy
Adapted from: (Hitchins, Elliott & Gibson, 2005)

The above figure illustrates that microfranchising can be used as an option to fill the gap that exists between the formal and the informal sector to link the two economic systems together.

2.4 Entrepreneurship

The modern and popular use of the terms entrepreneurship and entrepreneur can be traced back to the economist Joseph Schumpeter's work; *The theory of economic development: an inquiry into profits, capital, credit, interest, and the business cycle* (1934). The term 'entrepreneur' precedes Schumpeter though, originating from French common language in the 12th century, denoting someone who undertakes a task (Hoppe, 2016, Landström, 2005). The first theoretical use is also French (by e.g. Cantillon, 1755), but it is with Schumpeter (especially after the publication of *Capitalism, socialism, and democracy* in 1942) the term became popular in first economics and later in business, politics and spreads to a more common vocabulary (Hoppe, 2016).

With the introduction of the term entrepreneur Schumpeter could explain how aggregated changes in society were initiated. It was the entrepreneur who introduced new products, processes and organisational forms, thus being the initiator of innovation (Hoppe, 2016). The Schumpeterian term innovation is accompanied with the term creativity in the sense of being able to envisage something else (and better) and change the current status quo. Innovation and entrepreneurship are therefore, often used as synonyms, yet there are not at all. Even though there is a wide difference between the two terms, it is important to note that in the early journey for entrepreneurship, innovation and entrepreneurship are two terms that cannot be separated. This is attributed to the fact that we cannot have innovation without entrepreneurship or entrepreneurship without innovation (Van Aardt & Bezuidenhout, 2014).

Entrepreneurship has no universal definition, however various definitions proffered by many authors indicate that entrepreneurship is more than the mere creation of business. The characteristics of seeking opportunities, taking risks beyond security, and having the tenacity to push an idea through a reality combine into a perspective that permeates entrepreneurs (Kuratko, 2005). An entrepreneurial perspective can be developed in individuals. This perspective can be exhibited inside or outside an organisation, in profit or not-for-profit enterprises, and in business or non-business activities for the purpose of bringing forth creative ideas. Thus, entrepreneurship is an integrated concept that permeates an individual's business in an innovative manner. It is this perspective that has revolutionised the way business is conducted at every level and in every country (Kuratko & Hodgetts, 2004).

The symbol of business tenacity and achievement is entrepreneurship. Entrepreneurs were the pioneers of today's business successes. Their sense of opportunity, their drive to innovate, and their capacity for accomplishment have become the standard by which free enterprise is now measured. The standard has been held throughout the entire world. Entrepreneurs will continue to be critical contributors to economic growth through their leadership, management, innovation, research and development effectiveness, job creation, competitiveness, productivity, and the formation of new industries (Kuratko & Hodgetts, 2004; Sexton & Kasarda, 1992).

It has been agreed among authors that attempting to reach a consensus on entrepreneurship on a single definition is much like trying to hammer jelly on a tree (Van Aardt & Bezuidenhout, 2014; Venter, Urban, Beder et al., 2015). It is in this regard that (Venter et al., 2015) are of the opinion that scholars, have suggested that entrepreneurship education, as an emerging field, must formalise its own ontological and epistemological base. To define entrepreneurship, the following similarities do arise;

- Innovation
- Value creation
- Opportunity recognition and exploitation
- Creative process
- Risk taking
- Resourcefulness

The similarities are displayed in the selected definitions provided in table 2.1 below.

Table 2.1: Selected entrepreneurship definitions according to researchers and practioners

Reference	Definition
Van Aardt and Bezuidenhout (2014)	Entrepreneurship is creating something unique and valuable, by committing resources, thus growing the venture in terms of profit, product and market share, accepting all the risks involved in the process in order to generate rewards.
Asah, Fatoki and Rungani (2015)	Entrepreneurship is also the process that causes change in the economic system through innovations of individuals who respond to opportunities in the market.
(Herrington & Kew, 2017)	Entrepreneurship is considered a key driver of sustainable economic growth through job creation, innovation and its welfare effect.
(Nieman & Nieuwenhuizen, 2015)	Entrepreneurship is the emergency and growth of new business. Entrepreneurship is also the process that causes change in the economic system through innovations of individuals who respond to opportunities in the market
Spinelli (2012)	Entrepreneurship is defined as a broader, holistic way of thinking, reasoning and acting that is opportunity obsessed and leadership balanced
Cronje, Du Toit, Marais et al., (2004)	Entrepreneurship is the process of mobilising and risking resources (land, capital, human resources) to utilise a business opportunity or introduce an innovation in such a way that the needs of society for products and services are satisfied, jobs are created, and the owner of the venture profits from it. This process includes new as well as existing ventures, but the emphasis is usually on new products or services, and new businesses.

2.4.1 Types of entrepreneurs

According to (Dhliwayo, Mmako, Radipere et al., 2017, Neiuwenhuizen, 2014) entrepreneurs may categorised into the following:

Basic survivalists. An individual operates as an entrepreneur to survive until he or she obtains a formal sector job or entrepreneurial opportunity.

Pre-entrepreneur. The entrepreneur is involved in welfare-based entrepreneurship where profit maximisation is less important than the collective.

Subsistence entrepreneur. The person is involved in independent income-generating activities operating as a small-scale vendor.

Small-scale entrepreneur. The entrepreneur is a formal sector entrepreneur with 11 to 49 employees.

Necessity entrepreneur. People who start businesses because they have no other choice. They may have been retrenched and finding it difficult to find employment or have not grown their businesses sufficiently to retire (Phitidis, 2013).

Social entrepreneur. There are motivated by a deep desire to improve upon, or fundamentally change, prevailing and detrimental socio-economic educational, environment or health conditions. Van Aardt and Bezuidenhout (2014) notes that social entrepreneurs have a fierce ambition to alter present reality of their conditions, they deem unacceptable or inhumane, and stubbornly refuses to accept the norm, or arguments that simply rationalise, if not justify prevailing circumstances. Their key trait is that there are driven to engage in certain activities not by promise of possible profit, but by an overwhelming sense of social conscience and social responsibility. Thus, the goal of a social entrepreneur is to develop effective models that not only respond to a specific need but can be propagated and implemented in a variety of settings.

Serial entrepreneur. The entrepreneur consistently conceptualises and executes business models that she or he intends, ultimately, to sell to shareholders, investors, or other businesses. They take a relatively high amount of risk, display an ability too effectively handle the accompanying stress as they are usually very adaptable to changing conditions, and often display a pattern of success in the long run. Furthermore, they display a definite propensity to recover both economically as well as in confidence, from business and personal failures.

Solopreneur: an individual who operates alone in an enterprise and manages all aspects of the business himself or herself. They have increasingly become prevalent with the advent of the internet, coupled with the ease of outsourcing to other freelancers through the ready supply available through websites.

2.5 Small Business Sector in South Africa

This section focuses on defining the "small business" in South Africa, discusses its size and the major barriers that are faced by small businesses in South Africa.

2.5.1 Defining Small Business in South Africa

For the purpose of this study the definition of small business in South Africa is defined as stipulated in the National Small Business Act 102 of 1996 (Act No. 102) (as amended). The definition (dti, 2003) is:

Small business in a South African context can be defined in a way that combines economic and statistical characteristics. A small business is one that:

- Is independently owned, managed and controlled;
- Is not dominant in its field of operation; and
- Employs fewer than 50 people, with a turnover not exceeding R5 million per year.

The same definition applies to this research study. The different categories and characteristics of small business are highlighted in Table 2.2.

Table 2.2: Categories of small business in South Africa

CATEGORY	FEATURES
Micro	<ul style="list-style-type: none"> ➤ 1-5 employees, mostly family ➤ Owner managed ➤ No licence needed; labour legislation needed ➤ Formal business premises ➤ Informal business ➤ 1-5 years of existence ➤ Basic skills and training ➤ Turnover below the R300,000 VAT registration level
Very small	<ul style="list-style-type: none"> ➤ Less than 10 employees ➤ Includes self-employed craftsmen ➤ Managed by owner ➤ Basic management structure ➤ Part of the informal economy ➤ 5years of existence and above ➤ Annual income below the R300, 000 VAT registration level. ➤ Semi-skilled and unskilled employees
Small	<ul style="list-style-type: none"> ➤ Less than 100 employees ➤ Owner managed

	<ul style="list-style-type: none"> ➤ Semi-complex management structure ➤ More established than very small enterprises ➤ Skilled and unskilled personnel ➤ Semi-formal ➤ Fixed and formal business premises ➤ Annual income above the R300,000 VAT registration level ➤ Less than 10years of existence
Medium	<ul style="list-style-type: none"> ➤ Up to 200 employees ➤ Still managed by owner ➤ Decentralised management structure ➤ Division of labour/skilled employees ➤ Follows all legal/formal requirements ➤ Fixed and formal business premises ➤ Above R1,000,000 annual income ➤ Above 10years of existence

Source: (dti, 2003)

In most contexts, the term SMME is used interchangeably with the term “small business”. Thus, most references to the term “small business” includes micro and medium-sized businesses and therefore “SMME” equates to the terms “small business”. It is also noteworthy that these firms are often associated with entrepreneurship because of their nature. However, there does not appear to be one consistent “small business” definition that is used in an economic sense in South Africa. For the rest of this research study, the term “small business” will be used and it will be assumed to include small, medium and micro-enterprises.

2.5.2 Major Challenges faced by SMMEs

Entrepreneurship is very slow in South Africa because of the many factors that inhibit the growth of SMMEs. It is, therefore, this reason that many researchers have embarked on identifying the major barriers faced by the small business sector as illustrated in Table 2.3. it is widely accepted that small businesses face a wide range of barriers, constraints and problems, even in effective functioning market economies compared to big business worldwide.

At the top of the list of barriers facing small businesses, is the difficulty of access to finance as depicted in Table 2.3. Most of the small business owners fail to get external funds due to absence of tangible security and credit in the market. The procedure to access a loan facility is too time-consuming, that its delay often disappoints small business owners (Saxena 2012). In addition to access to finance is the lack of education and training, lack of information, poor management skills, lack of entrepreneurial skills, restrictive labour regulations, crime and theft, access to markets, lack of transport, corruption and inadequate supply of infrastructure.

Table 2.3: Major challenges faced by SMMEs

CHALLENGES FACED BY SMALL BUSINESSES	REFERENCE
Access to finance	Dhliwayo et al. (2017) Schmidt, Mason, Bruwer et al., (2017) Coetzee and Pieter (2017) Donga, Ngirande and Shumba (2016) Saxena (2012)
Lack of education and training	Ayandibu, Ngobese, Ganiyu et al., (2019) Ngibe and Lekhanya (2019) Rankhumise and Masilo (2017) Van Scheers (2011) Fatoki and Odeyemi (2010) Mensah and Benedict (2010)
Poor management skills	Mbumbo, Benedict and Bruwer (2019) Ncube and Chimucheka (2019) Coetzee and Buys (2017) Chimucheka and Mandipaka (2015) Fatoki (2014) Okpara (2011) Mbonyane and Ladzani (2011) (Moos & Sambo, 2018)
Lack of information	Masama (2018) Lekhanya and Mason (2014) Abor and Quartey (2010) Swart (2010) Ladzani and Van Vuuren (2002)
Lack of entrepreneurial skills	Worku (2016) Shaw (2014) Urban and Naidoo (2012) Isaacs, Visser, Friedrich et al., (2007)

Most of the small business owners fail to get external funds due to absence of tangible security and credit in the market. It is one of the most prominent impediments to people seeking to

create their own businesses. The procedure to access the loan facility is too time-consuming that its delay often disappoints small business owners (Saxena, 2012). Major difficulties faced by small business owners include the low level of purchasing power of consumers (for example in small communities) which results in insufficient sales volumes, lack of finance to start business, reduced profits due to competition, pricing of goods and services (Gerba, 2012).

Inadequate application of essential business and management practices hinders the potential of an enterprise (Alasadi & Abdelrahim, 2008). Entrepreneurs at the BoP lack the skills and knowledge on how to use internet which affects their access to important information and opportunities. Acquiring the necessary skill to ensure the survival and success of the business is essential for BoP. Government needs to employ entrepreneurship education to stimulate increased level of participation in the economy.

Managerial competencies are sets of knowledge, skills, behaviors and attitudes that contribute to personal effectiveness (Hellriegel, Jackson, Slocum et al., 2008). Managerial competencies are therefore, vital for the survival and growth of new SMEs. Martin and Staines (2008) found that lack of managerial experience and skills are the main reasons why new firms fail. People related skills are crucial in small businesses because small business interact directly with their customers. The skills required by small business owners include problem solving, interpersonal communication, assertive conduct, decision making, conflict resolution and negotiation skills.

2.6 Conclusion

The chapter presented literature related to the study. The chapter began with the discussion of the informal sector because it is linked to microfranchising. The chapter also provided the definitions of entrepreneurship, the type of entrepreneurs and the small business in South Africa. To add on the chapter highlighted the challenges faced by SMMEs in South Africa. The next chapter discusses the concepts that relate to microfranchising and present the conceptual framework for the study.

CHAPTER THREE

MICROFRANCHISING

3.1 Chapter Overview

Following on from the previous one, this chapter continues with the presentation of the research issues as they relate to this thesis. The various aspects including franchising, microfranchising and the theoretical foundations of microfranchising are discussed. Subsequently, the study discusses about the previous studies on microfranchising, which culminates into the identification of the research gap and problem, thereby, leading to the presentation of the proposed conceptual framework for the study.

3.2 Introduction

There is no universal definition for franchising but all the definitions by academic scholars highlights that the franchising business model exists because of the relationship between the franchisor and the franchisee. There are so many and other investments available to business owners that make it possible for them to enter different types of franchise arrangements. Similarly, with the franchise business model, microfranchising has also different types of microfranchisee agreements.

Many questions have been raised in the traditional literature on the ground of the emergence of franchising and the reasons underlying the choice of keeping company units and franchised units. The Resource Scarcity and the Agency theories which are deeply rooted in economies explain why companies decide to franchise or microfranchise (Diaz-Bernardo, 2012). The Resource Scarcity and the Agency theories have made remarkable progress in the past decades on the understanding of the existence of the franchising concept. These two theories are reviewed and discussed in this chapter to explain the existence of the franchising and the microfranchising phenomenon.

3.3 Franchising

The concept of franchising is familiar to most people around the globe and most of the people often relate it to well-known Western fast food chains, such as McDonald's while in South Africa, the most known brands include; KFC, Nandos, Galitos and Chicken Licken. The word 'franchise' is believed to have originated from French, and it refers to privilege of freedom from servitude. There appears to be a common consensus on the broader definition of franchising.

FASA (2006) sees franchising as a grant by the franchisor to the franchisee entitling the latter to the use of a complete business package containing all the elements necessary to establish a previously untrained person in the franchise business, to enable him or her to run it on an ongoing basis, according to the guidelines supplied, efficiently and profitably. Similarly Grünhagen, DiPietro, Stassen et al. (2008) posits that franchising is a contract between two legal firms in which one party (franchisee) receives the right to use the trademark or the entire business format of another party (franchisor), by paying an entry fee and royalties.

Sharp (2014) avers that the boom in franchising did not take place until after World War II, however, this method only gained acceptance as a viable type of business at the beginning of the twentieth century. The automobile industry and the soft drink industry were the first to adopt the product franchising and trademark franchising. The wide spread of the franchising concept is believed to have started in United State of America (USA) around 1850 when Singer Sewing Machines located in England decided to market its products throughout USA although the operation failed (Bassem, 2013). It is believed that even Colonel Sanders the founder of the KFC, did not initially succeed with his franchising businesses. Ironically, according to (Alon, 2004) franchising itself is not an American idea, it traces back to fifteenth-century in Spain when Queen Isabella granted Columbus a travel-and trade franchise, and to the nineteenth-century in England when British brewers sought commercial distribution avenues. The real franchise boom started to occur only in the beginning of the 1950s, with the appearance of business format franchising (Goncalves & Margarida, 1994). Similarly, Bassem (2013), notes that major fast foods chains such as Burger King, McDonalds, Dunkin Donuts and KFC also started to appear in the 1950s. It is from this era that these, and other American fast food chains began their expansion into the international market and these types of franchising consisted of the right to use the brand name of the store and selling the products. Sharp (2014), explains that franchises are active and successful in a wide range of categories. They exist in lawn, garden, and agricultural supplies and services, maid and personal services, security services, tools and hardware, weight control, and many types of food products, including baked goods, donuts and pastry, popcorn, ice cream, yogurt, and fast foods (French fries, chicken, beef, pork and fish). In South Africa there are many new and different franchise system that are in operation. The commom names are Mugg and Bean, Steers, Spur, Debonnairs, PG Autoglass, 7-Eleven, Spar, Nandos, Chicken Licken, Rocco Mamas, Anat, Car Service City, Automate, Wimpy, Romans Pizza and KFC.

Franchising facilitates rapid growth, makes money for the franchisor, and gives the franchisor reasonable level of protection that the franchises will all be operated the way that that the

franchisor wants. Potential franchisees buy into franchises because the franchise system increases their chances of being successful in a short amount of time. Franchising brings three distinct advantages to those who become franchisees rather than embarking on independent business ventures: reduced risk, proven systems and professional advertising, and branding methods (Fairbourne et al., 2007).

3.3.1 Franchising in South Africa

Franchising has grown its popularity across the globe and is now widely seen as an exciting way of starting a business or expanding and developing an existing a business (Van Aardt & Bezuidenhout, 2014). In South Africa it is now seen as a catalyst for economic growth and job creation. FASA (2015) reported that the former minister of Small Business, Lindiwe Sisulu in 2014 stated that, “the department is determined to transform the franchising sector through various measures and one of them is to develop more franchisors from townships and rural communities. We have started a process of identifying and packaging successful and profitable businesses based in township and rural areas. Micro-franchising is still at its infancy stage in South Africa. The mainstream franchise market remains expensive and inaccessible to most potential entrepreneurs.” The FASA, (2019) report survey indicates that franchising plays a crucial role in furthering entrepreneurship, skills development and job creation through its 865 franchised systems, with over 45,000 franchise outlets, and 17 franchise business sectors. Of these franchise concept 86% are believed to have been developed locally (StandardBank, 2012). Despite trying socio-economic conditions, political uncertainty and tough trading conditions, the franchise sector has held its own over the past four years growing its contribution to the country GDP from 9.7% in 2014 to its present figure of 13,3% and its estimated turnover from R465 billion in 2014 to R587 billion in 2017 (FASA, 2017). The highest proportion of turnover generated is by the Fast Food and Restaurants sector (29%), which is not surprising given that it is the largest sector. Three sectors share a further 43% of the estimated turnover in similar proportions – Building, Office and Home Services, Retailing and Business-to-Business Services. Ownership by Previously Disadvantaged Individuals (PDI) for 2017 was recorded at 17%, like the 18% mentioned for 2016. There appears to be a slight downward trend in terms of PDI ownership since the 2015 survey, which may be as a result of the changes to the BBBEE Act of 2013. Categories such as Childcare, Education and Training, Personal services, Fast Foods and Restaurants and Building, office and Home services are above average in this regard. Approximately half the sample (56%) did not have any PDI ownership in their businesses at all.

3.3.2 Franchise Models

There are several different models of franchising arrangements that have been identified, that legally bind the franchisor and the franchisee. Beshel (2010), posits that there are many different models of franchising arrangements available because of so many franchisors, industries and range of investments that are possible. These types of binding contracts are discussed below. Van Aardt and Bezuidenhout (2014) notes that the following franchise models exists in South Africa that entrepreneurs should look out for opportunities and investment to their own advantages;

3.3.2.1 Development model

Franchisors select this model to expand their network in a market (Van Aardt & Bezuidenhout, 2014). It was mainly used during the early years of development of franchising with every franchisee being granted a unit franchise.

3.3.2.2 Company owned

The aspiring franchisor must test the concept in the market before it becomes a franchise, hence, the first unit must be company owned. The company owned unit is used to test market acceptance and iron out all possible glitches that may be in the product development, branding of the concept, processing, distribution or installation. Van Aardt and Bezuidenhout (2014) avers that franchisors retain at least one unit for several reasons that may include:

- It will serve as a model unit and training ground for new franchises. For example, when Car service city decided to franchise its businesses it retained some of the branches that include Rivonia and Sandton branches. They keep these stores because they enable them to keep their ear close to the ground as they get to experience the same things as their franchisees do (Van Rooyen, 2016);
- Product modification and improvements to systems can be tested before being released into the network; and
- Profits generated in a company-owned store are the franchisors to keep as returns from the franchised units are limited to a small percentage of sales. This, therefore, prompts franchisors to operate their own several units for their own account, particularly if these can be clustered around head office to simplify control.

3.3.2.3 Joint venture

A franchisor may enter into joint venture agreements with prospective franchisees (Whichfranchise, 2018). The business is set up at arm's length, with the franchisor retaining a stake. This model can be attractive for several reasons:

- An individual who displays potential to operate the business successfully but cannot raise enough funds to acquire a franchise outright can do so over time;
- A company is set up and awarded the franchise;
- The individual obtains a small stake in the business at the outset, with the balance held by the franchisor, or a third-party investor;
- The individual manages the business and receives a modest salary;
- The same individual is entitled to acquire additional shares in the business over time. This is often funded from retained profits; and
- The franchisor can expand into a new area with the help of an individual who is determined to make the best of the opportunity.

This model is ideally suited to BEE initiatives, for example by offering deserving employees an opportunity to acquire a stake in a business immediately and own it outright over time.

An example of the joint venture franchising model in South Africa is when Shoprite Holdings and the Department of Trade and Industry's Khula Enterprise Finance signed a groundbreaking agreement to grant a limited number of retail franchise concessions, back by outfitting, training and mentoring support, to black entrepreneurs in 2004 (BuaNews, 2004). OK Franchise and Khula provides dual guidance in terms of outfitting, training and mentoring the franchisee to deliver maximum viability for these franchise branches. The two organisations also share the capital investment and risks associated with promoting the black economic empowerment (BEE) initiative, with Khula providing loans to concession holders to acquire equipment and furnish the stores. On the other hand Shoprite, is responsible the supply of stock without soliciting securities from concession holders, especially the first stock consignment (BuaNews, 2004).

3.3.2.4 Single Unit Franchise

Entrepreneurs new to the franchising industry make an investment into one unit and this is the full extent of the initial agreement. A single-unit (direct-unit) franchise is an agreement where the franchisor grants a franchisee the rights to open and operate one franchise unit (Beshel,

2010). Single unit franchisees are typically “owner operators”, meaning that in addition to being the owner, they will also function as the primary operator or manager at the store level (Fransmart, 2018). The franchisee may be offered an opportunity to invest into additional units at a later stage thereby, becoming a multi-unit franchise.

3.3.2.5 Multi-Unit Franchise

A multi-unit franchise is an agreement where the franchisor grants a franchisee the right to open and operate more than one unit (Beshel, 2010). There are two types of multi-unit franchising which are the Area development and the Master franchise (sub-franchising). These two types of Multi Unit franchise are discussed below.

3.3.2.6 Area Development Franchise

With an area development franchise agreement, a franchisee has the right to open more than one unit during a specific time, within a defined geographical area (Shumba, 2016). Van Rooyen (2016) explains that, most often this takes the form of the developer setting a predetermined number of branches in the area and operating them for its own account. For example, a franchisee may agree to open 5 units over a five-year period in a specified territory.

3.3.2.7 Master Franchise

A master franchise agreement gives the franchisee more rights than an area development agreement (Beshel, 2010). The franchisee that is given more rights is known as the sub franchisor (International Institute for the Unification of Private Law (UNIDROIT, 2007). The domestic franchisee that enters into a franchising agreement with the sub franchisor is known as the sub franchisee. In addition to having the right and obligation to open and operate a certain number of units in a defined area, the master franchisee also has the right to sell franchises to other people within the territory (Beshel, 2010). This, therefore, means that the sub franchisor acts as the franchisor in the foreign country. Therefore, the master franchisee or the sub franchisor takes over many of the tasks, duties and benefits of the franchisor, such as providing support and training, as well as receiving fees and royalties. For example, the Shanduka Group formerly owned by the South African President Cyril Ramaphosa was awarded a 20-year master franchise agreement to run the 145 McDonald's restaurants in South Africa in the year 2011 before the group sold it to MSA holdings in 2016. There are two franchise agreements involved in the master franchise arrangements. With the Master

Franchise there is an international agreement between the franchisor and the sub franchisor, and a domestic agreement signed between the sub franchisor and the sub franchisee.

3.3.2.8 Retail Franchising

It is an owner operated from a retail outlet, in the high street or retail park to sell products or services (Massetti, 2018). The established business totally depends on the location of the premises, with sales coming from walk-ins in customers who purchase direct from the outlet (Massetti, 2018, Van Aardt & Bezuidenhout, 2014). This type of franchise can be found in many different industries including fashion, IT, technology, food, education, leisure and services. An example of the retail franchise model in South Africa is Cash Converters, which is the leader in the buying and selling of quality pre-owned goods in South Africa and has been since 1994. Van Aardt and Bezuidenhout (2014), notes that the franchisee in the retail franchise will:

- Sell a product or service to end users;
- Operate from locations with high foot traffic like shopping malls;
- Depend on walk-ins' customers for sales;
- Manage the business during retail hours, often stretching into long days and weekends;
- Deal with the public which requires the franchisee to be a people person; and
- Manage people as in most instances, staff will have to be employed.

3.3.2.9 Management Franchise

In the management franchise model the franchisee, the franchisor is expected to market and manage the business while trained staff carries out the actual business activity (Van Aardt & Bezuidenhout, 2014). This franchise is typically run from regional or geographic head offices and will involve the development, management and co-ordination of a group of operatives or team of providers for the service or product (Massetti, 2018). This type of management franchise will not be directly dealing with the end consumers or receivers of the products or services. In this type of franchise, the franchisee will be responsible for the marketing and management of the business while staff will be responsible for the sales of the product or the provision of the service. It is in this regard that many business-to-business activities are handled in a similar manner, except for the fact that a travelling sales force will be employed (Van Aardt & Bezuidenhout, 2014). Management franchising is great for re-sale franchises, which are franchises that are bought from an existing franchisee, as all the operational day to day tasks and activities are in place including the existing staff.

3.3.2.10 Conversion franchise

Conversion franchising is, simply put, when an existing company converts to a franchisor's brand. It is similar to a unit franchise with the only notable difference being, instead of recruiting a franchisee and setting him or her up in a newly established business, the franchisor recruits an established operator into the network (Van Aardt & Bezuidenhout, 2014). Conversion franchising can occur when a franchisor wants to penetrate a new area and decides that instead of competing with the local business, they join forces. Conversion franchising can also occur when a business owner seeks out a larger franchise and offers to convert their business to the franchised brand (SignMeUp, 2014). Following a complete makeover, the business operates as a franchise, trading under the network's brand and using its systems and procedures.

Such an arrangement offers potential benefits to both parties:

- If the business is highly site-dependent, as is the case in most retail operations, the franchisor gains access to a prime site with an established customer base; and
- The franchisee gains access to the network's superior marketing and bulk purchasing power.

3.3.2.11 Simple Operator franchise

It has two types of franchise format which are the manual and executive franchises. In these formats the franchise carries out the work him/herself. It is vital to note that the manual franchise usually involves the carrying out of a trade, or the selling and supply of products or services. This maybe a mobile setup, a home based or even operated from small office premises (Van Aardt & Bezuidenhout, 2014).

An executive franchise usually involves the carrying out of a professional service or a sale and supply of products that requires professional input and or user-support and trouble shooting. In the same manner with the manual franchise, it may be home based or operated from small premises. The examples of the executive franchises are bookkeeping services, tax advice, business consulting, training or the supply of comprehensive office solutions for small businesses.

The two above models of franchising require the franchise to:

- Acquire the expertise required to sell and install a product or perform a service;

- Work on their own, at least in the initially stages of the business. As the business will be growing it may be necessary to employ staff and the franchise may eventually end up developing into a management franchise;
- Market the franchise locally to generate a steady flow of business;
- Conduct much of the business via the telephone and through electronic communication facilities; and
- Be mobile, perhaps van-based and undertake administrative chores from home. Small industry may be occasionally be necessary.

3.3.2.12 Investment franchise

In this franchise model, a wealthy investor, most often a corporate entity, makes a substantial investment in a franchise without having any intention of working in the business. It is in this regard that the management of the franchise will be delegated to an executive team that is responsible for operational activities, hence it is not popular with franchise entrepreneurs of small concepts. This is attributed to the fact that the physical presence of the owner 'behind the counter' is what the customers want for example the hotel business environment (Van Aardt & Bezuidenhout, 2014).

3.3.2.13 Tandem franchising

It is a uniquely South African franchising concept that entails a joint venture arrangement between a franchisor-appointed mentor and a franchisee (StandardBank, 2012). In other words, Parker and Illetschko (2007) describe tandem franchising as an 'empowerment mechanism with a strong focus on mentoring'. StandardBank (2012) notes that the franchisee purchases a minority stake in the business and receives mentoring from an experienced member of the management team, until he or she has gained the knowledge and experience to run the business efficiently and independently. The franchisee increases his or her shareholding over time, while the mentor is rewarded based on franchisee performance. Tandem franchising has the unique advantage of empowering individuals to learn the ropes while being 'attached' to a person who understands the business thoroughly. It also addresses the issue of a lack of capital at the start-up stage. Franchisees can increase their shareholding using their share of profits. While this process takes place over time, franchisees can increase their skills and confidence in running the business. This mechanism addresses BEE at both franchisee and franchisor level.

The South African government's BEE (Black Economic Empowerment) strategy is based on four underlying principles, namely that BEE is part of the broader economic growth strategy, BEE should be broad based, BEE is an inclusive process, and BEE is associated with good governance. Special emphasis must be placed on skills transfer, upgrading and real participation in ownership. Tandem Franchising answers the challenge of implementing BEE through real participation and skills transfer.

Du Toit (2007) points out that tandem Franchising is an empowerment mechanism with a strong focus on mentoring as it links the mentoring process with participation in equity. Therefore, the mentoring process can be structured within a joint venture agreement between a franchisor-appointed mentor and the franchisee. The franchisee would purchase a minority stake in the business and would receive mentoring from an experienced member of the franchisor's management team, until the franchisee has gained the knowledge and experience necessary to run the business on his or her own (du Toit, 2007). He further notes that the new, inexperienced franchisee is therefore, run the business in "tandem" with an experienced manager hence, they work together towards achieving a successful business. The program could be structured over a period of one year or more and has the potential to be effective in ensuring empowerment initiatives are effectively implemented and skills transference takes place.

The basic premise regarding the participation in equity is that the franchisee would increase his shareholding over time, while the mentor is rewarded based on franchisee performance. The franchisee would act as assistant manager for the first year or a predetermined period. During this time, the franchisee will earn a salary, and all dividends are accumulated in a fund for the franchisee. This can then be used to purchase more equity over time. The concept of tandem franchising can be implemented in various forms which are explained below together with their merits and drawbacks (du Toit, 2007);

Option A will be attractive to financial institutions, since the franchisor is virtually providing a guarantee for the business by holding the majority share initially. This, together with a minority contribution by the franchisee, should provide enough guarantees for financial institutions to finance the balance of the capital requirement. The franchisor will be committed to the success of the business, since it will share in the profit initially. This option may also be attractive to large corporate companies, since it facilitates skills transfer from experienced managers while

achieving empowerment goals. Experienced staff may be retained and will be motivated by incentives to achieve franchisee success.

Option B will be attractive to franchisors who are not able to invest capital in the new franchisee's business. However, commercial banks are not likely to take equity in a fledgling business. Venture capital companies would be better placed to provide the start-up capital, but these financiers would only be drawn to projects with high returns on investment.

Option C addresses the participation of existing franchisees of the franchise network in the empowerment initiative. The existing franchisee, running a successful business, is offered a second franchise as a joint venture with an empowerment partner. In this instance, the business will remain a joint venture, but will move towards a majority of BEE shareholding over a predetermined time period. The benefit to the franchisor is that such a mentoring program will be relatively inexpensive, as the franchisee mentoring the newcomer will invest his own time in the mentoring program. However, the franchisor would have to design the mentoring program and monitor the progress and results of the mentoring relationship on a regular basis.

The **fourth option** is to implement a third party mentorship program available to selected franchises and funded by government agencies or NGO's. It would be imperative to select the right franchisors for participation in such a program. A proven track record of successful franchised outlets, a commitment to empowerment and enough training and support mechanisms must be in place for a franchisor to be considered for inclusion in the program.

3.3.3 Forms of franchising

Scholars such as Bassem, (2013); Beshel, (2010); Shumba, (2016); Whichfranchise, (2018) concur that there are two main forms of franchising, which are; the product distribution and the business format.

3.3.3.1 Product distribution franchising

Product distribution franchises sell the franchisor's products and are supplier-dealer relationships (Beshel, 2008). Nieman and Nieuwenhuizen (2009), the manufacturers use franchises to distribute their product lines. They act as the middlemen for the manufacturers

and may sometimes be required to meet quotas laid down by the manufacturers. These middlemen also benefit from the advertising, service and management support provided by the manufacturer. In product distribution franchising, the franchisor licenses its trademark and logo to the franchisees but typically does not provide them with an entire system for running their business (Beshel, 2008). This type of franchising is mostly found in soft drink distributors, automobile dealers and gas stations markets.

3.3.3.2 Business format franchising

Business format franchising is the process of licensing the rights and obligations to copy a unique retail positioning that profitably serves a need for a viable customer segment (Kaufmann & Dant, 1999). It is the most common type of franchising as it offers a name, image and method of doing business such as McDonalds, KFC, Nando's, Steers, Mugg and Bean and Ocean Basket. Fast food business entrepreneurs in South Africa use the business format franchising. It may contain products and or service and may or may not be location specific. According to Hamid, Othman, Selamat et al., (2003), this form of franchise system is commonly found among fast-food service restaurants such as KFC, and McDonald's; among oil companies and their petrol retailers and has expanded rapidly all over the world. It is also used in selling motor vehicles, pharmaceuticals, specific products or services and educational services. One of the key characteristics of business format franchising that help to differentiate it from other types of franchising is that its existing franchises are legally permitted to sell on their contract if they wish to do so (Boyle, 2002).

Business format franchising is perceived to be a form of business cloning (Hoffman & Preble, 1993). Hamid et al. (2003), observed that business format franchisors seek to have franchisees replicate in their local community an entire business concept, including product or services, trade name and methods of operations. Thus, they are provided with all the trade secrets of the business and all the details of the business that enables a previously untrained person to run a business effectively and efficiently by the franchisor. According to Boyle (2002), the franchisor also provides support and advice to the franchisee. The franchisor's control activities may extend over products sold, price, hours of operation, conditions of plant, inventory, insurance, personnel and accounting. The researcher further explains that, the franchisor also normally provides the franchisee with the information system, thorough training programs and a detailed operation manual so that each franchise operate within the franchisor's corporate image, offering customers consistency in product and or service. The franchisor also normally conducts routine checks on each franchised unit. Hamid et al. (2003)

notes that, business format franchising includes the support systems to implement and operate it. The format typically also involves access to sources of supply, as well as specified equipment and detailed operating instructions. Overall, the business format is comprised of various elements that manifest four distinct components: product or service deliverables benefit communications, system identifiers, and format facilitators (Hamid et al., 2003).

Product or service deliverables are those elements sometimes referred to collectively as the concept and reflect the unique features of the format franchise for example; a key product or service deliverables for a particular franchise may be the quick preparation of consumers' income taxes (Hamid et al., 2003). The product or service deliverables also include differentiating features, such as a unique menu and the quality of the food in a restaurant franchise. The author further explains that the product or service deliverables are the collection of features that comprise the franchise format and define its unique competitive niche.

3.4 Microfranchising

Microfinance served as a Nobel prize-worthy vehicle to capitalise the businesses of would-be entrepreneurs (Webb & Fairbourne, 2016). However, microfinance had its own limitations that included having little regard for how the capital should be utilised by micro entrepreneurs. Due to the limitations of microfinancing it was an opportunity for microfranchising to pick up on the shortfalls of microfinancing. The concept of microfranchising was introduced in 2004 by Stephen W. Gibson (Fairbourne, 2006). Microfranchising is also known as “business-in-a-box”, “backpack” (Gibson, 2007) or “ready-made jobs” (Christensen et al., 2010). As of late, microfranchising has emerged as a compelling solution to the entrepreneurial burden. Thus, it is an innovative, market-based method for development practitioners, NGOs, aid administrators, microfinance institutions and especially necessity entrepreneurs to consider. At its core, microfranchising is a development tool that leverages the basic concepts of traditional franchising, but it is principally focused on creating opportunities for micro entrepreneurs to own and manage their own businesses, and self-reliance businesses (Webb & Fairbourne, 2016). Webb and Fairbourne (2016) posits that microfranchising serves as better option for the development of entrepreneurs than the traditional micro-lending or other microenterprise building efforts. This is attributed to the fact that the necessity entrepreneurs at the bottom of the pyramid have limited education, limited experience and limited ideas for new products or service.

3.4.1 Conceptualisation of Microfranchising

There is no universal definition of microfranchising as the concept is still at its infancy. Authors such as (Fairbourne, 2006) and (Gibson, 2007) have called it “a systematisation and replication of micro enterprises by people at the Bottom of the Pyramid (BoP) Innovation Center, 2020) with small capital start-up.” Bottom of the Pyramid generally refers to the largest, but poorest, socio-economic group globally and in South Africa, many of the individuals in townships and deep rural areas fall into this category (Lovasic & Pompei, 2014). Some authors such as (Burand & Koch, 2010; Erceg & Kuvec, 2017) describe microfranchising as “a variety of known franchise types that have reduced investments and revenue with an aim to impact poverty by facilitating job creation economic activity and distribution of goods and services to the base of the economic pyramid markets at a profit.” According to Camenzuli and McKague (2015), microfranchising is a small tested business that can be managed by an entrepreneur in a low-income market with support from a microfranchisor. Lawson-Lartego and Mathiassen (2016) define microfranchising as a variant of the traditional franchising approach, which is a contractual arrangement in which one firm, the franchisor (microfranchisor), licenses a business concept, operational system, or trademark to a second firm, the franchisee (microfranchisee). Similarly, Sunanda (2016) defines microfranchising as small businesses that can easily be replicated by following proven marketing and operational concepts. A closer analysis of the interpretation of microfranchising by various authors above reveal some key aspects that support microfranchising. Microfranchising is therefore, not possible without these aspects. Fairbourne et al. (2007) asserts that, “a true microfranchise business must include all three components”. These three components are explained below.

Micro refers to something being more than small (very small business operating on a small scale) and strongly focuses on the well-being of the microfranchisee and the surrounding communities (Fairbourne, 2006; Fairbourne et al., 2007). The businesses are referred to being micro as they require little capital (Fairbourne et al., 2007). Additionally, the “micro” should not imply that the businesses are not fully developed. Rather, microfranchises are fully developed, well-functioning enterprises; far more appropriate and sustainable than the default “copied” businesses that the women at the train station resign themselves to when trying to sell fried bread (Webb & Fairbourne, 2016). “Micro” also signifies the low-income customers these enterprises serve and the relatively little capital required to replicate them (Lehr, 2008).

Franchising means the replication of business procedure and involves standardised operations and everything that is connected to traditional or commercial franchising with an objective of generating profit for the business (Erceg & Kuvec, 2017; Fairbourne, 2006).

Combining micro and franchising words gives microfranchising which is very different from commercial or traditional franchising as it is created to help SMMEs entrepreneurs start sustainable and successful businesses.

Microfranchisor is the person or company that grants the microfranchisee the right to do business under their trademark or trade name. The microfranchisor typically controls many of the macro aspects of the business such as creating and marketing the brand, procuring inputs, continuously improving the model and recruiting and training franchise operators (Erceg & Kukec, 2017). Microfranchisee is the person who lacks skills and training of running a successful business that gets the training and mentoring from the microfranchisor to run his or her own business under the franchisor's trademark or trade name. A Microfranchise Agreement is a document that specifies all the terms on which the relationship between the microfranchisor and microfranchisee is based on (Nieman & Neiuwenhuizen, 2014). It specifies all the rights and obligations of the two parties and how the microfranchise is to be operated.

Bottom-of-the-pyramid markets: The term 'bottom-of-the-pyramid markets' refers to a market, which consists of the world's population that resides at the lower levels of the world's economic pyramid (Timonen-Nissi, 2017). The BoP markets are often disengaged from the global market, hence there are not part of the supply chains that link developed markets with emerging markets. Additionally, BoP markets are often oligopolistic in nature due to the lack of competition. Thus, consumers in such markets often overpay for necessities such as water, housing, financial products and other products (Kistruck, Sutter, Lount Jr et al., 2013). There are several characteristics that distinguish the BoP markets from the developed markets. The three most significant one include; (1) poorly developed or undeveloped formal institutions, (2) significant differences between developed and BoP markets in terms of formal and informal institutions, and (3) substantial institutional differences within and among BoP markets (Kostova & Zaheer, 1999; Webb, Kistruck, Ireland et al., 2010).

Unlike in developed markets, formalised property rights do not generally exist in BoP markets. This lack of formalised property rights can make it difficult for individuals to use property as collateral, which in turn, can complicate the access to capital (De Soto, 2000). Incentives for investments and property improvements decrease as insecurity over property ownership increases (Kistruck et al., 2013). Without formalised systems of monitoring, individuals need to rely on informal means of monitoring and enforcing property rights in BoP markets (De Soto, 2000). As contracts are difficult to enforce, they are mainly used to set up expectations for

partnering. Legal recourse is often ruled out as an option due to its high cost and due to the relatively small sums that are generally involved in BoP market ventures.

To combat such BoP distribution challenges that arise from the nature of the cultural and institutional environment, organisations are often forced to seek out locally embedded individuals to act as agents to tap BoP market communities (Smith & Stevens, 2010). This individuals therefore, become instrumental in garnering access to informal institutions as a means for generating acceptance of new products and services (London & Hart, 2004). However, such individuals lack sales professional skills and have very little sense of what it is like to participate in a formal business.

The institutional voids that characterise BoP markets also create significant agency costs when firms use locally embedded individuals to sell and distribute products (Khanna & Palepu, 1997; Kostova & Zaheer, 1999). Specifically, the weak legal institutions of BoP markets make it difficult for organisations to enforce contracts and rely upon public forms of governance in the event of dispute (De Soto, 2000). Similarly, the technological and transportation infrastructures make monitoring of effort very expensive and difficult for organisations operating in BoP markets (Webb et al., 2010). As a result, firms attempting to expand into BoP markets often use hybrid governance structures such as microfranchising and consignment. These tactics help balance the transaction responsibility placed on local salespeople with the firms' retention of control over how the products are sold (Christensen et al., 2010; Smith, 2010). However, the need to maintain control often results in significant ongoing monitoring and enforcement costs for the firms (Kistruck et al., 2013).

3.4.2 The difference between Microfranchising and Franchising

As alluded from the previous section microfranchising has its roots in traditional franchising, which is the practice of copying a successful business and replicating it at another location by following a consistent set of well-defined processes and procedures (Erceg & Kukec, 2017). In traditional franchising, the franchisor (who owns the overall rights to the business) sells or licenses a systematised business approach to a franchisee (Khillare, 2014). The strength of franchising comes from its reliance on a business model that has been tested and proven to work. Heinonen (2010) explained that, once the business model has been proven, potential licensees of this business (the franchisees) can operate subsequent outlets at lower risk. Similarly microfranchising follows the known franchise model, but it is reduced in investment and strongly focuses on the socio-economic benefit of the microfranchisee (micro

entrepreneurs) and his or her community, and the efficient delivery of products and services to low-income consumers whilst making sure that microfranchisees businesses are sustainable (Erceg & Kukec, 2017; Khillare, 2014). Thus, microfranchising assumes the principles of franchising only on a smaller scale and with the intent to benefit those at the bottom of the pyramid” (Fairbourne et al., 2007). The primary feature of a microfranchise is its ability to be streamlined and replicated like the traditional franchising business model.

The main difference from the traditional model is that the emerging microfranchising model is adapted to the BoP market and tends to operate at a minimum scale (Fairbourne, 2007). For instance, to break the main barrier for poor entrepreneurs, initial investments by microfranchisees are typically less than \$1,500 (Lehr, 2008). The emergent microfranchise model is thus enhanced and standardised; ready to be scaled up for rapid adoption by interested BoP entrepreneurs. Unlike traditional franchise models in which important profit sources are the initial royalties and fees paid by franchisees in the microfranchise model, the key economic benefit for institutional franchisors is the volume of the revenues associated with the vast population in the BoP market. One important distinction is that microfranchises are located within bottom-of-the-pyramid (BoPInnovationCenter, 2020) markets instead of developed markets, and they tend to be significantly smaller than traditional franchises (Fairbourne, 2007).

The table below identifies the main differences between microfranchising and commercial franchising.

Table 3.1: Difference between microfranchising and commercial franchising

Microfranchising	Commercial franchising
<p><i>Different objectives</i></p> <ul style="list-style-type: none"> ➤ Majority of the microfranchise networks are started with the aim to graduate into small-businesses, while others are created as social networks aimed to serve as distribution channels to the economically disadvantaged people. ➤ Creates profits for micro franchisees, but also enough revenue for franchisor to cover the costs. ➤ Most microfranchises aim to benefit the micro entrepreneurs by creating employment and assisting them to run sustainable businesses. 	<ul style="list-style-type: none"> ➤ Financial performance is a priority for the franchise network. ➤ In most cases, profitability lies in the interests of the franchisor and not so much on the franchisees. ➤ In most cases, commercial franchising relatively emphasises generating private wealth of, particularly, franchisors, where in microfranchising the goal is to generate public social benefits in BoP (Bottom of the Pyramid) markets (Christensen et al., 2010).
<p><i>The nature and capabilities of the franchisees:</i></p> <ul style="list-style-type: none"> ➤ Microfranchisees come from poor backgrounds, with limited education, little business experience except on a subsistence level; live in remote areas and townships and have no access to technology or even electricity. ➤ As a result, microfranchising is dominated by less complex business format systems, mainly product distribution franchises. 	<ul style="list-style-type: none"> ➤ Commercial franchisees go through an intensive selection process to meet the requirements based on (not much) in terms of education but prior business experience, level of passion, ability to meet the high capital requirements, and other appropriate resources such as effective transport, communication and technology, if necessary. ➤ As a result, this is dominated by far complex franchise systems mostly found in services.
<p><i>Geographic location:</i></p> <ul style="list-style-type: none"> ➤ Microfranchises are mostly located in developing nations or emerging markets, and usually in the remote areas (Fairbourne et al., 2007). 	<ul style="list-style-type: none"> ➤ Mostly found in developed nations although found in developing nations.

Source: (Burand & Koch, 2010; Nyadzayo, Sridharan, Matanda et al., 2013).

3.4.3 Types of microfranchises and microfranchisors

The top down microfranchisees are provided with a business “in a box” which is very easy to launch with the microfranchisee paying the franchise fee in order to get the microfranchisor’s trademark, starting assistance, staff training as well as manuals on how to operate the business and equipment (Henriques & Herr, 2007). Bottom up microfranchisees are small enterprises in the same sector who team up to upgrade their performance and competitiveness through a shared service (Heinonen, 2010). They exchange information on market trends, as well as services to achieve economies of scale (Henriques & Herr, 2007). This initiative is largely organised by sectoral associations and they sometime function as cooperatives or are operated by Multinational Companies (MNCs) (Henriques & Herr, 2007). Gibson (2007) notes that microfranchisors are either independent businesspeople, Non-Governmental Organisations (NGOs) or MNCs

Independent microfranchisors become microfranchisors through opening a second location or by franchising their own business and sell franchise rights to others (who then become one’s microfranchisees). Non-Government Organisations become microfranchisors by recognising the potential of poor micro entrepreneurs whom they teach how to build income generating ventures. For NGOs microfranchising is all about helping struggling necessity entrepreneurs by giving them another alternative, thus, building a larger business in order to help make their families become self-reliant (Gibson, 2007). Multinational Companies can co-create a market with small scale enterprises, for consumers at the BoP (Prahalad, 2009).

3.4.4 Benefits of Microfranchising.

Fairbourne et al., (2007) argues that microfranchising's main advantages are job creation, microfranchisee training and effective delivery.

One of the biggest problems of developing countries such as South Africa is the lack of employment. Most people especially the uneducated work in the informal economy since the formal economy fails to provide jobs. Within the informal economy working conditions are very poor characterised by low salaries, lack of formal employment contracts and social protection. Microfranchising provides an opportunity to upgrade these business operating in the informal economy into the formal economy (Henriques & Herr, 2007). Therefore, small businesses can enjoy the benefit of microfranchisor’s official registered status (Magleby, 2005).

Microfranchising play a vital role in helping the uneducated familiarise with business model (Magleby, 2005). The majority of people operating businesses in developing countries have little or no education and often lack basic skills, such as bookkeeping and inventory management skills (Fairbourne, 2006). Microfranchisees are provided with specific training which enable them to recognise the significance of utilising creativity, know how as well as social and financial resources (Heinonen, 2010). Some of the benefits that microfranchisees enjoy in relation to training include site selection, negotiating the terms of lease for the store front and establishing an effective store layout (Gibson, 2007). In addition tested operational guidelines and different checklists help microfranchisees in daily and long term planning and reporting (Heinonen, 2010). Magleby (2005) also believe that microfranchisors empower their microfranchisees not only financial, but also emotionally and socially.

The poor often pay a poverty penalty for goods and services, which those in developed countries take for granted, primarily because of the lack of delivery systems that actually reach the poor, thereby, perpetuating poverty (Magleby, 2005). Many MNCs and other large organisations see an unfilled demand for their goods and services, but they lack either an adequate distribution system or the deep knowledge of local markets to profitably deliver products and services. Microfranchising can be utilised as a delivery system, especially when paired up with microfinance institutions (Heinonen, 2010).

3.4.5 Challenges of Microfranchising

Like all other different business models, they are not without some challenges and risks, and so is micro-franchising too. Thus, these challenges of microfranchising are discussed below.

One of the main criticisms of microfranchising has been its funding. Despite the initial investments by microfranchisees being less than US\$ 1500 (R25 000), not many people in developing countries can afford to buy a microfranchise with their savings (Lehr, 2008). Besides that, there is often need for ongoing capital during the microfranchises early stage as well (Lehr 2008). Therefore, in order to establish a microfranchise, finding suitable finance for microfranchisee is usually needed.

Another challenge for microfranchising is the lack of education and business skills among the prospective microfranchise entrepreneurs. Woodworth (2007) suggests that microfranchising is more likely to succeed with people who are well educated and have the requisite math and reading skills. Furthermore, Dyer (2007) asserts that some basic level of education, skills and

motivation is needed for a microfranchisee. Moreover, some microfranchises require ready educated nurses, such as the HealthStore Foundation, which is currently operating in Kenya, Rwanda and Ghana. Thus, in reality, the lack of education can create a problem, because not everyone is able or willing to run a business.

However, Dyer, (2007); Fairbourne, (2007) argue that one does not have to be a real entrepreneur in order to be a successful microfranchisee. Also, Lehr (2008) is of the opinion that there are some models that do not require any specialised skills. Thus, it can be concluded that some microfranchises are more suitable business models for the poorest of the poor than others that require more education, experience and skills. The motivation is important though. To quote from Lehr (2008:10), “The ability and willingness to follow processes and procedure and a desire to learn are often more important than having a high-risk tolerance or the ability to generate a new business idea.” However, it will be a challenge for the microfranchisor to find people who are willing and capable to start their own business as a microfranchisee, and who accept the risks of ownership (Dyer, 2007; Lehr, 2008).

As seen, from the above funding as well as the lack of education and business skills are the most criticised sections of microfranchising. However, there are also some other challenges that include high delivery costs and lack of better infrastructure is one of the biggest constraints that microfranchises face in developing countries, and this is often difficult to overcome in heavily impoverished regions (Woodworth, 2007). Another challenge is the marketing of microfranchising to the Microfinance Industry (MFIs) (Dyer, 2007). The launching of these businesses relies on the institutions that participate in skills training and business development support. However, the most important question is the number of institutions willing to offer these types of training.

The outcome of the benefits and challenges of microfranchising is summarised in the figure below (Figure 3.1).

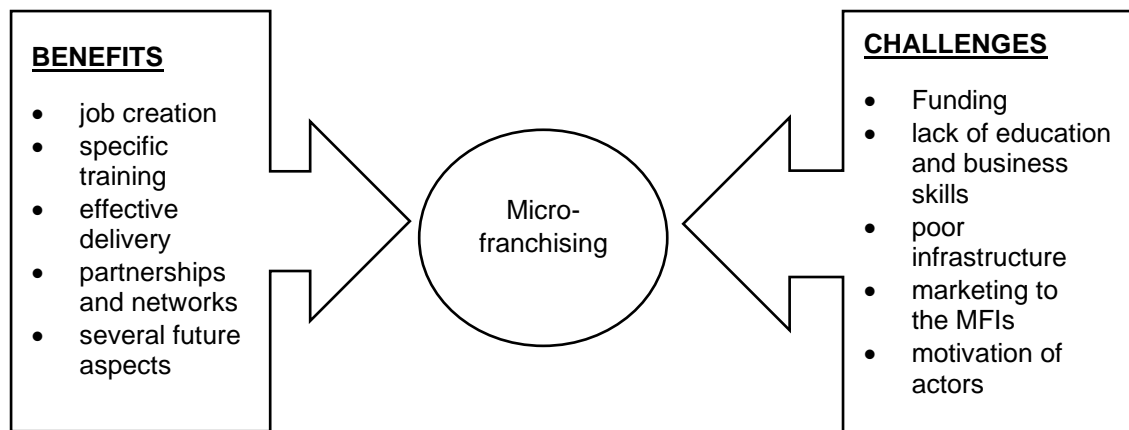


Figure 3.1: Benefits and challenges of microfranchising

Adapted from:(Heinonen, 2010)

The figure gives a short overview of the benefits and challenges of microfranchising. According to Fairbourne (2007) the main benefits of microfranchising are job creation, specific training and effective delivery. In proportion funding and the lack of education and business skills are seen as the most criticised challenges of microfranchising. Some other challenges include poor infrastructure, difficulties to market microfranchising to the MFIs as well as the motivation of different actors.

3.5 Theoretical foundations of Microfranchising

The preceding sections have established that microfranchising is related to traditional franchising, this section discusses the franchising theories that relate to microfranchising.

3.5.1 Agency theory

The preceding sections have established that microfranchising is related to traditional franchising, this section discusses the franchising theories that relate to microfranchising. Brickley, Dark and Weinbach (1991) cited by Diaz-Bernardo (2012), developed the idea that the franchising system is an effective response to the classic principal-agent problem studied in the Agency Theory. Similarly, the microfranchising business model is also an effective system for microfranchisors to reach customers at the BoP without facing the principal-agent problem. The Agency theory explains that when there is a separation between the property (the principal) and the manager (the agent), there is an agency problem. The agency problem arises as the principal is always uncertain about the behaviour of his or her agent (Diaz-Bernardo, 2012). There is lack of trust by the principal on whether the agent is putting all his

or her effort into achieving the goals defined by the principal, and if the agent is behaving in the interest of the principal, or in the agent's own interest (Diaz-Bernardo, 2012).

The principal incurs costs of monitoring the agents' efforts due to the uncertainty and imperfect information regarding the agent, for example, agent costs. Therefore, the only way to reduce these costs will be to give the agent the residual rights that are aligned to his personal and the principal interests, and that is exactly what the microfranchise agreement contract offers (Diaz-Bernardo, 2012). The Agency theory indicate that a microfranchise business system reduces the principal-agent problem because the microfranchise agreement aligns the interests of both the microfranchisor and the microfranchisee and sets out a common goal they both share (Flint-Hartle, 2007). The microfranchise system also serves the principal agent because microfranchisees own their businesses which is an incentive for them to work hard in operating their business successfully. Microfranchisees are not employees (agents) of the microfranchisor, but owners of their business, and so it is in their best interest to put all their efforts into making higher profits for the business (Diaz-Bernardo, 2012). Thus, microfranchising is a powerful motivator for the microfranchisee and reduces the monitoring problem that the microfranchisor would face if the microfranchisee was substituted by a company-hired manager. Microfranchisors start a microfranchising network as a distribution channel for microfranchisees to sell their products and services at the BoP as they lack their own adequate distribution system and deep knowledge of the BoP market to profitably deliver products and services on their own (Burand & Koch, 2010). The microfranchisees are usually drawn from the BoP and are unlike to have enough money to invest in the business unlike in traditional franchising.

3.5.2 Resource Scarcity Theory

The Resource Scarcity Theory developed by Oxenfeldt and Kelly (1969), explain that the reason for the franchisor to use the franchising system originates in having access to a resource possessed by the franchisee and basic for the growth of any business, that is, the financial resource. Combs, Michael and Custrogiovanni (2004), proposed that firms chose to franchise in order to have access to scarce resources, particularly financial and managerial (local decision-making and market knowledge) resources, in order to expand rapidly. Franchising is a cheap and fast way to grow because the franchisee supplies the franchisor with one of the basic resources to develop a business.

With the Resource Scarcity model proposed by Oxenfeldt and Kelly (1969), firms turn to franchising when the need to achieve economies of scale pressures them to expand at a rate

beyond what is possible, using only internally generated resources. Once such economies of scale have been achieved, rapid expansion is no longer necessary and the franchisors focus shifts toward maximising returns (Combs, Michael and Custrogiovanni, 2004). Because firm ownership is presumably more profitable, the franchisor will repurchase its most profitable franchised outlets. The ownership redirection hypothesis predicts that in the long run, most of the franchising chains will evolve to 100% company-owned chains, leaving only a few marginal outlets in franchisees' hands due to geographic remoteness or poor performance (Combs, Michael and Custrogiovanni, 2004). Subsequent studies, however, show that there is no empirical evidence of such ownership redirection (Diaz-Bernardo, 2012). The evidence in many analysed industries is that franchising chains remain this way even when they have full access to capital. According to Bernardo (2012), the evidence further shows that franchising chains are adopting dual structures of having company owned and franchised structures at the same time.

According to Bernardo (2012), in revising the Resource Scarcity theory Lafontaine and Kaufmann (1994), emphasised that, added to the argument that the franchisee brings together money and management, franchising has another advantage over selling company shares, therefore, enabling the franchisor to keep control of his business venture. Selling company shares to external investors implies losing strategic control because usually the investors will be partners of the company with the right to influence the company's strategic decisions. Alternatively, using franchising implies that the partners are individual franchisees who are financing the growth, but do not hold shares in the company hence the franchisor keeps full strategic control of his company (Diaz-Bernardo, 2012).

3.6 Previous studies on Microfranchising

A brief review of relevant literature on past studies on microfranchising shows that research efforts have been directed towards the justification of why microfranchising must be used as a panacea for economic development and entrepreneurship growth across the globe (Erceg & Kukec, 2017; Fairbourne, 2006; Fairbourne et al., 2007; Magleby, 2005). In addition past studies as summarised in Table 3.2 concur that microfranchising is an inclusive business model that play a crucial role in alleviating poverty, enable firms to enjoy economies of scale at the BoP, create employment and help create non-credit barriers thereby, helping micro entrepreneurs to operate their businesses successful (Burand & Koch, 2010; Camenzuli & McKague, 2015; Erceg & Kukec, 2017; Fairbourne, 2006; Fairbourne et al., 2007). Past studies also advocate for the development of templates for microfranchising to enhance its growth, and methods that may be adapted for the microfranchising model to excel.

Even though the studies in table 3.2 have presented and described the role of the microfranchising model and the impacts it can make in developing countries, no studies have made an attempt to assess the microfranchising practices in South Africa. It is in this context that there is a need to assess microfranchising practices in South Africa with an aim of developing a microfranchising framework that will enhance entrepreneurship development, where majority (between 70%-80%) of new businesses mainly SMMEs struggle to grow and survive for more than 3 years (Daniels, Herrington & Kew, 2016).

Table 3.2: Overview of arguments on microfranchising from previous studies

Author	Study Area	Method	Major Arguments
Sunanda (2016)	India	Literature Review	Microfranchising is an inclusive business model which will enable inclusive growth of the economy, employment generation and empowerment of people at the BoP through capacity building.
Burand and Koch (2010)	South Africa & Zimbabwe	Literature Review	Microfranchising will play an important role in poverty alleviation as it offers scalable business opportunities.
Camenzuli and McKague (2015)	Tanzania	Qualitative	Team microfranchising must be used by business sectors that are characterised by multiple complementary higher levels of skills. Team microfranchising is more useful for businesses that do not enjoy economies of scale in their operations.
Christensen et al. (2010)	Ghana	Quantitative	Microfranchising is a business adaptation that that help low-income individuals overcome non-credit barriers to entry in obtaining employment.
De Pree and Su (2011)	United States of America (USA)	Design & Creative	Developing a micro-franchise template to be used through mobile devices will help simplify the process of following up the microfranchise business model activities. These include giving up of instructions to microfranchisees by microfranchisors, entering of business tasks, rules and regulations of the business and input the microfranchise business data in the system.
Nyadzayo et al. (2013)	India, South Africa & Zimbabwe.	Qualitative	Internal branding in microfranchising businesses should focus on aligning microfranchisee's behaviour and values with the organisation's brand values to promote brand commitment, brand trust, and brand satisfaction thereby, contributing to positive brand citizenship behaviour that in turn enhance brand equity.
Fairbourne (2006)	India	Literature Review	Microfranchising addresses three core problems that prevent people from becoming economically self-reliant: 1) the lack of skills for a micro entrepreneur to grow a successful business (2) the lack of jobs in developing countries 3) the supply chain available to the poor.
Erceg and Kukec (2017)	Croatia	Qualitative	Microfranchising has emerged as a powerful model and a tool for facing challenges of doing business in undeveloped markets. With microfranchising, franchise systems could open locations where franchising does not work and by doing so it could expand their business and gain competitiveness on the market, while at the same time enhancing employment and the development of entrepreneurship.

3.7 Conceptual Framework

The conceptual framework summarises the benefits of the microfranchising business model and how it may help entrepreneurs to become successful, since microfranchising is overcoming challenges faced by entrepreneurs. However, microfranchising is still a nascent concept and unknown in South Africa. Therefore, the purpose of the study is to assess microfranchising practices in South Africa, with the aim of developing a microfranchising framework that will enhance the development of entrepreneurship.

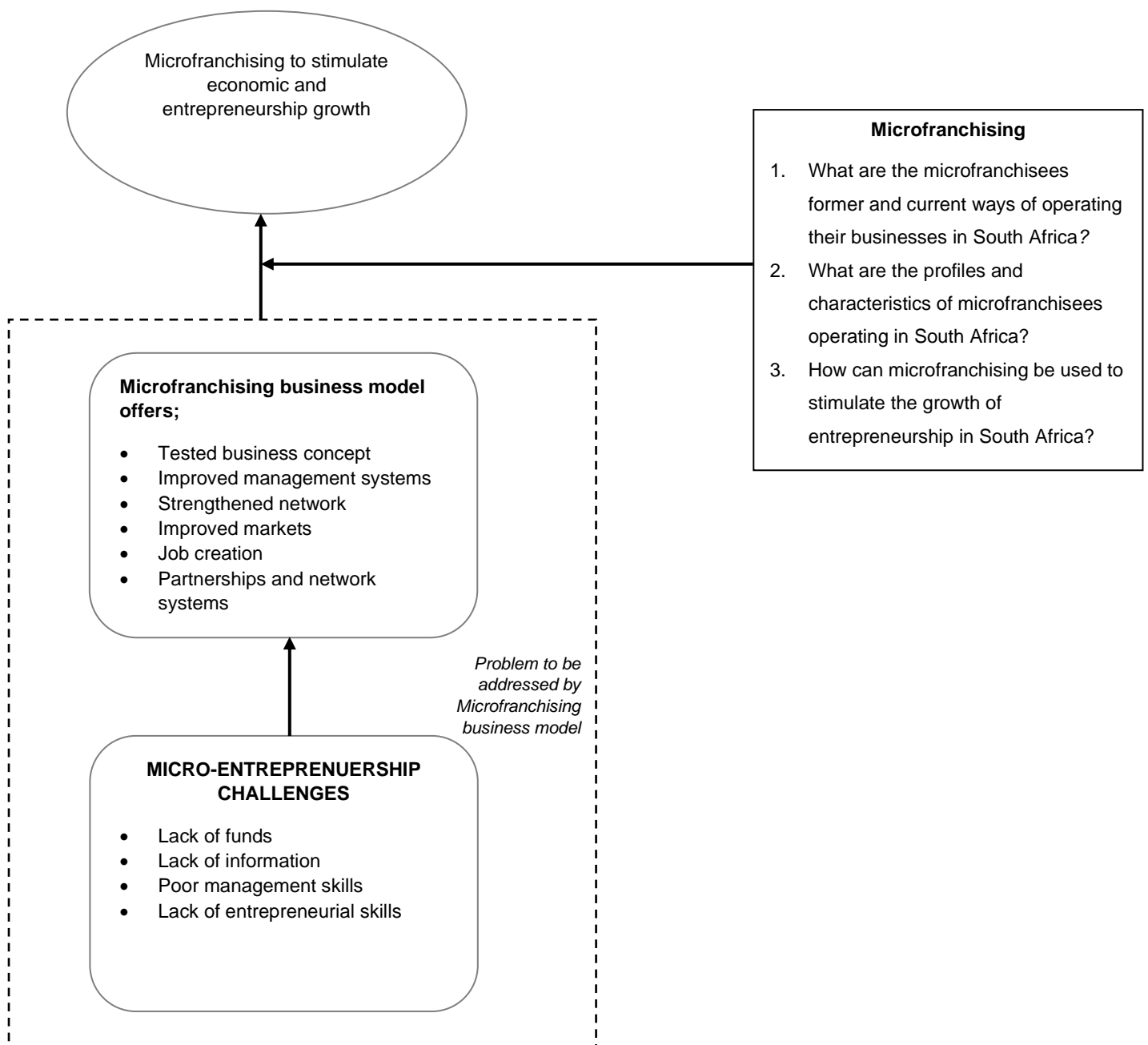


Figure 3.2: Framework for Microfranchising Business model.
Source: Researcher's own construct

3.8 Conclusion

The chapter highlighted the concept of franchising together with different models used in franchising, which can also be adopted in microfranchising. Furthermore, the chapter discussed the concept of microfranchising and the theories underpinning this study. Preceding studies on microfranchising were considered and consulted to identify the gap that exists in literature. A conceptual framework was proposed for the study. The next chapter discusses the methodology that was adopted to answer the research objectives.

CHAPTER FOUR

RESEARCH METHODOLOGY

4.1 Chapter Overview

The preceding chapter reviewed literature which relates to this research and developed a conceptual model for this study. This chapter explains the research paradigm that was adopted for this study, research approach and the research design used to answer the research questions. Furthermore, the chapter discusses the population, sampling technique data collection and analysis, the trustworthiness of the data and the ethical considerations for the protection of the participants.

4.2 Introduction

An analysis of literature in the previous chapter culminated in the identification of a research gap and research problem. Subsequently, a conceptual model was developed based on theoretical constructs related to microfranchising entrepreneurship in South Africa. The purpose of the study is to *assess microfranchising practices in South Africa with the aim of proposing a microfranchising framework that will enhance the development of entrepreneurship in South Africa*. This chapter addresses the methodology adopted in this study.

4.3 Research Paradigm

Epistemology is described as the study of various ways in which people develop and authenticate knowledge about themselves and the world (Bless, Higson-Smith & Kagee, 2006). Epistemology poses the following questions: What is the relationship between the researcher and what is known? How do we know what we know? What counts as knowledge? (Antwi & Hamza, 2015). Bryman, (2016) posits that epistemology refers to the theory of knowledge. Researchers can draw from four sources of knowledge in order to give answers to the above questions. Those sources are: intuitive knowledge (the researcher depends on forms such as beliefs, faith and intuition; authoritative knowledge (the researcher depends on data collected from people in the know, books and leaders in organisations; logistical knowledge (the researcher put emphasis on reason as the surest path to knowing the truth); and empirical knowledge (the researcher put emphasis on the understanding that knowledge

is best derived from sense experience and demonstrable) (Kivunja & Kuyini, 2017). This knowledge is measured through various research paradigms, namely: positivist, interpretivist, critical and pragmatic paradigms. This study views an epistemology from the standpoint of interpretivism.

4.3.1 Interpretivist Research Paradigm

The interpretive paradigm is also called the phenomenological approach. An interpretivist view the world as constructed, interpreted and experienced by human beings in their interactions with one another and with wider social systems (Antwi & Hamza, 2015). The goal of an interpretivist paradigm is to understand the subjective world of human experiences (Kivunja & Kuyini, 2017). The interpretivist paradigm can be traced to Max Weber (1864-1920) and Wilhelm Dilthey (1833-1911). It is rooted in an understanding, of the lived experiences of people. As all humans are attempting to make sense of their worlds, they do so by continuously interpreting, creating, giving meaning, defining, justifying and rationalising their daily actions (Babbie & Mouton, 2008). Therefore, interpretivism focuses on exploring the complexity of social phenomena with a view of gaining understanding. It is in this regard that (Gephart Jr, 2004) described interpretivism as being directed on meaning and understanding the social interactions between human being. Subsequently, the mind interprets experience and events, and constructs meanings from them. Below is a table that captures the basic assumptions of the interpretivist research paradigm.

Table 4.1: Ontology and Epistemological Perspectives of Interpretivism

Orientation	Interpretivism
Ontology	<p>Idealism--multiple realities, understanding socially constructed meanings</p> <p>Reality is subjective, influenced by the context of an individual</p>
Epistemology	<p>Inductive process to knowledge or theory production</p> <p>Exploring and understanding the world of the participants by focusing on their meanings and interpretations</p> <p>Seeking to understand a specific context</p> <p>Interactive relationship in knowledge production--meanings arise from the process of social interaction</p> <p>Reflexivity: i.e. empathetic neutrality of the researcher</p> <p>Data is rich and subjective</p>
Methodology	<p>Tends to produce qualitative data hence uses qualitative methodology</p> <p>Concentrates on understanding and interpretation</p> <p>Flexible and unstructured methods, i.e. interviews, focus group discussions, observation.</p> <p>The use of small samples to gain in-depth understanding</p> <p>Validity is high</p> <p>Reliability is low</p>

Source: Modified from (Chinyakata, 2019).

The ontological position of the interpretative paradigm is idealism, which denotes the existence of multiple realities that differ from person to person. These variations are understood only through knowing people's socially formed definitions (Aliyu, Bello; Kasim et al., 2014; Ritchie, Lewis, Nicholls et al., 2013; Scotland, 2012).

With regards to epistemology, interpretivism considers the development of knowledge by an inductive mechanism. An inductive mechanism in the development of information implies ideas, laws, and patterns are created from world observations (Scotland, 2012). In other words, interpreters believe in knowledge production by focusing on and understanding people's experiences, the significances that they attach to their experiences, and how they interpret them.

4.3.2 Justification of the paradigm

The interpretivist paradigm was chosen for various reasons. The interpretivist research paradigm was chosen for this study because it enabled the researcher to understand the socially constructed meanings of the microfranchisees and microfranchisors. The interpretivism paradigm was used as it allowed the researcher to give a meaning to the social world and give meaning to the information gathered from both the primary and secondary data that was collected and analysed for this study. Livesey (2006), explains interpretivism as a method that sees the social world as something that can only be produced and reproduced daily by people. Thus, the data that was collected for the study was produced by the participants themselves. The paradigm also allowed the researcher to develop new knowledge on microfranchising practices and its efficacy in developing entrepreneurship in South Africa and propose a framework from the ideas gathered from the data and interpreted social constructions. As such, the interpretivism paradigm enabled the researcher to make sense of what is happening in microfranchising. To add on, the interpretivism paradigm guided the researcher in understanding the multiple realities of the participants in their natural context. This gave rise to new and unique ideas from the participants. During the interviews, the interpretivism allowed for an interactive relationship between the researcher and the participants which yielded much-needed in-depth information about the microfranchising practices in South Africa.

Interpretivists reject the notion that research is value-free; since the researcher's interpretation is also socially constructed, reflecting his/her motives and beliefs. Human interests not only channel our thinking, but also impact how the world is investigated, and how knowledge is constructed (Blumberg, Cooper & Schindler, 2011). Hence, the approach to social phenomena for this study also reflect the currently common construction of knowledge; it thus implies the following assumptions: the social world is observed by seeing what meanings people give to it and interpreting these meanings from their viewpoint; and social phenomena can only be understood by looking at the reality.

4.4 Research Design

A research design provides a blueprint for the study in terms of what aspects to observe, of whom and for what purpose (Babbie, 2013). According to Saunders, Lewis and Thornhill (2016), a research design outlines how the researcher will go about answering research questions, specify the source of research data and how it will be collected and analysed.

The case study is one of the research designs that can be used to answer research questions. It may be used in qualitative as well as quantitative studies. The researcher adopted the case study research design for this study. Bryman and Bell (2014), explained that a case study entails the detailed exploration of a specific case, like a community, organisation or a person. Pierce, (2008); Kumar, (2014) explained that a case study is a sample of one event, instance, state, and sub-unit at one point at a time. The case study research design is useful when studying an area where little is known, or when one wants to have a holistic understanding of the situation or phenomenon. This is because case studies allow for an intensive and detailed examination of the case through multiple methods like interviews, observation and focus group discussions (Bryman, 2012; Laws et al., 2013; Kumar, 2014). As has been stated, in this study the researcher adopted an interpretivist position. Therefore, a case study research design enabled the researcher to choose multiple cases in order to have an in-depth understanding of the phenomenon under investigation. The phenomenon that was investigated in the study is microfranchising in South Africa and it explored the microfranchising practices, hence, a case study research design was adopted.

When using the case study research design, the researcher has to consider if it is wisely to make a single case study, or if it is better to do a multiple case study, for the understanding of the phenomenon (Gustafsson, 2017). In this study a multiple case study was adopted in order to understand the microfranchising practices in South Africa. In postgraduate studies, in order to allow cross-case analysis to be utilised for richer theory building, it is imperative that several case studies be used (Perry, 1998). This is also supported by (Yin, 2003) who adds that “multiple-case designs may be preferred over single-case designs. According to (Lebambo, 2017) even if one does a ‘two-case’ case study, the chances of doing a good case study will be better than using a single-case design as the analytic benefits from having two (or more) cases may be substantial. Using a single-case design is vulnerable because you have to put ‘all your eggs in one basket’ (Yin, 2003).

Depending on the philosophy being followed, case studies can be descriptive, exploratory or comparative. An exploratory approach was chosen for this study as it is naturally concerned with enhancing the understanding of new or little information that is available about a certain phenomenon (Ruane, 2016). This research design emerged as the most appropriate for this study since there is little existing research on microfranchising practices in South Africa. This design also allowed the researcher to apply rigor to produce conclusive results (Manerikar & Manerikar, 2014) and it was possible for the researcher to deeply engage and interact with microfranchise entrepreneurs. The detailed responses (from the interviews conducted and the

secondary data collected) of the participants assisted the researcher to gain an understanding and insight into the participants' experiences.

4.5 Research Methodology

According to Polit and Beck (2008), a research method is a technique used to construct a study and to collect and analyse data in a systematic manner. There are two widely recognised research methods, which are the quantitative (positivist) and the qualitative (phenomenological or interpretivism) method. The selection of the most appropriate approach for a study depends on the research questions, and the paradigm guiding the research (Antwi & Hamza, 2015), specifically the two areas of epistemology and ontology.

The study adopted the interpretivism research paradigm, hence a qualitative research method is appropriate for this study. This study employed the qualitative approach because it is the most ideal methodology for this research, as it seeks to investigate and explore the views and experiences of operating a business through microfranchising. Moreover, the researcher becomes the key tool for data collection in qualitative research through examining textual, observing behaviour or interviewing informants (Creswell & Creswell, 2017). In this instance, the researcher became the key research tool by recording field notes and examining the textual data in gathering secondary data.

The qualitative research method used in the study also helped to explain the manner in which things happen, enabled an understanding of meanings, experiences of people and excavated down deep into microfranchise entrepreneurs hidden interpretations and understandings of the microfranchise business model. Another reason for using qualitative research was its emphasis on an inductive approach to knowledge production. Unlike quantitative research, which takes a deductive approach whereby the researcher aims at testing theories, in qualitative research the focus is on generating new ideas and new theories which can later be tested through quantitative research (Antwi & Hamza, 2015; Bryman, 2016). Largely, qualitative research focus on exploring and describing new areas of study, where little is known, and understanding people's beliefs from their own perspectives (Antwi & Hamza, 2015). In this study the researcher was interested in understanding microfranchising entrepreneurship in South Africa and built a theory from the data collected.

The qualitative approach also enables the researcher to understand the socially constructed meanings through getting closer to the participants and interacting with them in their natural context. According to Bryman (2016), qualitative researchers are more concerned with subjectivity where they gain access to the natural setting of the participants so as to gain an insider's experience. This enables the researcher to experience the subjective dimensions of the phenomenon under study. In order to observe some of the issues raised, the researcher interviewed the participants in their natural settings.

The other unique characteristic of the qualitative research approach is that it is unstructured and flexible as compared to the quantitative approach. Its aim is to explore diversity in participants' views on the phenomenon being investigated rather than merely quantifying responses. Qualitative research does not seek to generalise the findings beyond the context in which the study has been made. It instead seeks to understand the behaviour, experiences and beliefs in that context (Bryman, 2016; Creswell & Creswell, 2017).

4.6 Population and Sampling

The following subsections outline the research population, method of sampling and sample size used in this analysis.

4.6.1 Research Population

A research population is the entire collection of the people, the places or the things a researcher is studying (Ruane, 2016). The population for this study included microfranchisee and microfranchisor entrepreneurs in Limpopo, and Western Cape provinces. Even though the population of microfranchise entrepreneurs in South Africa is unaccounted for, available evidence from organisations such as the Clothing Bank suggest that microfranchising is prevalent in Western Cape. To add on the Western province was also purposively chosen as the study's location as the secondary data that collected for this study, contained experiences of microfranchise entrepreneurs operating in the Western province. The Limpopo province was chosen because the University of Venda is in the Limpopo province and it was also easy for the researcher to have access and interview the participants from the province.

4.6.2 Sampling Method

Sampling involves selecting a relatively small number of elements from a larger specified group (target population) of elements. The sample must be representative (Bryman & Bell, 2014) so that the research findings of the whole population can be generalised. Sampling methods are divided into two categories, probability and non-probability methods, according to Babbie (2013). In probability sampling, there is a known non-zero likelihood that each unit in the target population will be chosen for the sample. A non-probability sampling is when the probability of selecting each unit is not known, that is, sampling unit selection is based on the researcher's subjective judgment or expertise. Saunders et al. (2016) explained that non-probability sampling offers a variety of alternative sample selection strategies, the majority of which provide a subjective judgment dimension.

Non-probability sampling techniques include purposive or judgmental sampling, snowball, and quota sampling. Purpose sampling is when the units to be observed are selected based on the judgment of the researcher as to which will be the most useful or representative (Babbie, 2013). Additionally, purposeful sampling occurs when the researcher selects participants who can provide rich, thick descriptions of their experiences, practices and/or perceptions as related to the phenomenon of interest (Koch, Niesz & McCarthy, 2014). In this study, purposeful method of sampling was used to identify and select microfranchise entrepreneurs operating microfranchise ventures in Limpopo and Western Cape province. In deciding the conditions for inclusion in the study the researcher used the characteristics indicated in table 4.2.

Table 4.2: Sampling Criteria

Sampling Cohort	Reason for inclusion in the sample	Criteria for inclusion
Microfranchisees	<ul style="list-style-type: none"> ➤ Share their knowledge and experience and of operating businesses thorough the microfranchising business model. 	<ul style="list-style-type: none"> ➤ Microfranchisee business owner. ➤ Experienced microfranchisees who have been operating the business for more than 1 year and above. <p>Four (4) microfranchisees were purposively selected for the in-depth interviews.</p>
Microfranchisors	<ul style="list-style-type: none"> ➤ Understanding the microfranchising business model. ➤ Experience and skills of the microfranchising practices in South Africa. 	<ul style="list-style-type: none"> ➤ Experienced owners and managers who have trained, managed microfranchising business model. ➤ Must have at least 2 years and above in microfranchising business model. <p>One (1) microfranchisor was purposively selected for the in-depth interview.</p>

Each microfranchise entrepreneur that was interviewed was considered as an individual case for the study. Also, the 3 secondary documents that were integrated with interviews conducted for data analysis were considered as individual cases with experiences of microfranchisee and microfranchisor practices in South Africa. Having gathered the above-mentioned data, the researcher realised that the collected data adequately answered the research questions. This, therefore, implies that in this study, the number of required subjects (from the interviews and the secondary data) became obvious as the study progressed, as new categories, themes or explanations stopped emerging from the data (data saturation).

4.7 Data collection and Instrument

The study followed a qualitative research approach to collect data. In-depth interviews were used to collect data from the participants, guided by structured interview guides. Data was collected through structured interview questions and conducted through face-to-face interaction. The interview guide was underpinned by the research questions. Interviews were arranged with the selected participants beforehand. The interviews allowed the participants freedom to express their views in their own way. During the interviews a digital voice recorder was used as an assistive device in order to capture all the content.

Based on the design of the study, the semi-structured interview approach was chosen to collect data, because it ensures that the required information is obtained and gives the participants freedom of expression (Polit & Beck, 2008). Semi-structured interviewing is based on the use of an interview schedule, which is a list of research areas and questions that need to be covered in a certain order. Semi-structured interviews were conducted using an interview schedule that comprised of opening and probing questions.

The researcher also made use secondary data. The data was collected from the documents that indicate the experiences of microfranchise entrepreneurs operating the microfranchising businesses in South Africa. These documents were obtained from the internet websites of the Clothing Bank and Vodacom. According to (Venter & Van Zyl, 2017), documents are text produced by the participants or the context that the researcher is studying. These documents include public domain documents such as annual reports and press leases, as well as internal documents aimed at internal audiences, such as strategic plans, company policies, emails and memos. Documents are often used as a means of achieving triangulation, along with primary data collection method.

4.7.1 Pre-testing data collection instrument

The interview guide was pre-tested with one microfranchisee entrepreneur in Thohoyandou. The pilot study conducted with one of the microfranchisee formed part of the five interviews that were conducted for the study. Bryman and Bell (2014); Venter & Van Zyl, (2017), explained that it is always desirable, if possible, to conduct a pilot study before conducting the interviews with the sample for the study. Hence, a pilot study was conducted for this study. This helps to make sure that the research instrument functions well as whole. After the pre-testing, some of the questions were reviewed and adjusted according to the comments of the participant. This, therefore, assisted the researcher to have a clear interview guide that addressed the major research questions of the study.

4.8 Data analysis

The purpose of data analysis is to interpret and draw conclusions from the mass of collected data. Qualitative collected data was brought together in an orderly manner, to be structured and interpreted by the researcher. According to Lofland & Lofland, (1995); Marshall & Rossman, (2014), qualitative data analysis is best done by way of discovering patterns as one goes about the research process. The in-depth structured interviews were recorded, using a digital voice recorder, and then transcribed using Microsoft word. The transcribed interviews and the secondary data documents gathered were analysed using the Archive of Technology, Life world and Language for text interpretation (ATLAS.ti) version 8, a qualitative data analysis computer programme. The final interview guide, which was used during the data collection phase, is attached in the Appendix section (see Appendix A).

4.8.1 ATLAS.ti

ATLAS.ti is a Scientific Software Development and is a useful qualitative data analysis (QDA) tool. It is very flexible and user-friendly. The product enables researchers to assign codes or labels to text, sounds, pictures, or video; to search these codes for patterns; and to construct classifications of codes that reflect stable models of the conceptual structure of the underlying data (Lewis, 2004). For the purposes of this research, ATLAS.ti 8.2.32 was used.

Even though there are numerous other QDAs available, for the purposes of this study ATLAS.ti was selected mainly for three reasons: Firstly, easy access to training and support for the programme. Secondly, in comparison with other qualitative software, ATLAS.ti was more cost

effective and within the financial budget of the research (Chakuzira, 2019; Lebambo, 2017). Overall, ATLAS.ti has four main stages called “managers” that process data. These are the document manager, quotation manager, code manager and network manager. The different ATLAS.ti stages are discussed next.

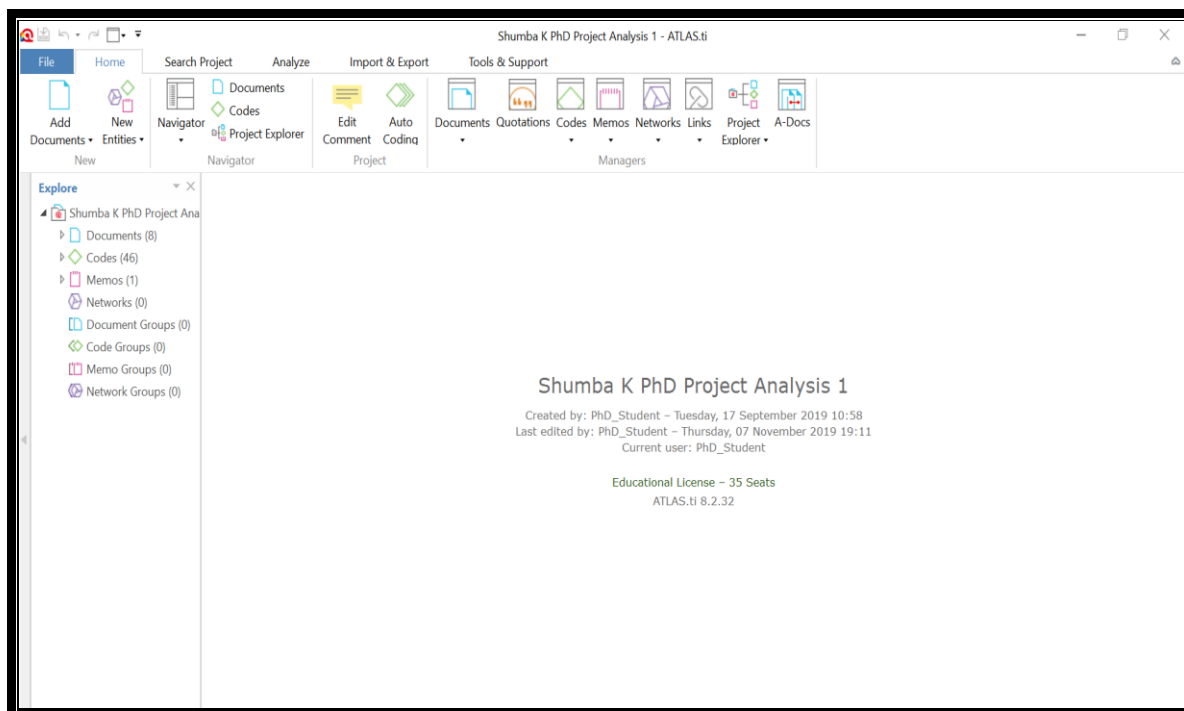


Figure 4.2: ATLAS.ti Primary Document Manager Window
Source: ATLAS.ti 8.2.32

Data from the participants was analysed using the framework thematic analysis. A framework thematic analysis is flexible during the analysis process in that it allows the user to either collect all the data and then analyse it or do data analysis during the collection process (Srivastava & Thomson, 2009). The different ATLAS.ti stages were used to clarify the framework thematic analysis as explained in the following sections:

STEP 1: Attitude of openness

Data analysis phase began with an attitude of openness by the researcher thereby, ensuring that the appropriate emerging codes were extracted from the interview and the documents selected for document analysis. All the information extracted from the interviews was transcribed and imported to the ATLAS.ti to form the primary document as shown in Figure 4.3. Also, all the documents selected for document analysis in the study were imported to the ATLAS.ti to form the primary documents as shown in Figure 4.3 below.

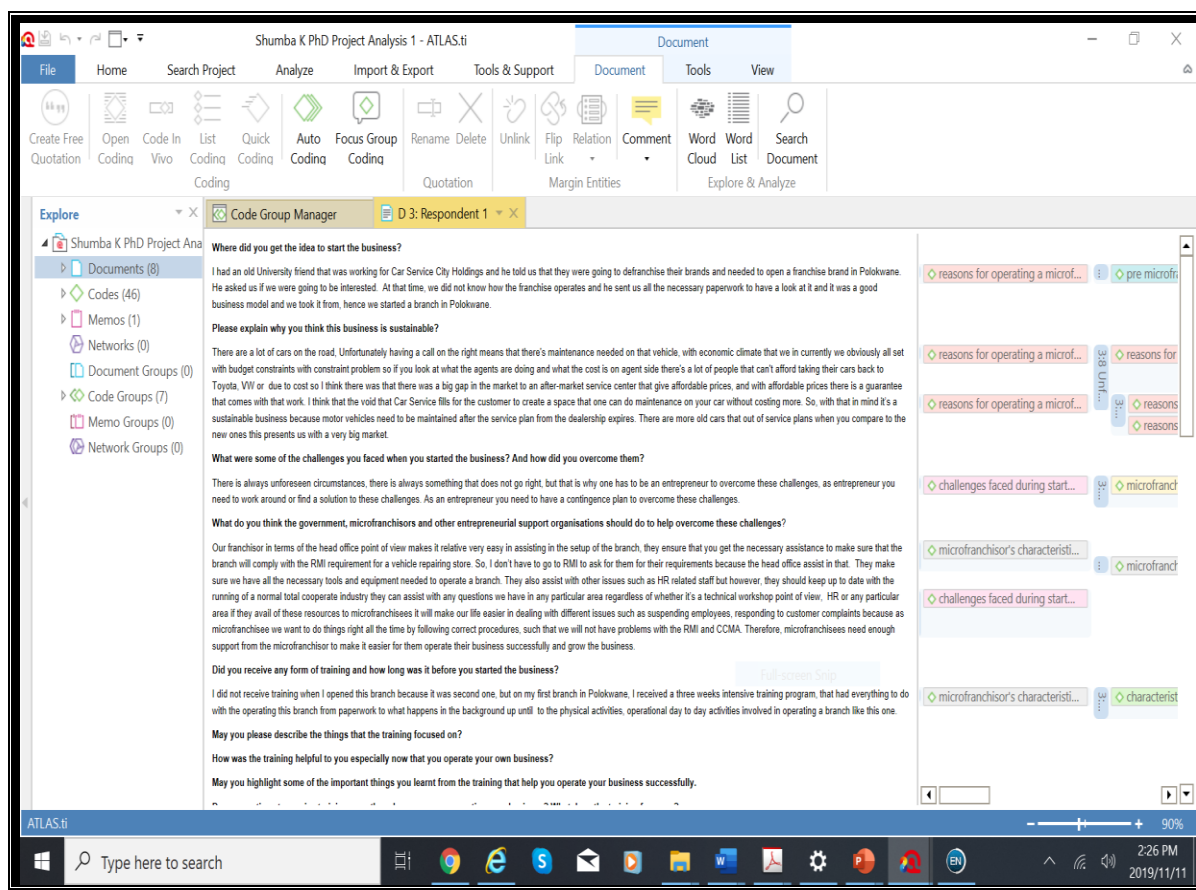


Figure 4.3: ATLAS.ti Primary Document Manager Window
Source: ATLAS.ti 8.2.32

The Primary Document Manager programme can store and analyse several documents simultaneously, and these are temporarily stored in the Primary Document Manager (for example, D3: Participant 1. dox in Figure 4.3). Furthermore, the primary document manager allows for the creation of Primary Document families, which assisted in organising data for this study (Chakuzira, 2019).

STEP 2: Constant Comparison and Open Coding

The next step involved the generation of various categories by a constant comparison of data through a procedure known as 'open coding' (Age, 2011). This procedure saturated the whole research process, since it involved comparing cases, and then comparing the emerging data to more cases throughout the data collection process (Heath & Cowley, 2004). ATLAS.ti used the Code Manager to execute this process. By using this function, data was clustered into related ideas called 'codes' (see Figure 4.4).

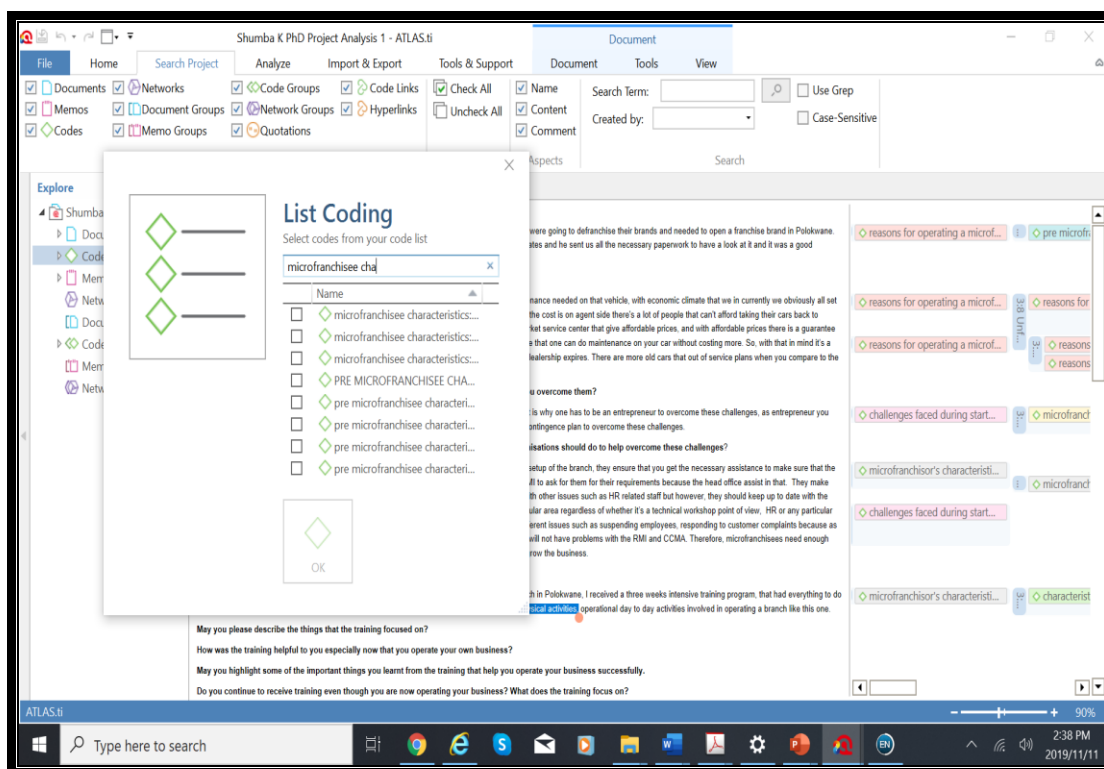


Figure 4.4: ATLAS. ti codes option window

Source: ATLAS.ti 8.2.32

At this stage, the researcher obtained meaning from the paragraphs, sentences, phrases and words on the primary document manager text on ATLAS.ti. The investigator highlighted the paragraph, sentence, phrase or word and right clicked on the highlighted text to create a code as shown in Figure 4.4. Continuously repeating this process on the primary document manager text allowed the researcher to create multiple codes.

ATLAS.ti supports seven methods of assigning codes (Archer, 2008). First, there are codes that can be created without being associated to specific text; these are known as “Free Codes” (Frieze, 2014). “Open coding” is a technique in which a code is assigned to specific pieces of text, and this is the most common approach, which was also used for this study. Once codes have been stored in the Codes Manager, there is an option of assigning additional pieces of text with existing codes from a list - “coding by list” (Archer, Herman, van Vuuren et al., 2017). Another feature supported by the software is “InVivo” coding. This is assigning a code to text utilising actual text as the code while “quick coding”, on the other hand, assigns one specific code to multiple pieces of text (McMillan & Schumacher, 2010). Then there is “Drag and Drop coding” whereby a code is assigned by dragging and dropping the code from a list of codes

to a selected piece of text. Lastly, there is “Auto-coding,” which automatically allocates codes to specified sections of the text.

STEP 3: Core category and selective coding

Multiple codes were amalgamated into families or groups in which further analysis was conducted as shown in Figure 4.5.

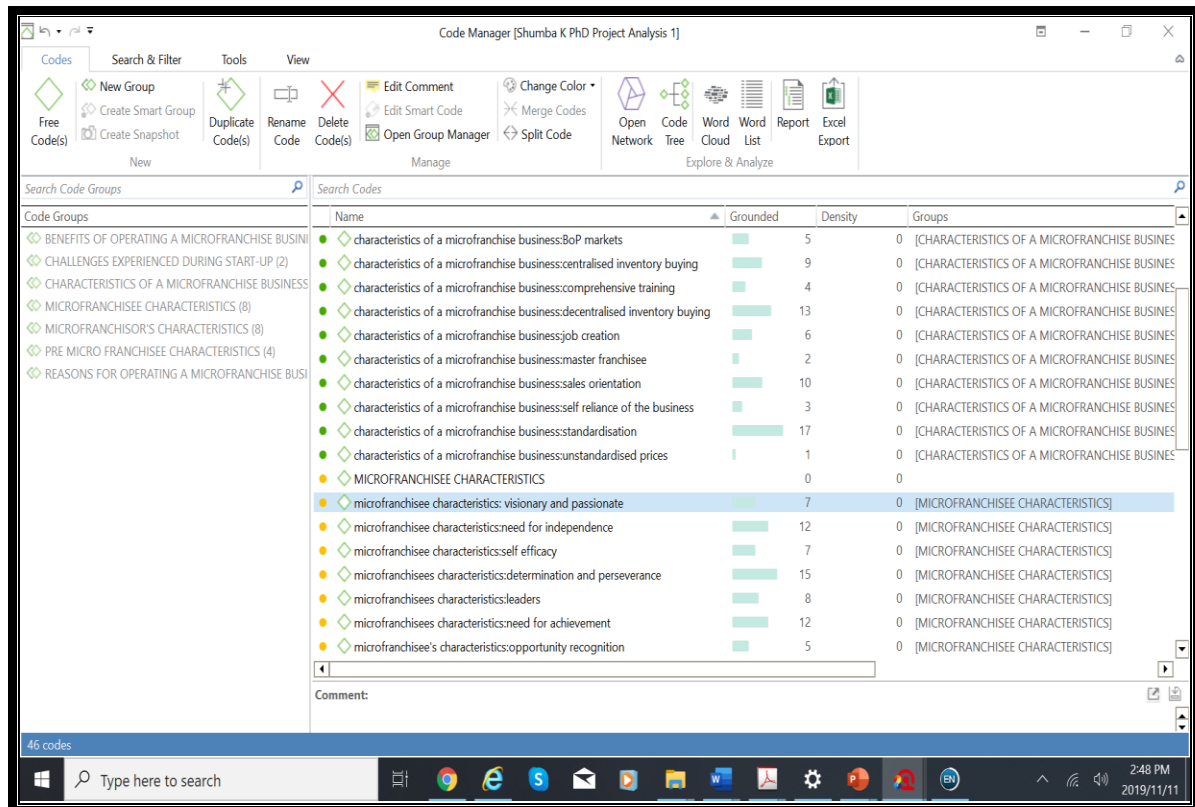


Figure 4.5: ATLAS.ti Code Group manager window

Source: ATLAS.ti 8.2.32

Using constant comparison, the researcher established core codes (see characteristics of a micro franchise business: BoP market in Figure 4.5 above) based on the information proffered by the participants (Braun & Clarke, 2006), which is a category that holds all other categories together (for example CHARACTERISTICS OF A MICROFRANCHISE BUSINESS Figure 4.5). When the core code emerged, the researcher undertook the process of selective coding (Heath & Cowley, 2004). Selective coding allowed the researcher to compare incoming data to the core codes in a more precise manner, than when the categories were first established. In this process of selective coding, only variables related to the core codes were considered to generate improved categories.

STEP 4: Building new theory

Finally, the improved categories were compared to concepts to establish a new theory. The way in which various categories are related, is considered under a process of theoretical coding. Theoretical coding, is facilitated by writing down theoretical memos (Heath & Cowley, 2004), and elaborating on the theoretical codes. The analysis phase ended with the theoretical writing (Age, 2011) thus, all the details of the practical theory were brought together in an overall conceptual description. From the conceptual description a framework was then developed based on the codes, code groups that emerged from the analysis.

4.9 Reliability and Validity as seen by Qualitative researchers

The following subsections discusses the reliability and validity criteria used in the qualitative research method.

4.9.1 Reliability

When seeking to understand the meaning of validity and reliability in qualitative research, it is important to read on how the two terms have been defined by quantitative researchers. Researchers such as (Eisner, 1991), emphasised that the true test of a quantitative research is its quality, in terms of the manner in which the research is conducted and the richness of the information that it draws from its data collection. The rationale behind this emphasis goes along with a similar idea on the quality of a qualitative research which states, however, that a good quality qualitative research is one that achieves the main objective, which is to generate understanding of the phenomenon being studied. It is in this regard that some researchers such as (Klenke, 2016; Stenbacka, 2001; Venkatesh, Brown & Bala, 2013) argued that due to the difference between qualitative and quantitative research methods, it renders a study to be “no good” if reliability is not mentioned. This is further supported by researchers such as (Lincoln & Gubba, 1985) who used the terms dependability and confirmability in their study, terms which have a close meaning to reliability but not the word reliability itself as would be done in quantitative research. The two terms of dependability and confirmability are also used in this study to explain the reliability of the study since the current study followed the qualitative research methods.

4.9.2 Validity

Issues of validity in qualitative studies have been approached differently by qualitative researchers, but, they have all shown a similar thread of separation from quantitative meanings and understandings (Sibanda, 2011). Several qualitative researchers have for example suggested that the validity of a qualitative research is affected by the researcher's own perception of validity in the study, leading to the generation of various terms to refer to validity some of which are rigour, quality and trustworthiness (Klenke, 2016; Sibanda, 2011; Stenbacka, 2001; Venkatesh et al., 2013). Redefinition of terms or the decision to use different terminology for phenomenon specific research purposes continues to be a leading issue for qualitative researchers. For example Golafshani (2003) notes that the researchers Davies and Dodd (2002) proposed that the term rigor (sometimes used to refer to validity in quantitative research, an apparent quantitative bias according to the authors) in qualitative studies should differ from that in quantitative studies by adopting a bias toward subjectivity, reflexivity and social interaction.

For the purposes of this research, the researcher sought to propose a microfranchising framework that will enhance the development of micro entrepreneurship in South Africa. This comes after generating an understanding of the practices of microfranchising in South Africa from the microfranchise entrepreneurs. Therefore, from data collection and analysis stages, the researcher showed that the results reflect what is actually happening on the ground and to approach the data in the eyes of the participants and not the researcher's own perceptions (Collis et al., 2003; Stenbacka, 2001).

4.9.3 Qualitative terminology and approaches to ensuring 'validity' and 'reliability'

Patton (2002) argues that although the instrument construction stands out as being important for data credibility purposes; in qualitative research, the researcher is the main instrument. What this means is that when quantitative researchers speak of research validity and reliability, they normally refer to research that is credible, whereas, qualitative researchers believe that "the credibility of a qualitative research depends on the ability and effort of the researcher" (Golafshani, 2003). In this sense, reliability and validity in qualitative research are not treated separately but are rather considered to fall in the definitions of dependability, credibility, transferability and confirmability (Bryman, 2016; Golafshani, 2003; Sibanda, 2011).

4.9.3.1 Credibility

Credibility as described by (McMillan & Schumacher, 2010), is the extent to which the results approximate reality and are judged to be accurate and reasonable. To ensure credibility of the results the interpretations were cross checked against raw data that had been collected. Furthermore, the findings of the study were made available to the research participants to confirm whether the findings accurately represented their views. The credibility of the findings was also ensured through triangulation, the research interviews conducted were supplemented by secondary data collection and analysis.

3.10.3.2 Transferability

Transferability is concerned with transmitting or generalising the results of a study to other contexts (Gay & Airasian, 2003). Shenton (2004), posits that since the findings of a qualitative project are specific to a small number of environments and individuals, it is difficult to demonstrate that the findings and conclusions are applicable to other situations and populations. Transferability was achieved when the researcher provided sufficient information about the self (the researcher as instrument) and the research context, processes, participants, and researcher-participant relationships to enable the reader to decide how the findings may be transferred (Morrow, 2005).

3.10.2.3 Dependability

According to (Gay & Airasian, 2003), dependability refers to how carefully the researcher has selected data collection instruments and research sites to suit the research questions and the objectives of the study. Dependability also has to do with the fact that if the study would be repeated in the same context with the same methods and with the same participants similar results would be obtained (Shenton, 2004). The researcher used a qualitative research method carefully, applied the research instrument which was an interview guide to suit all the research objectives and questions of the study. The researcher kept records of all that happened during the data collection. Thus, the researcher observed all the behaviours of the participants and voice recorded some of the interviews with the consent of participants.

3.10.3.4 Conformability

Conformability is referred by (Merriam & Tisdell, 2009), as ensuring that the data findings truly represent the views of the participants, perspectives or meanings rather than the views and understanding of the researcher. Maxwell, (2008), explained that, this is the single most important way of ruling out the possibility of misinterpreting the meaning of what participants say and do and the perspective they have on what is going on as well as an important way of identifying your own biases and misunderstandings of what you observed as a researcher. The concept of conformability in qualitative research is a way of ensuring that the study findings are the result of the experiences and ideas of the participants rather than the characteristics and preferences of the researcher. Throughout the data gathering process the researcher enabled every participant to listen to the audio-taped text for them to be able to make comments and cross-check the accuracy of their captured views.

Regarding the reliability and validity of the secondary data, the researcher made a personal judgement by looking at the provenance of the data.

4.10 Ethical Consideration

Wiid and Diggins (2013), defines ethics as the core aspirational notions embedded in the standards of right, good and fair human conduct. For example, the value of honesty generates the principle (and obligation) of honesty, which is a standard of good (ethical) conduct. Researchers should strictly observe the ethical codes that guide research. When conducting research, engaging in ethical practices is not a matter of choice; it is a necessity (Wiid & Diggins, 2013). In this study, the researcher observed all the research ethics that needed to be observed. The ethical principles guided and provided a framework of how the researcher conducted the study on microfranchising in South Africa.

The researcher obtained an Ethical Clearance letter from the University's Higher Degrees Committee that the researcher gave to the participants to inform them that the researcher is a PhD student, undertaking a research study on microfranchising in South Africa purely for academic purposes. The researcher obtained the participants permission to conduct the study. The participants were provided with enough information to make informed decisions on whether they wanted to participant in the study or not. The participants were informed that the findings of the research were going to be reported fairly, accurately and that the findings will

be made available for academic purposes. The participants of the study will also have access to the findings of the study in order to clear any misconceptions that may arise.

4.11 Conclusion

This chapter detailed the research design and methodology applied in this study. The chapter started by proving the philosophical position of the study. The interpretivist research paradigm was chosen as the philosophy guiding this study. The case study research design was used as the design of the study. The study took the form of an explorative qualitative study. Qualitative research approach was chosen because the researcher wanted to get in-depth information on the topic under study. Data was collected by means of in-depth semi-structured interviews and secondary data collection of the experiences of the microfranchise entrepreneurs. The qualitative data analysis process was also discussed. The chapter further explained, the trustworthiness of the study and ethical consideration pertaining to the study.

The following chapter presents the findings that emerged from the data analysis.

CHAPTER FIVE

DATA ANALYSIS AND RESULTS

5.1. Chapter Overview

Chapter 4 described the research methodology approach and how it was applied as a methodology in this thesis to answer the research questions for this study. An extensive review of the literature as it relates to the study was presented in Chapter 2 and Chapter 3. The aim of this chapter is to outline processes and procedures undertaken in the data analysis phase of the research. Aspects covered in this chapter include: (1) the description of tools used in the analysis, (2) the data analysis processes, and (3) findings and the major themes that emerged from the data analysis. The aim of this chapter is to outline processes and procedures undertaken in the data analysis phase of the research.

5.2 Introduction

As outlined in Chapter 1, this research sought to answer three research questions:

- RQ1:** What are the microfranchisees former and current ways of operating their businesses in South Africa?
- RQ2:** What are the profiles and characteristics of microfranchisees operating in South Africa?
- RQ3:** How do microfranchisees utilise microfranchising as a means and strategy to stimulate their businesses?

The “how?” and “what?” questions above solicited the application of qualitative research methodologies, framed within the interpretivism procedures (Wiid & Diggines, 2013). The latter processes involved the use of inductive analysis procedures, which according to Patton (1990), involves the determination of patterns (codes), themes and categories as they emerge and were ‘grounded’ within the data, rather than being imposed apriori (x) in Figure 5.1). Hereunder, follows a diagram to show how the research findings which are discussed in this chapter and other chapters were developed.

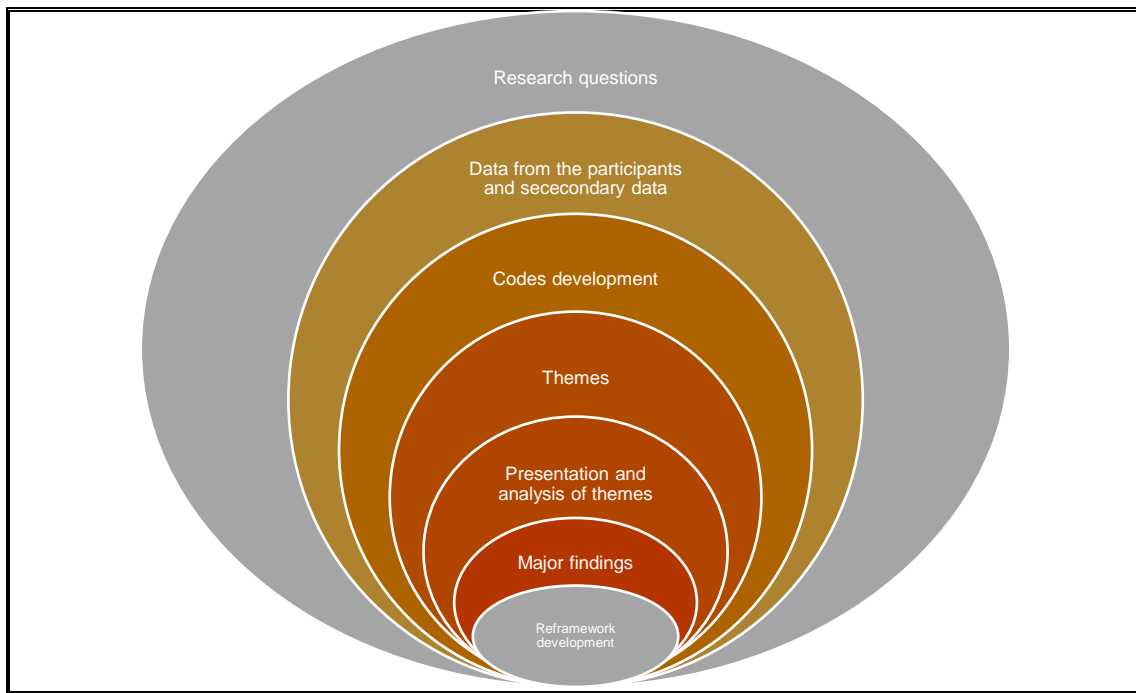


Figure 5.1: Summary of the data analysis stages
Source: Developed for the study by the researcher

5.3 Summary of Participants profile

Five interviews were conducted with microfranchise entrepreneurs to understand the microfranchising practices in South Africa. To supplement the data obtained from the interviews three documents that contain information about success stories of microfranchise entrepreneurs' practices in South Africa were also used during the data analysis. Table 5.1 below summarises the description of the participants to the study.

Table 5.1: Summary of Participants

Participant	Data collection method	Name of Company or brand name	Products	Remarks
Participant 1	Secondary (Microfranchisor and Microfranchisees success stories)	Clothing Bank	<ul style="list-style-type: none"> Clothes 	<p>The Clothing Bank uses clothing 'waste' from the fast fashion retail supply chain, as the tool to teach unemployed women how to earn an income, manage their finances and make healthy life choices. South Africa's major retailers donate their excess stock to The Clothing Bank in return for Enterprise Development or Socio-Economic Development points for their Broad-Based Black Economic Empowerment Score Cards. The donated clothing is sold to the women in TCB (The Clothing Bank) programme at greatly discounted prices and they then sell the product on for a profit through their micro-enterprises. The beneficiaries go through a two-year programme where they are nurtured and taught business, financial and life skills. The organisation addresses the need for more business-focused education and support the women through coaching and mentoring as they grow their sustainable micro-enterprises.</p> <p>With the Appliance Bank, TCB recruit unemployed men (preferably fathers) and give them the technical skills needed to repair damaged and customer-returned small appliances that TCB receive from its retail partners. The repaired appliances are sold for a profit in their communities. They are also able to offer repair services to their customers. The beneficiaries receive extensive financial, business and life-skills training as well as coaching and mentoring to help them on their journey to self-determination.</p> <p>The ECD through Grow Educational Centres provide excellent early childhood education services at affordable prices in low income communities while ensuring the micro owners operate them sustainable.</p>
Participant 2	Secondary (Microfranchisor and Microfranchisees success stories)	Clothing Bank	<ul style="list-style-type: none"> Repairing Electrical Appliances Early Childhood Development (ECD) 	
Participant 3	Primary	Car Service City	Motor vehicle service and mechanical repairs	Car Service City is a nationwide, award-winning network of over 60 servicing and repairs workshops for all makes of motor vehicles and bakkies. At the heart of Car Service City's philosophy and business success is its commitment to offering customers the best quality service

				through conveniently located workshops, at affordable prices and in the most customer pleasing way.
Participant 4	Primary	Postnet	Courier, Mailboxes, Digital, Stationery & Copy & Print.	Provide graphic design and printing services for businesses and consumers. In addition, PostNet centers offer professional packing services and shipping with UPS, FedEx, DHL and the U.S. Postal Service, as well as private mailbox rental, direct mail services and more (Franchising.com, 2017).
Participant 5	Primary	Tupperware	Kitchen utensils (knives, bowls, dishes, bottle drinks e.t,c)	Tupperware develops, manufactures, and internationally distributes its products as a wholly owned subsidiary of its parent company Tupperware Brands. As of 2007, it was marketed by means of approximately 1.9 million direct salespeople on contract (Cortese, 2007). .
Participant 6	Primary	Tupperware		
Participant 7	Primary	Tupperware		
Participant 6	Secondary	Vodacom (Microfranchisor explanation of the model.)	Phone shops and airtime	Vodacom operated the Community Services phone shops as franchises, setting standards and pricing and usually also providing the physical facility (the refurbished shipping container), but allowed the shops to succeed or fail under the management of their entrepreneur-owners. The phone shops themselves operated with a shared-access business model that aggregated demand, serving many customers with (typically) five (but up to ten) cellular phone lines. Entrepreneurs retained one-third of phone shop calling profit, or gross margin and were expected to pay for operating expenses and taxes from the one-third profits they retained. New owners selected for the program were responsible for an initial investment of ZAR26000 (US\$3450) to cover the cost of equipment for five phone lines (each phone comes with ZAR750 [US\$100] of free airtime), as well as the cost of transporting the container to their location, paid directly to the transportation company. Owners were also responsible for identifying the proposed location of their phone shop. As the location was an important factor in the phone shop's future success, Vodacom representatives worked closely with prospective owners to evaluate the feasibility of a site. Owners also needed to provide Vodacom with a rental agreement or a municipal permit for the land. Prospective business owners learned about the Community Services program in various ways.

Source: Researcher's own construct

5.4 Pre-Microfranchisees' Characteristics

This section aimed to establish the pre-microfranchisees characteristics before joining or operating a microfranchising business. These characteristics are discussed from the perspective of the interviews conducted and the document analysis used for this study. From the data collected four (4) main codes were identified as shown in figure 5.2 below.

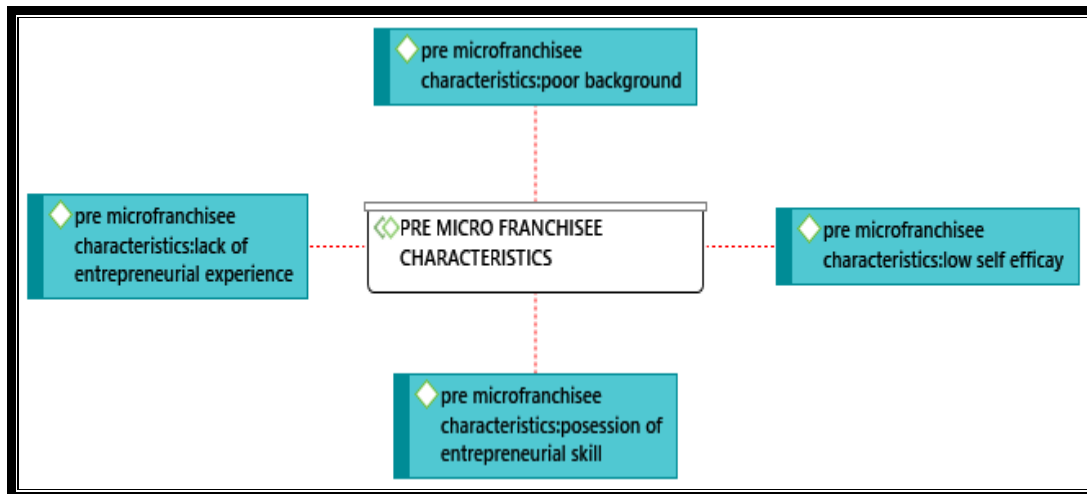


Figure 5.2: Pre-Microfranchisees Characteristics

Source: Pre-Microfranchisees characteristics using Atlas.ti

5.4.1 Lack of entrepreneurial skills and experience

The study results show that microfranchisees lacked entrepreneurial skills and experience of running a business. Various SMMEs support surveys have pin pointed the lack of entrepreneurial skills as major causes of failure of SMMEs globally (Ensari & Karabay, 2014; Hyder & Lussier, 2016; Mnisi & Rankhumise, 2015; Rahman, Yaacob & Radzi, 2016). The following confirms the lack of entrepreneurial skills and experience among the microfranchisees before they joined the microfranchising business model:

"I had no business experience before. I studied architecture, I worked in government and private sector". (Participant 5; Quote 50).

"I did not have any other business experience and my work environment completely changed from being a magistrate". (Participant 8; Quote 11).

“At that time, we did not know how the franchise operates”. Participant 3; Quote 4.

The above confirms that some of the microfranchisees lacked entrepreneurial skills and experience in operating a business, hence, they had to choose a microfranchising business model to gain entrepreneurial skills and experience. This is also confirmed by the remarks captured below;

“Unemployed mothers join the two-year training programme. They started their own small business very quickly by trading, mainly in the informal sector, with the clothes they buy at discounted prices from The Clothing Bank”. Participant 1; Quote 4.

“I had never worked and operated in a retail business before, it was my first time to operate a business standing behind the counter”. Participant 4; Quote 11.

The remarks captured above shows that microfranchisees did not have entrepreneurial skills and experience. They only acquired the know-how through the training they received from the microfranchisors. The duration of these training programmes varies from one microfranchising business to another. As can be seen from participant 1 quote 4, some of the microfranchisee have gone through a two-year training program to acquire the entrepreneurial skills and experience to operate their own businesses. From the above extracts it can be alluded that the microfranchising business model help microfranchisees to gain entrepreneurial skills and experience to operate their businesses.

5.4.2 Entrepreneurial skills

Some of the microfranchisee explained that they gained entrepreneurial skills, from the previous businesses they operated and had acquired entrepreneurial skills through formal education and their academic qualifications. The possession of entrepreneurial skills by the microfranchisees who participated in this study has therefore, helped them operate their businesses successfully and adapt to the microfranchising business model easily. It is an indication that some of the microfranchisee entrepreneurs had entrepreneurial skills and experience before joining and or starting their own microfranchising business model as evidenced by the following remarks captured below;

“Before I came to TCB I was selling second-hand shoes”. Participant 2; Quote 37.

"I come out of risk management background where I worked for well-known major distributors and manufacturers as a risk manager for the operations". Participant 3; Quote 35.

"I just finished my Honors in Business Management and I did not have a job. Tupperware presented an opportunity for me to be self-employed". Participant 5; Quote 2.

"I have never operated any other business before but because I am a business management lecturer it was very easy for me to operate the business since I know what must be done. I have learnt to run the business through reading, watching and listening to other people selling their products. I have a lot of knowledge in marketing such that I can market my products better than those who have received training". Participant 7; Quote 10.

"My wife was involved in Tupperware before. I used to work as a magistrate for 24 years. She was a team leader and then she was offered the opportunity to become a distributor". Participant 8; Quote 6.

5.4.3 Poor background of microfranchisees

This study has established that poverty is a push factor that leads people into starting entrepreneurial ventures to gain income and provide for their families. Given that most of the microfranchising business models target poor micro-entrepreneurs it was clear from the study results, that majority of the microfranchisees came from a poor background.

"My life was terrible before I came to TCB (The Clothing Bank). I was trying to build my life, but I was struggling. I felt like a useless mother who could not feed her own child". Participant 1; Quote 22.

"I lived with my sisters and my brothers, and I was the only breadwinner at that time. I was selling, but I was struggling". Participant 2; Quote 38.

"Local entrepreneurs (from within the disadvantaged communities) should own and operate the phone shop franchises". Participant 6; Quote 4.

“Other children were laughing at my child saying he lives in a box of matches”.
Participant 6; Quote 26.

Considering the above remarks captured from the participants, it can be proposed that microfranchisees' poor backgrounds pushed them to join a microfranchising business model because they wanted to escape poverty. It is for this reason therefore, that (Fairbourne, 2006) advocated for the use of microfranchising business model, because it is the replication of business systems that can be used at the BoP. The underlying intent of a microfranchise is to alleviate poverty through creation and provision of sound, proven businesses that will in turn increase the earning potential of the microfranchisee. Microfranchises are independently owned and operated; thus, they create income for the individual owner and the owner's employees, while simultaneously providing needed goods and services at an affordable price.

5.4.4 Low self-efficacy

Another pre-microfranchisee characteristics that stemmed out of the study is low efficacy among the microfranchisee before they started their business through the microfranchising business model. It is generally acknowledged that entrepreneurial self-efficacy, refers to an individual's belief in his/her capability to perform tasks and roles aimed at entrepreneurial outcomes (Chen, Greene & Crick, 1998). This plays a crucial role in determining whether individuals pursue entrepreneurial careers and engage in entrepreneurial behaviour (Newman, Obschonka, Schwarz et al., 2019). With regards to this study, self-efficacy of the microfranchisee entrepreneurs refers to the confidence in their ability to accomplish tasks in the domain of entrepreneurship and venturing. The microfranchisee entrepreneurs indicated that;

“I was hopeless, full of doubt. I told myself that I am a failure”. Participant 1; Quote 24.

“I did not have confidence; I saw myself as a loser and a failure. I did not have self-respect”. Participant 1; Quote 54.

“I looked down on myself. I tried to fit in, to please everyone but people were not pleased, instead they treated me the same way I treated myself”. Participant 1; Quote 56.

These sentiments show that the microfranchisees had low self-efficacy. It is in this regard that the microfranchisee did not have time, knowledge or even capital to think about opening a business or even growing their own microenterprise for those who were in business already. These microfranchisees believed that their situation was hopeless.

Considering the above extracts, pre-microfranchisees characteristics that stemmed out during data collection were presented and discussed; figure 5.3 below summarises the remarks that were captured.

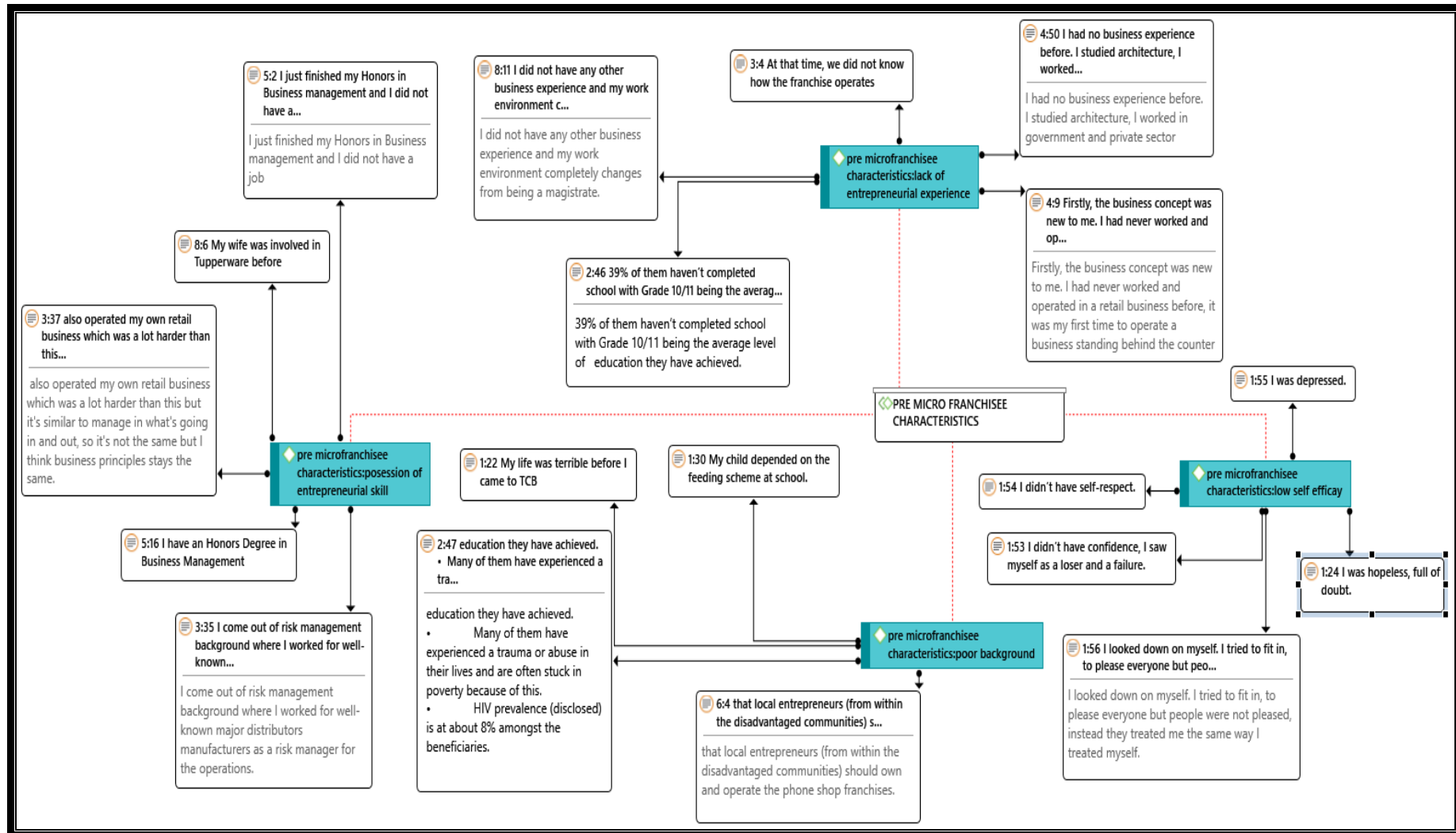


Figure 5.3: Pre-Microfranchisee Characteristics

Source: Pre-Microfranchisee Characteristics using ATLAS.ti

5.5 Reasons for Operating a Microfranchising business

This section presents and discuss the reasons for operating a microfranchise business. During data analysis, 20 codes were initially identified from the data, and through the constant comparison of codes, they were merged based on their similarity. Five codes emerged after a constant comparison; market gap, referrals, extreme poverty, business in a box and good marketing mix.

●	◇	reasons for operating a microfranchise business:market gap	■	4
●	◇	reasons for operating a microfranchise business:referral	■	4
●	◇	reasons for operating a microfranchise business:extreme poverty	■	4
●	◇	reasons for operating a microfranchisng business:business in a box	■	4
●	◇	reasons for operating a microfranching business:good marketing mix	■	4

Figure 5.4: Reasons for operating a microfranchise business codes

Source: Reasons for operating a microfranchise business codes using ATLAS.ti

5.5.1 Market gap

The existence of a market gap was proffered as one of the reasons why microfranchisees join a microfranchise business. The participant showed that the microfranchisor has come up with a business model that has a market gap. The market gap for the established microfranchising model which the microfranchisees joined has an existing demand and the business has the means to meet the demand through establishing various microfranchising branches across the country. The remarks captured show that the microfranchisor has already established a way to apply the means to meet the demand, the business is also profitable and sustainable. An explanation from participants 3 is shown below;

“There are a lot of motor vehicle s on the road, unfortunately having a motor vehicle means that there is maintenance needed on that vehicle, with the current economic climate, we obviously all have budget constraints. With this constraint problem, if you look at what the agents are doing and the cost on agent side there are a lot of people that cannot afford taking their motor vehicle back to Toyota, VW or other motor vehicle manufactures due to costs. So, I think there is a big gap in the market. An after-market service center that gives affordable prices, and with a guarantee that comes with that work. I think that the void that Car Service City fills for the customer is being able to create a space that one can do maintenance without costing more. So, with that in

mind it is sustainable business because motor vehicles need to be maintained after the service plan from when the dealership expires. There are more old motor vehicles that are out of service plans when you compare to the new ones. This presents us with a very big market". Participant 3; Quote 8.

5.5.2 Referrals

Referrals emerged from the study as another interesting reason that led people into operating a business through microfranchising. The participants indicated that they joined the business because they knew people who had started the business through microfranchising, whilst others explained that there were people who explained the benefits of starting a business through microfranchising. Therefore, they were referred and or recommended to start businesses through microfranchising. This was indicated in the extracts captured below;

"I had an old University friend that was working for Car Service City Holdings and he told us that they were going to defranchise their brands and needed to open a franchise brand in Polokwane. He asked if we might be interested. At that time, we did not know how the franchise operates and he sent us all the necessary paperwork to have a look at it and it was a good business model and we took it, hence we started a branch in Polokwane". Participant 3; Quote 11.

"I knew a friend who was working at Postnet who informed me about opportunities of opening a business through microfranchising from Postnet". Participant 4; Quote 2.

"Many owners have friends or family who started a successful microfranchise somewhere in the country, and this encouraged them to take advantage of the same entrepreneurial opportunity". Participant 6; Quote 25.

"I had friends that were selling Tupperware, who explained what one needed to do to join the business and it worked". Participant 7; Quote 21.

The above remarks show that most entrepreneurs prefer to start businesses that they know and have seen that they are successful. They, therefore, get referrals of successful business concepts and models from their relatives and friends. These referrals are very important, because they start businesses from a well-informed position. Thus, they gained information and knowledge about the business before operating their own businesses. This helps them to

develop trust and confidence that their businesses will be successful and generate the expected returns.

5.5.3 Extreme poverty

According to the results of the study, extreme poverty is one the reasons behind operating a business through the microfranchising for some microfranchisees. The need to meet basic personal needs such as food, clothing and shelter pushed the microfranchisees to start entrepreneurial ventures through the microfranchising business model.

“I was living in a one-roomed shack with my boy. We were doing everything in that small place. Other children were laughing at my child saying he lives in a box of matches. When it rained my shack leaked. I looked like an old woman because of suffering. I was dependent on my child support grant, there was nothing left after paying rent. My child depended on the feeding scheme at school”. Participant 1; Quote 28.

“50% of fathers provide no financial or emotional support for their children which results in many children born to single mothers living in dire poverty, reliant on the state to support them with just R380 per month per child”. Participant 2; Quote 4.

The above sentiment shows that the microfranchisees came from an extreme poverty-stricken background, hence they decided to join a microfranchising business with the hope of improving their livelihoods. The microfranchising also poses fewer risks for them and offers many benefits as compared to operating as necessity entrepreneurs. Essentially, the microfranchising business is a concept of enterprise development which provides the poor a sound business blueprint to follow (Khillare, 2014). The above extract confirms that unlike traditional (commercial) franchising, microfranchising does not only creates income, but also focuses on the social aspect of assisting the impoverished individuals at the BoP (BoPInnovationCenter, 2020), where infrastructure is weak and resources are limited (Fairbourne, 2006). Microfranchising helps the poor to become more successful in the global market economy by providing opportunities to own and operate successful business, and ultimately help micro entrepreneurs move beyond subsistence to economic self-reliant. It is in this regard that microfranchising is often viewed as an increasingly successful approach to help budding entrepreneurs in developing and emerging countries. This is because it adopts a proven enterprise model and minimise the problems faced by amateur business owners operating in these market places (Ivins, 2008). Furthermore, the above remarks confirm that

the underlying intent of a microfranchise is to alleviate poverty through the creation and provision of sound, proven businesses that will in turn increase the earning potential of the microfranchisee.

5.5.4 Business in box

The study also established that another reason behind operating a microfranchising business for some of the microfranchisees is the business in a box concept. This emanates from the fact that most of the microfranchising business model are made of a set of tools, processes and materials that allow microfranchisee to easily, quickly and efficiently set up and replicate a micro-business in any relevant community through the microfranchisor. Furthermore, apart from the above the microfranchising business model train microfranchisees marketing, sales, stock management, finance and other entrepreneurial skills through on job training hence, the term “business in box” or “backpack”. The results of the study show that, microfranchising also fills an important economic development gap by identifying that not all business owners are entrepreneurs and that some are better off replicating proven business models for small and successful business. To confirm this reason the following remarks were captured;

“Yes, because this is a very good concept, where you have someone who take you through, even holding your hand when you start a business with no business experience, guiding you through because microfranchisee success is the microfranchisor’s success too”. Participant 4; Quote 45.

“Microfranchising removes a lot of risks that independent entrepreneur will face on their own because there are systems, structures of how to operate the business for one who does not have the experience”. Participant 4; Quote 47.

“It is far much easy to run a business through this model. They provide a business in a box and take you through every step and assist you to make the business successful”. Participant 4; Quote 52.

“The phone shops themselves operate with a shared-access business model that aggregates demand, serving many customers with (typically) five (but up to ten) cellular phone lines”. Participant 6; Quote 16.

5.5.5 Good marketing mix

According to Rigwena and Venter (2004) marketing mix is one of the challenges that are faced by microentrepreneurs and it is one of the main causes of the increasing levels of failure. However, the good marketing mix found in microfranchising business models attracts entrepreneurs to start the business through the model. The marketing mix is made up of price, place, promotion and the product components that some entrepreneurs may lack knowledge about. It is for that reason therefore, that microfranchisees choose to start a business through the microfranchising business. The good marketing mix was established as one of the reasons behind microfranchisee's choice for the microfranchising business model. The participants explained that;

“The business model itself is very sustainable. The brand name is well known over, the product mix also make it easier for the business to be successful as it includes the printing, selling of stationery and the internet services. The product mix is very attractive for households and small business services. To them we provide a one stop shop in terms of printing services and stationery”. Participant 4; Quote 4.

“The nature of the products is always in demand”. Participant 5; Quote 4.

The above remarks show that one of the reasons for joining the microfranchise business model is the good marketing mix that exist within the microfranchising business models. When joining the microfranchise business model the microfranchisor has an already established marketing mix, hence, it becomes easier for microfranchisees to sell the products to consumers.

Figure 5.5 below summarises the reasons of operating a microfranchising business.

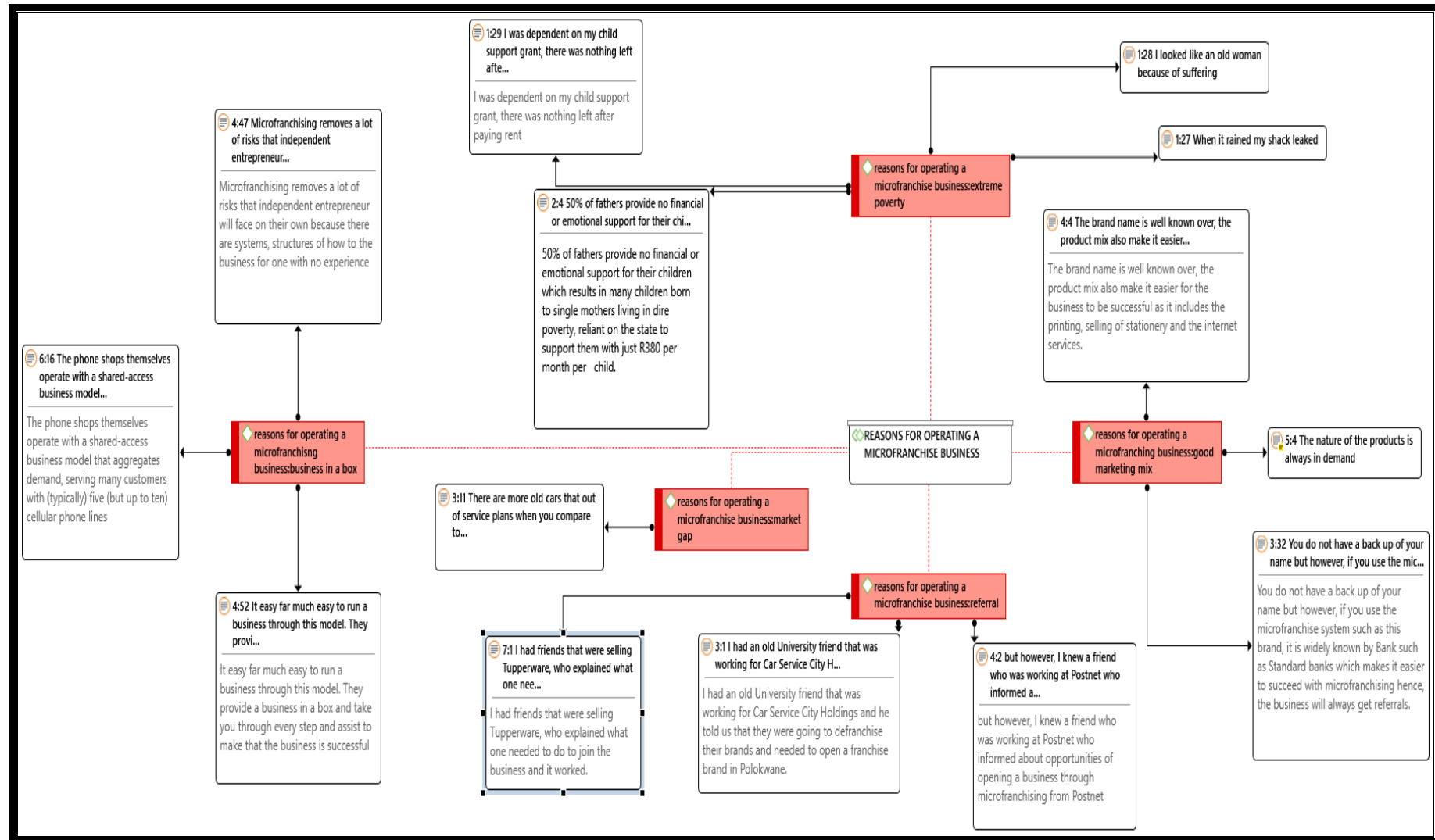


Figure 5.5: Reasons for Operating a Microfranchising business

Source: Reasons for Operating a Microfranchising business using ATLAS.ti

5.6 Benefits of operating a microfranchise business

This section identified the benefits of operating a microfranchising business to microfranchisees. Three key themes emerged after a constant comparison of the codes, and these are; creation of wealth, gain respect and learning entrepreneurial skills.

○	◇	benefits of operating a microfranchise business:creation of wealth	<div style="width: 100%;"></div>	5
○	◇	benefits of operating a microfranchise business:gain respect	<div style="width: 50%;"></div>	2
○	◇	benefits of operating a microfranchise business:learn entrepreneurial skills	<div style="width: 100%;"></div>	6

Figure 5.6: Benefits of operating a microfranchise business

Source: Benefits of operating a microfranchise business codes using ATLAS.ti

5.6.1 Creation of wealth

The study established that microfranchising enables the microfranchisees to generate wealth for themselves. The microfranchising model generates income for the microfranchisees in the form of profits that they earn from the business. According to Magleby (2005), once a businessman or woman makes a profit, even a very small profit, they have created wealth and seek to own property. Below are the corresponding remarks;

“Three months after starting my business I extended my shack and bought a microwave. I do not stress during raining times because I have a warm home. TCB taught me about budgeting and to save money. I am not suffering anymore, and people respect me. Now I see where I am going, I want to start sewing and sell my own designs”. Participant 1; Quote 72.

“The objective is that each woman should earn at least R4 000 per month and use her income and skills to eradicate poverty in her family”. Participant 1; Quote 74.

“The other three branches that I have opened since I started the business, I have opened them using my financial reserves that I have saved over the years, as I was frustrated with the process of acquiring finance from government organisations and the banks”. Participant 4; Quote 37.

“The demonstrators benefit a lot when the economy is down especially in the rural areas because it supplements their income, hence making a big difference”.

Participant 8; Quote 16.

The above remarks show that the microfranchising business model distributes wealth through its network to the microfranchisees. If the microfranchisees continue to operate their businesses for a long time they will accumulate assets.

5.6.2 Gain respect

Gaining respect was identified as one of the benefits of operating a business through a microfranchising business model. The microfranchisees are admired due to their successful businesses. They have enjoyed respect as a result of operating a microfranchising business.

This was explained as follows:

“I am not suffering anymore, and the people respect me”. Participant 1; Quote 75.

“Now I am confident, I aspire. I set myself goals and push myself hard to achieve them. My husband and children respect me”. Participant 1; Quote 76.

5.6.3 Learn entrepreneurial skills

Learning entrepreneurial skills also emerged as one of the benefits enjoyed by the microfranchisees as a result of operating a microfranchising business. This is attributed to the fact that when microfranchisees join a microfranchise business, the microfranchisor has an obligation to train them how to operate the business, hence, they learn and gain entrepreneurial skills from the trainings. This is shown in the extracts below;

“We have an extensive support system, which includes coaching, mentoring and counselling. Thanks to these interventions many of our women have become role models in their communities and share their knowledge widely”. Participant 1; Quote 77.

“The Clothing Bank provides unemployed mothers and fathers with an alternative, empowering them to become self-employed business owners”. Participant 2; Quote 53.

“The Clothing Bank’s main programme involves recruiting unemployed women, and now men as well, and providing them with basic entrepreneurship and financial training over a 24-month period”. Participant 2; Quote 54.

“After I came to the TCB classes and I started to hustle. I have these clothes so I must find a place where I am going to sell them quickly. I find a place to put my stand and I sell. Since then I never have any problem with my business ever and I save my money”. Participant 2; Quote 55.

“I received a three weeks intensive training program, that had everything to do with the operating this branch from paperwork to what happens in the background up until to the physical activities, operational day to day activities involved in operating a branch like this one”. Participant 2; Quote 74.

“When I need training, they do provide me. For my employees we have an online academy where there are updated of the new ways of running the business. The training is continuous and not compulsory. But one can choose a specific training that they think they lack and participate in that training. So, in most cases one must look for a course that they lack skills and knowledge”. Participant 4; Quote 72.

The above extracts show that microfranchisees benefit from the training programs that are conducted by the microfranchisor. These training programs help them acquire entrepreneurial skills which they use to operate their businesses. This corresponds with the three core problems that the microfranchising business seeks to address. Microfranchising seeks to address the lack of required skills problem for micro entrepreneurs to grow successful businesses. It is for that reason therefore, that the microfranchisor trains the microfranchisees when they join the business and always groom them to become successful entrepreneurs through training even after joining the microfranchise business. Therefore, microfranchising offers an opportunity to those who do not possess entrepreneurial skills-set with a business blue print and adequate training, which if followed, will lead to greater individual economic success (Fairbourne, 2006).

Figure 5.7 summarises the benefits of operating a microfranchise business.

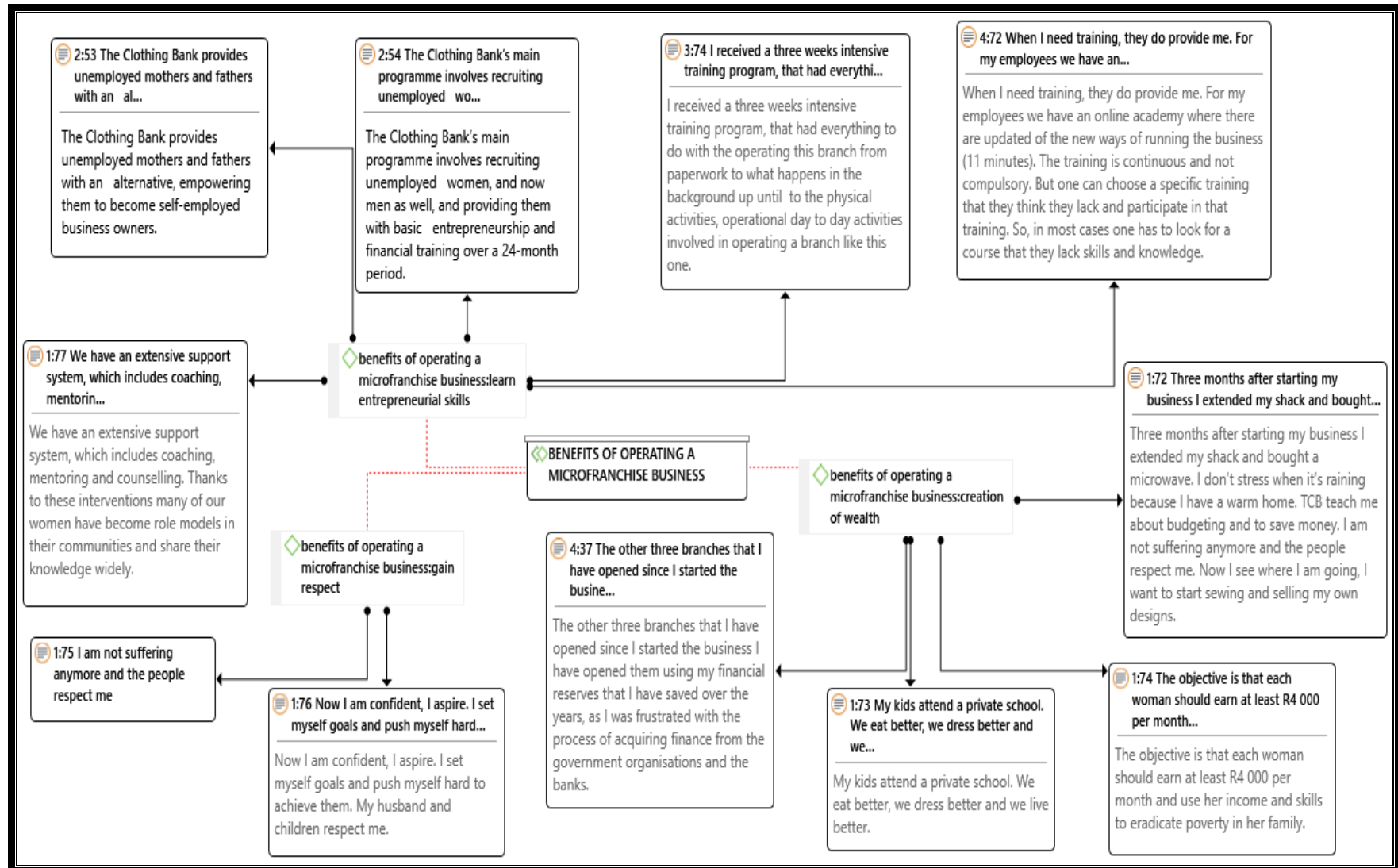


Figure 5.7: Benefits of Operating a Microfranchising business
Source: Benefits Operating a Microfranchising business using ATLAS.ti

5.7 Challenges faced by microfranchisee during start up

This section identified the challenges that were faced by the microfranchisees when they started their business. After conducting the interviews and the document analysis two common elements were identified as the challenges that were faced. These were lack of financial support and unforeseen operational challenges and costs.

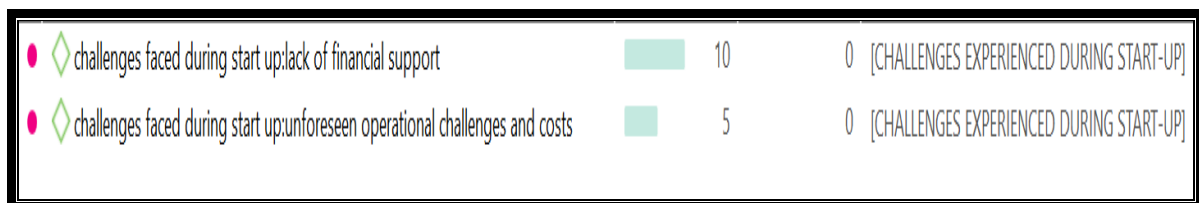


Figure 5.8: Challenges faced by microfranchisee during start up

Source: Challenges faced by microfranchisee during start up codes using ATLAS.ti

5.7.1 Lack of financial support

Despite having high chances of obtaining finance to start a business, some preferred operating a microfranchise business because of better odds and benefits that come with it when compared to an independent business. Some of the microfranchisees explained that they faced financial challenges, pertaining to lack of financial support when they started their businesses. Some of the microfranchisees failed to access financial support due to complex application processes, lack of collateral and credit history required by financial supporting institutions.

“The instruments that are available to assist the entrepreneurs are too slow to respond to the needs of entrepreneurs. Even if they respond they are too slow, for example you supply them with goods or offer any services they take very long to pay, hence, personally I would not sell any product or service to the government because of delayed payments. Their assistance to entrepreneurs is very slow such that the time they assist you, the opportunity for the entrepreneur would have gone or closed. This is the same situation with private organisations, they put conditions that upcoming entrepreneurs cannot easily meet. For example, for my first business I used a bank loan, but they demanded a collateral security equivalent to the money that I required. If I have collateral security equivalent to the money that I want I will simply sell the assets and use the money to invest in the business that I want and stop paying interest”. Participant 4; Quote 20.

“Whenever you go buy Tupperware you are supposed to pay in cash whilst customers prefer to buy on credit”. Participant 7; Quote 2.

5.7.2 Unforeseen operational challenges and costs

The microfranchisees also explained that they experienced unforeseen challenges and costs when they started their businesses. They were not prepared to face such challenges and as such, these disrupted the operation of their businesses affecting their time and emotional wellbeing.

“There are always unforeseen circumstances, there is always something that does not go right”. Participant 3; Quote 12.

“They were many challenges that I faced. Firstly, the business concept was new to me. I had never worked and operated in a retail business before, it was my first time to operate a business standing behind the counter. I opened a business in Messina which was new in Messina and myself as an entrepreneur did not know Messina very well which was a challenge. This nature of business used to attract white customers but in Messina they were very few hence, I had few customers. Most of the people are unaware of the range of services and products that are provided by business. My patience was also tested, in terms of how long I was willing to stay in the business before I could see positive results”. Participant 4; Quote 20.

“Lack of some inventory that would have been bought by the customers hence, I have to return the customer his/her money and the customers get disappointed with that”. Participant 5; Quote 5.

Figure 5.9 summarises the challenges that were faced by microfranchisee during start up.

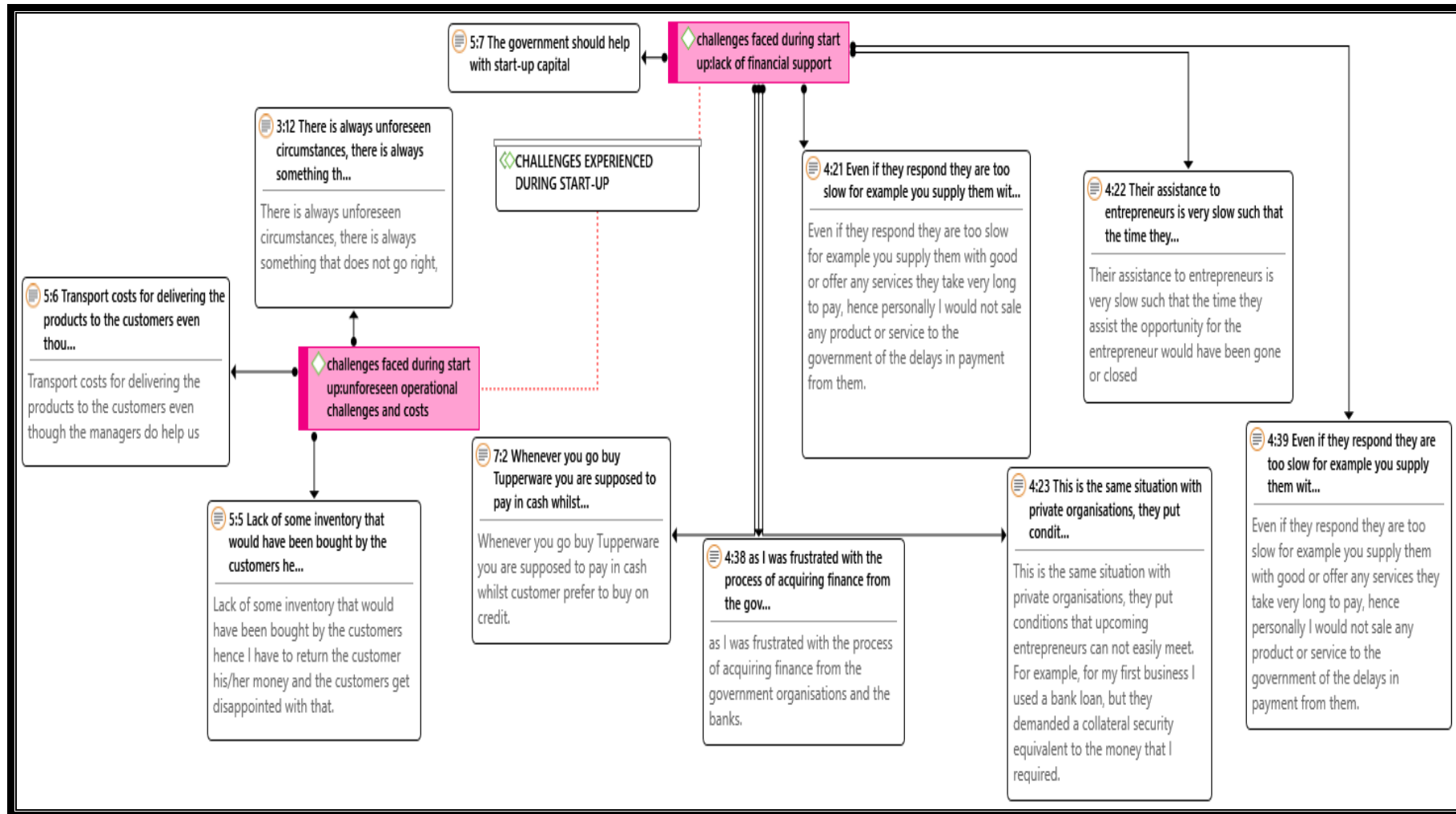


Figure 5.9: Challenges faced by microfranchisees during start up
Source: Challenges faced by microfranchisees during start up using ATLAS.ti

5.8 Characteristics of a microfranchise business

This section presents the characteristics of a microfranchise business. During data analysis, 54 codes were initially identified from the data, and through the constant comparison of codes, they were merged together based on their similarity. Eight codes emerged after a constant comparison; BoP markets, combined approach buying, job creation, master microfranchisee, sales orientation, self-reliant of the business, standardisation and adaptation.

Name	Grounded	Density	Groups
characteristics of a microfranchise business:adaptation	1	0	[CHARACTERISTICS OF A MICROFRANCHISE BUSINESS]
characteristics of a microfranchise business:BoP markets	4	0	[CHARACTERISTICS OF A MICROFRANCHISE BUSINESS]
characteristics of a microfranchise business:combined approach buying	14	0	[CHARACTERISTICS OF A MICROFRANCHISE BUSINESS]
characteristics of a microfranchise business:job creation	7	0	[CHARACTERISTICS OF A MICROFRANCHISE BUSINESS]
characteristics of a microfranchise business:master microfranchisee	2	0	[CHARACTERISTICS OF A MICROFRANCHISE BUSINESS]
characteristics of a microfranchise business:sales orientation	10	0	[CHARACTERISTICS OF A MICROFRANCHISE BUSINESS]
characteristics of a microfranchise business:self reliant of the business	2	0	[CHARACTERISTICS OF A MICROFRANCHISE BUSINESS]
characteristics of a microfranchise business:standardisation	14	0	[CHARACTERISTICS OF A MICROFRANCHISE BUSINESS]

Figure 5.10: Characteristics of a microfranchising business

Source: Characteristics of a microfranchising business up codes using ATLAS.ti

5.8.1 BoP markets

The study established that the microfranchising business is characterised by BoP markets. This is because microfranchise has emerged as an innovative business model with high potential to scale up entrepreneurship at the BoP to co-create value with those entrepreneurs and contribute to public goods and poverty eradication (Fairbourne, 2007). Another important factor that distinguishes the microfranchising model from the traditional franchising is that the microfranchising model is being adapted to the BoP market, tends to be at a smaller scale and is being scaled for rapid adoption by interested BoP entrepreneurs.

“They start their own small business very quickly by trading, mainly in the informal sector, with the clothing they buy at discounted prices from The Clothing Bank”.
Participant 1; Quote 6.

“The Community Services business model stipulates that local entrepreneurs (from within the disadvantaged communities) should own and operate the phone shop franchises”. Participant 5; Quote 4.

“Vodacom launched the Community Services program in late 1994, and over time the program has demonstrated how a technology company can operate profitably in low-income, rural areas by helping local entrepreneurs become franchise operators”. Participant 6; Quote 60.

5.8.2 Combined Approach Inventory buying

The results of the study established that microfranchises use a combined approach inventory buying. Thus, they use the centralised and decentralised inventory buying systems. Centralised inventory buying allows them to receive discounts for buying inventory in bulk from their suppliers. This enables them to enjoy economies of scale, hence, they can sell their products and services at affordable prices to their customers.

“They start their own small business very quickly by trading, mainly in the informal sector, with the clothing they buy at discounted prices from The Clothing Bank”. Participant 1; Quote 7.

“The social enterprise sources its clothes and faulty appliances from bulk rejections that do not meet the specifications of a retailer, customer returns and end of range items”. Participant 2; Quote 22.

“We only buy oil in bulk so that we can receive discounts from the supplier as it is used in every motor vehicle. We also carry little stock for bulbs, plugs and fuses as most of them are universal to all motor vehicle s. Our stock holding is very small”. Participant 3; Quote 46.

“Our head office only played a role in securing supplies for oil only because the supplier has a lot of branches around the country which make it easier for them to deliver to us. With these deal the microfranchisor assisted in getting a better deal because of the buying power we have as a brand”. Participant 3; Quote 54.

The above indicates that some of the microfranchising businesses use a centralised inventory buying system for their microfranchising business concepts. This creates an efficient distribution channel for the microfranchisors, simple and standardised to ensure that the customers are always satisfied. In explaining the simplicity of the centralised inventory buying system used in some of the microfranchising business concepts, one of the participants indicated that;

“You should place order to the producer when the customers have made orders only”.

Participant 5; Quote 20.

Despite using the centralised inventory buying, the microfranchising business also use a decentralised inventory buying. A decentralised inventory buying system allows faster delivery of materials in line with local factors. Thus, the microfranchisee can purchase their inventory locally in right quantities of the right quality when required.

“For example, if you bring a Polo TSI for a service today, we will book that vehicle in and purchase the required spare parts from suppliers after accessing the parts that are need. So, we do not carry stock of spare parts. We only order parts that are only needed for vehicles to be serviced in that day”. Participant 3; Quote 41.

“We purchase the inventory from the list of recommended suppliers that we are given by the head office. However, our purchases are different from other branches because there are influenced by the location of the branches especially with our branches being remotely located, we have the liberty to look for our own suppliers since these branches are located very far from the recommended suppliers. We are not limited to use the recommended suppliers if the quality meets the head office expectations”.

Participant 4; Quote 53.

5.8.3 Comprehensive training

From the information gathered during data collection, comprehensive training of microfranchisees by the microfranchisors is one of the most important characteristics of a microfranchising business. The training received by microfranchisees contribute to the personal development of the entrepreneur and consequently to the success of the business. The training provided by microfranchisors is on business management, therefore it covers all aspects of the business that entrepreneurs must know in order to successfully operate the business.

“She is exposed to over 1000 hours of practical training and support, covering modules such as money management, business skills, computer skills and life skills”. Participant 1; Quote 14.

“I received a three weeks intensive training program, that had everything to do with the operating this branch from paperwork to what happens in the background up until to the physical activities, operational day to day activities involved in operating a branch like this one”. Participant 3; Quote 21.

“When I need training, they do provide me. For my employees we have an online academy where there are updated of the new ways of running the business”. Participant 4; Quote 31.

“It focussed on explaining and training how the Tupperware business model works”. Participant 5; Quote 9.

5.8.4 Job creation

Microfranchising also create jobs thereby, leading to the economic development of South Africa. It creates employment opportunities for people living at the BoP, hence, leading to the development of BoP communities especially in the developing countries such as South Africa. Microfranchising also creates employment opportunities for those who do not have managerial skills and the uneducated as there are usually larger than the traditional micro enterprises.

“We have the capacity to support 800 mothers trading from our five branches in Cape Town, Johannesburg, Durban, East London and Paarl”. Participant 1; Quote 78.

“The Clothing Bank provides unemployed mothers and fathers with an alternative, empowering them to become self-employed business owners”. Participant 2; Quote 7.

“The Clothing Bank’s is continually looking for opportunities to provide business opportunities for unemployed South Africans and recognises that most unemployed people are not entrepreneurs”. Participant 2; Quote 29.

“There are over 1800 owners and over 4400 phone shops nationwide, and each owner is empowered to staff and operate phone shops according to their own needs and preferences”. Participant 6; Quote 38.

“Regardless of the size of their operations, owners may or may not be involved with the actual operations of their shops. Most oversee their own operations, but some opt to hire middle management”. Participant 6; Quote 40.

“I can recommend others to start this business especially those who are not working and even those who are working as the business gives a chance to earn an extra income to compliment the salary income”. Participant 7; Quote 9.

“The main benefit of this is that we are a very big job creator. We currently have close to 15 000 demonstrators in our business, so we created 15 000 jobs but every demonstrator does not sell every month and that is the thing that goes with direct selling”. Participant 8; Quote 14.

5.8.5 Master microfranchisee

The information obtained also clarified that some of the microfranchisees hold a master microfranchisee agreement which gives them the right to sell microfranchises to other people within their territory. Thus, microfranchisees with master microfranchisee agreements have the right to sell the microfranchisees to other people interested in the business, whom they will manage on behalf of the microfranchisor.

“Basically, we are a direct selling business. Me and my wife we are distributors of Tupperware. We buy the Tupperware from the Tupperware company which a company that is based in Brakpan and the head office is in Bryanston, it is the head office for Southern Africa. There are responsible for planning for the operation of the business including training and the other aspects of the business regarding the business. We have the main business in Johannesburg. We have other distributors across SADC countries, Ghana and Nigeria. There are about 33 distributors in the business. There are about 2 or 3 in a region. Each distributor is a business on its own”. Participant 8; Quote 1.

5.8.6 Sales orientation

Sales orientation is one of the characteristics of microfranchise business. Microfranchisees are expected to improve the sales of the microfranchisors products or services, to ensure that they also earn high profits from the sales they make. Thus, the focus of the microfranchisees

is on increasing the sales of the business through promoting and advertising the products to potential customers.

“The objective is that each woman should earn at least R4 000 per month”. Participant 1; Quote 17.

“There are no specific set targets, but they encourage us to make more sales since they also benefit from more sales that we make. The higher turnover we make also translates to higher royalties that they will receive”. Participant 3; Quote 57.

“Yes, there are. We sit down on annually basis with the business development managers from the microfranchisor. We sit down and decide on the annually budgets targets for the upcoming financial year”. Participant 4; Quote 59.

“The more you sell, the more gifts you receive’. Participant 5; Quote 13.

“There are sales targets that we are given and receive free products for reaching a certain amount of sales and these incentives increase as you sale more. We then sell these products to add on our profits”. Participant 7; Quote 11.

“They start by being demonstrators and get promoted to be managers, senior manager, executive senior manager where they get benefits such as car allowance. If they also promote a certain number of managers, they can become team leaders. The team leaders get commission for every sale they make themselves”. Participant 8; Quote 4.

5.8.7 Self reliance

The data collected exhibits that microfranchising businesses are self-reliant, hence, the business is sustainable. The businesses can generate enough income that can be reinvested in the business and generate enough profits that the microfranchisees use for their basic needs and acquisition of assets that can increase in value.

“The Clothing Bank is 80% self-funded and the goal is for all 5 branches to be 80% self-funded within 5 years”. Participant 2; Quote 50.

“Despite these relatively low margins and the low per capita income in rural and disadvantaged townships in South Africa, aggregate buying power of a community provides enough revenue to support the operating costs of Vodacom and the shop owner, who is able to maintain a relatively high cash flow”. Participant 6; Quote 34.

5.8.8 Standardisation

Since microfranchising has some features of traditional franchising it is evident from the results of the study that standardisation is one of the characteristics of microfranchising businesses. As a result, some of the microfranchisors insists that certain standards are maintained by the microfranchisees to ensure uniformity among the microfranchised branches.

“When buying other materials, the head office requires us to give the customer a guarantee of spare parts bought”. Participant 3; Quote 55.

“There are only guidelines of how to operate the business. For example, how quotations and job cards should be made. They have put together a tick box list that contains 62 things that must be done when inspecting the motor vehicle for a service, but we are not limited to that. They also have administrative procedures that they want us to follow on how a job card should be written and handled for example that a customer must sign it before proceeding with repairing the motor vehicle. The vehicle must also be inspected properly for damages”. Participant 3; Quote 60.

“These procedures of operating the business need to be standard across all branches in South Africa even though the prices differ from one branch to another. The prices are different because we use different suppliers for our inventories. The prices are also influenced by location factors for example we incur more transportation costs than branches that are in Gauteng province. So, you will find that the remote located branches charge high prices than the centrally remote located branches. We only have few products that we charge the same product”. Participant 4; Quote 64.

“Pricing is set at levels mandated by the government regulatory authority and currently is less than one-third of normal cellular rates”. Participant 6; Quote 16.

“Each container has been modified to fit a service counter at one end, where the phone shop control units are located and where employees are stationed to collect money and program phone time into the control units. Each container also contains at least

five phones (with a maximum of ten) located within phone stalls along the walls of the container. Insulation and ventilation are also added to containers during the modification process". Participant 6; Quote 48.

"We use catalogue books. Every month we receive catalogue books that indicate which products will be on sale and it is the one that we show to customers. Usually the products that will be indicated in the books are the ones that will be having low prices. We then move around with the books showing the customers the products on sale. After that we place orders and collect them from the depot based on customers orders". Participant 7; Quote 6.

"We are bound by the operational rules and we must follow them. This relate to business image of the manufacturer. There are also rules for operation for distributors. One has to operate in his region as a distributor". Participant 8; Quote 9.

5.8.9 Adaptation

Even though microfranchise businesses are standardised, some of the microfranchise businesses do not have standardised prices for their products. This is influenced by location related factors which affect the cost of materials required to render services or products required by the microfranchisees customers.

"The prices are different because we use different suppliers for our inventories. The prices are also influenced by location factors for example we incur more transportation costs than branches that are in Gauteng province. So, you will find that the remote located branches charge high prices than the centrally remote located branches". Participant 4; Quote 63.

Figure 5.11 summarises the characteristics of a microfranchise business.

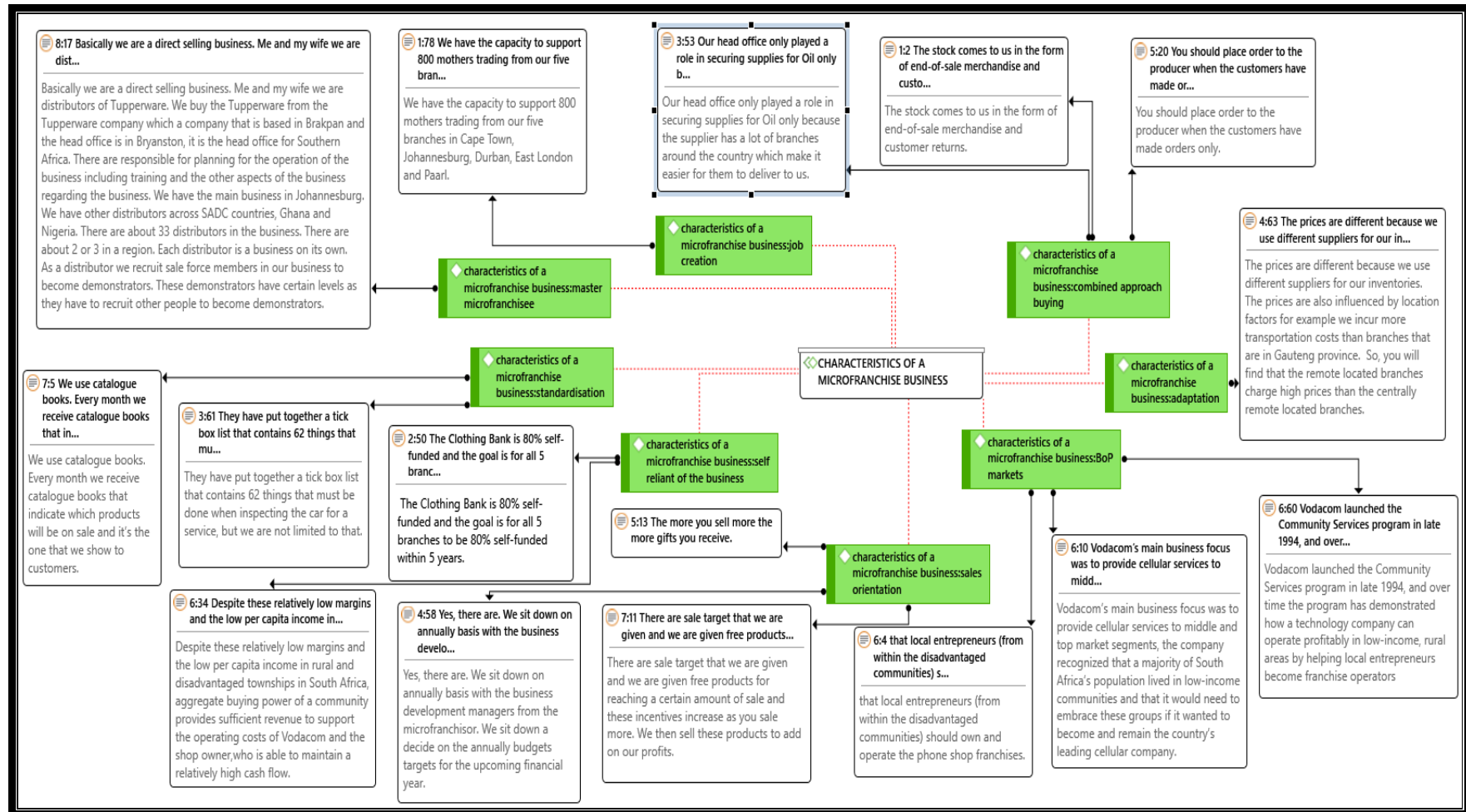


Figure 5.11: Characteristics of a microfranchise business
Source: Characteristics of a microfranchise business using ATLAS.ti

5.9 Microfranchisor's characteristics

This section presents microfranchisors characteristics. During data analysis, 39 codes were initially identified from the data, and through the constant comparison of codes, they were merged together based on their similarity. Six codes emerged after a constant comparison; effective marketing campaigns, entrepreneurial training, holding meetings and inspections, mentoring, partnerships with suppliers and recruitment of self-motivated microfranchisees.

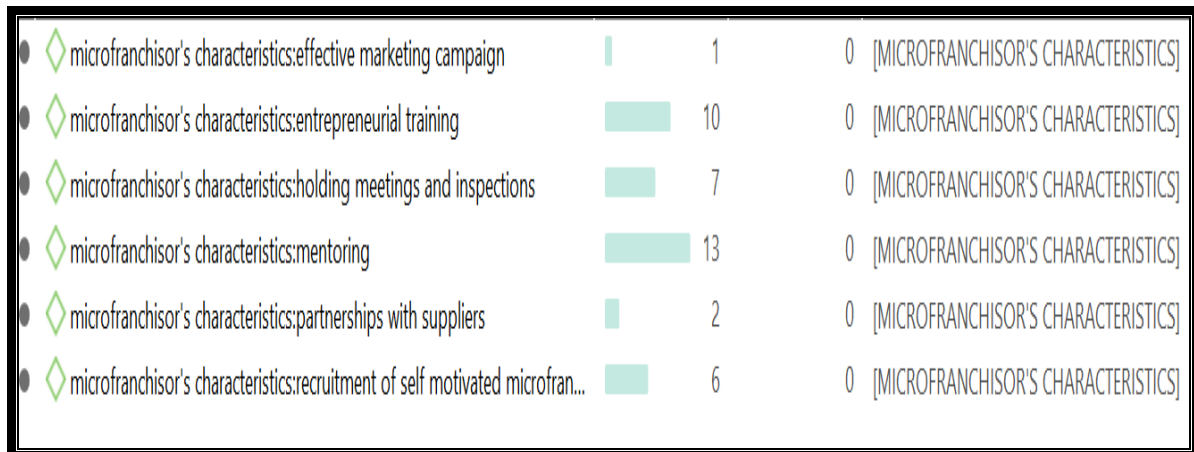


Figure 5.12: Microfranchisor's Characteristics

Source: Microfranchisor's Characteristics codes using ATLAS.ti

5.9.1 Effective marketing campaigns

The results of the study show that the microfranchisors is also expected to roll out effective marketing campaign that benefits their microfranchising businesses. These effective marketing campaigns conducted by the microfranchisors also benefit the microfranchisees since the marketing campaigns are meant to benefit the whole brand. The microfranchisors also make sure that they develop effective marketing campaigns that also attract potential microfranchisees to join their brand.

"Vodacom also produces marketing material targeting prospective owners and explaining the process for application and approval". Participant 6; Quote 26.

5.9.2 Entrepreneurial training

As indicated earlier, one of the characteristics of a microfranchise business is to provide comprehensive training for microfranchisees, it is the obligation of the microfranchisors to ensure that microfranchisees are trained before they open their own branches. Training of

microfranchisees and their employees ensures that they gain enough knowledge on how to operate their businesses in accordance with the microfranchise brand system standards. The training also provides them with a better understanding of the systems philosophy. This is because the microfranchise business system acknowledge that not all entrepreneurs have the necessary training and skills development to start and manage a successful business. This is where microfranchising add value as a 'turn-key' business, a micro-franchise can rely on the franchisor, who reduces the risk of failure by providing high quality initial and ongoing training (Khillare, 2014). The entrepreneurs need to be educated about managing their new business efficiently, the products and services that they are supposed to sell, the methods to sell them and the commission or margin they earn. Furthermore, they need to be trained in how to operate their equipment, how the supply chain processes work and how to use the microfranchisor's process interface.

"The unemployed men (preferably fathers) receive financial, business and life skill training, coaching and mentoring through their Appliance Bank Programme, where participants are taught technical skills to fix donated broken appliances and resell them". Participant 2; Quote 48.

"The Clothing Bank's main programme involves recruiting unemployed women, and now men as well, and providing them with basic entrepreneurship and financial training over a 24-month period. The training covers money management, business skills, life skills and ongoing mentorship". Participant 2; Quote 50.

"I came to the TCB classes and I started to hustle. I have these clothes so I must find a place where I am going to sell them quickly. I find a place to put my stand and I sell. Since then I never have any problem with my business ever and I save my money. I am a businesswoman and I can explain that proudly, because now I am confident". Participant 2; Quote 56.

"It was related to customer relations and the products and services that are offered by the brand". Participant 4; Quote 69.

"It was helpful as we learned how to calculate our profit percentage or mark-up amounts, we need to add". Participant 5; Quote 10.

“Owners are exposed to business training covering goal setting, profit maximisation, financial statement development, staff salaries and expenses, and human resources management”. Participant 6; Quote 56.

“I referred one of my sisters who went for training and she was very happy of the training she received because she received training on customer relations”. Participant 7; Quote 3.

“Yes, the head office assists us in planning, promotion, assess the way we train distributors and they have incentives for the sales force or demonstrators that they put in place. So, they assist from the top, down to the demonstrators. They use a well-coordinated structure for the distribution of the products and communication”. Participant 8; Quote 13.

5.9.3 Holding meetings and inspections

Data collected clearly shows that, microfranchisors hold meetings with their microfranchisees and conduct quality inspections, which help to ensure that all branches that belong to the same microfranchise business system maintain the same quality and standards as expected by the microfranchisor. Holding meetings with the microfranchisees help in keeping touch with them. Therefore, they will all be aware of what is happening in the microfranchise business system. It is through these meetings that the microfranchisees get an opportunity to share their ideas and assist each other to ensure that their businesses maintain their system standards.

“We have four franchise meetings where all the owners of different branches come together to discuss how the businesses are performing in line with the economic conditions. These are conducted quarterly. We also have a one on one meeting with the microfranchisor once a year together with the general manager. They also conduct two audits in a year. The other one they come unannounced to inspect if the branches are being operated in the manner they expect”. Participant 3; Quote 64.

“After every 2 months. They come to check whether we are complying with standard procedures and systems and check how the business is performing. They also give me a chance to inform them if there are any grievances or areas that I need support from them”. Participant 4; Quote 68.

“Every last Friday of the month, the main managers from Makhado, Messina, Giyani come to make presentations of the new products that will be available for sale in the next month and shows us how to use them”. Participant 5; Quote 19.

“At the regional level, there are six offices that oversee areas closely aligned with South Africa’s nine provinces. Regional managers oversee all operations within the regions and report to the Regional Executive. Each office enlists one or two business consultants to assist new owners through business development and franchising”. Participant 6; Quote 44.

“We have meetings every month. Especially when one is being promoted for recruiting more microfranchisees or for constantly achieving higher sales revenue”. Participant 7; Quote 12.

5.9.4 Mentoring

Mentoring, research and development stemmed out as one of the microfranchisor’s characteristics. From the remarks captured from participants, the microfranchisors share their knowledge, skills and experience to assist their microfranchisees to operate their businesses successfully on their own.

“We approach the development of the women holistically as we believe that if you have a healthy woman, with a healthy mind and a healthy family, she will run a healthy business”. Participant 1; Quote 15.

“TCB does more than just empower women, it changes lives for the better. They mentor us step-by-step to our success”. Participant 1; Quote 60.

“The training covers money management, business skills, life skills and ongoing mentorship. Since it is a secure space, they are nurtured and motivated even if the business fails at first”. Participant 2; Quote 15;17.

“You form partnership with the microfranchisor until you gain experience and confidence to run the business independently”. Participant 4; Quote 26.

5.9.5 Partnership with suppliers

From the data collected it became evident that forming partnerships with suppliers is one of characteristics of microfranchisors. The microfranchisors must negotiate with suppliers to facilitate an easy supply of the inventory requirement of their microfranchisees.

“The Clothing Bank project has partnerships in place with South Africa’s major retailers who donate their excess stock to our programme”. Participant 1; Quote 1.

“They work in partnership with several large retailers including Woolworths, Edcon, Pick n Pay, Clicks, TFG, Truworths, Mr Price & Checkers”. Participant 1; Quote 23.

5.9.6 Recruitment of self-motivated microfranchisees

From the information gathered, recruitment of self-motivated microfranchisees is one of the most important microfranchisor’s characteristics. The microfranchisor need to recruit microfranchisees that are self-motivated so that they will be able to operate their businesses successfully even though they may face challenges.

“We believe that becoming a self-employed business owner is something everyone can do, irrespective of their education levels and resources, if they are self-motivated and well supported, mentally and emotionally. In our eight years of operating we have learnt and experienced a tremendous amount about how to engage people on their path to self-determination”. Participant 1; Quote 11.

“In this way they ensure they recruit self-motivated, determined characters. After the initial two-week training, they are given the opportunity to start trading with TCB”. Participant 2; Quote 20.

“When Vodacom is approached by prospective entrepreneurs for a franchise license, Vodacom representatives are assigned to assess the candidacy of the applicant and the feasibility of the site using the following criteria. Regional offices have sole discretion in selling franchises and determining who qualifies for ownership”. Participant 6; Quote 27;52.

5.9.7 Start-up assistance

The data collected in this study indicate that start up assistance is one of the microfranchisor's characteristics. The participants proffered that the microfranchisors assist with creating a supportive environment that makes it easier to operate their businesses during start up. They also indicated that the microfranchisor's start up assistance involves taking every new microfranchisee under his or her wing and provides him or her with initial training, assist with site selection, fitting up and stocking up the store, help with staff selection and training and also help with pre-opening and opening publicly (Nieman & Nieuwenhuizen, 2009). Just like franchising, there is no need for the entrepreneur to re-invent the wheel as the system has already been invented by the franchisor when operating a microfranchise business.

"We create a nurturing and supportive environment, which builds self-belief so that she can become a successful business owner". Participant 1; Quote 13.

"Each entrepreneur is given a buying limit and only their first purchase can be bought on credit, which they pay back later through the profits they make on sales". Participant 2; Quote 49.

"The head office's point of view makes it relative very easy in assisting in the setup of the branch, they ensure that you get the necessary assistance to make sure that the branch will comply with the RMI requirement for a vehicle repairing store. So, I do not have to go to RMI to ask for them for their requirements because the head office assist in that". Participant 3; Quote 16.

"They only assisted in reviewing up of the business plan and listed the banks that were mostly likely to grant me a loan who knew the business model". Participant 4; Quote 35.

"They also provided support for a week when I opened the branch. I also continue to receive support whenever I open a new branch for a week". Participant 4; Quote 73.

Each container has been modified to fit a service counter at one end, where the phone shop control units are located and where employees are stationed to collect money and program phone time into the control units. Each container also contains at least five phones (with a maximum of ten) located within phone stalls along the walls of the

container. Insulation and ventilation are also added to containers during the modification process". Participant 6; Quote 48.

Furthermore, the results show that microfranchisors develop partnerships with financial institutions so that microfranchisee can have access to start-up capital.

"For this second branch we used a franchise loan from ABSA which assisted in paying a portion of the franchise fee for this branch. We also got an assistance from the microfranchisor as we are a good microfranchisee to him". Participant 3; Quote 24.

Figure 5.13 summarises the microfranchisors characteristics that stemmed out from the study.

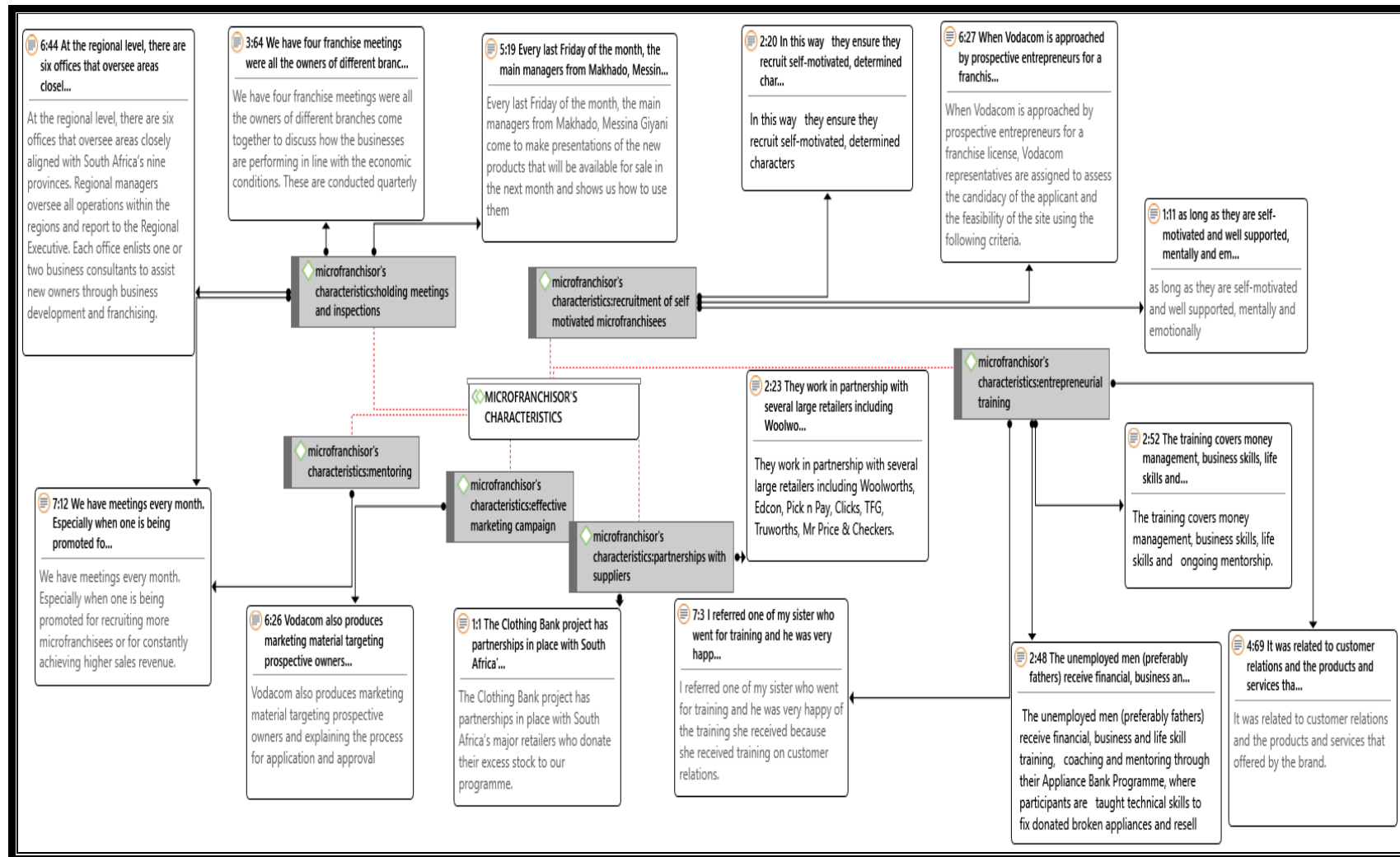


Figure 5.13: Microfranchisor's Characteristics
Source: Microfranchisor's Characteristics using ATLAS.ti

5.10 Microfranchisee Characteristics

This section presents the identified microfranchisee characteristics. During data analysis, 52 codes were initially identified from the data, and through the constant comparison of codes, they were merged together based on their similarity. Six codes emerged after a constant comparison; leaders, need for achievement, need for independence, opportunity recognition, determination and perseverance and risk takers.

Name	Grounded	Density	Groups
microfranchisee characteristics:determination and perseverance	9	0	[MICROFRANCHISEE CHARACTERISTICS]
microfranchisee characteristics:leaders	11	0	[MICROFRANCHISEE CHARACTERISTICS]
microfranchisee characteristics:need for achievement	9	0	[MICROFRANCHISEE CHARACTERISTICS]
microfranchisee characteristics:need for independence	7	0	[MICROFRANCHISEE CHARACTERISTICS]
microfranchisee characteristics:opportunity recognition	4	0	[MICROFRANCHISEE CHARACTERISTICS]
microfranchisee characteristics:risk taker	12	0	[MICROFRANCHISEE CHARACTERISTICS]

Figure 5.14: Microfranchisee Characteristics

Source: Microfranchisee Characteristics codes using ATLAS.ti

5.10.1 Leaders

From the data collected it became evident that successful microfranchisees have characteristics of being leaders and being visionary. The extracts below indicate that the microfranchisees inspires people in the communities they live hence they have become role models. It is in this regard that microfranchisees have influence in their communities as they are seen as leaders in their communities. Furthermore, the microfranchisees can clearly outline their broad business visions which they have created and are passionate about their vision and seek means to achieve their visions. The microfranchisees also find solutions to solve the problems they face or may face in operating their businesses.

“Thanks to these interventions many of our women have become role models in their communities and share their knowledge widely”. Participant 1; Quote 16.

“Now I see where I am going, I want to start sewing and selling my own designs”. Participant 1; Quote 39.

"I want to encourage someone who wants to change their lives". Participant 1; Quote 50.

"Now I am confident, I aspire. I set myself goals and push myself hard to achieve them". Participant 1; Quote 79.

"I want a bright future for my family, like to have a house". Participant 2; Quote 42.

"As an entrepreneur you need to have a contingency plan to overcome these challenges". Participant 3; Quote 15.

"Yes, we have, as an entrepreneur you must have a plan to open new branches". Participant 3; Quote 26.

"I also operated my own retail business which was a lot harder than this but it is similar to manage in what is going in and out, so it is not the same but I think business principles stay the same. It does not matter whether you are running a SuperSpar or Car Service City, the business principle stays the same". Participant 3; Quote 38.

"If everything goes well, I will be opening a 5th branch In March next year". Participant 4; Quote 41.

"We have another branch in Lepalale and we are looking forward to expanding by opening another one". Participant 8; Quote 12.

5.10.2 Need for achievement

Need for achievement also stemmed out as one of the characteristics of successful microfranchisees. From the remarks captured it is evident that microfranchisees are always motivated to excel, goal oriented and are aware of their personal strengths and weaknesses (Dhliwayo et al., 2017). Furthermore, the microfranchisees have high energy levels to chase their goals and are confident that they will be successfully in achieving their business goals.

"Many of the graduates go on to run multiple businesses, expanding their trading businesses to multiple product categories and venturing into other business models

as they are now confident, have the right knowledge and skills and most importantly have high self-belief". Participant 2; Quote 27.

"Yes, we have as an entrepreneur you must have plan to open new branches. You need to always go forward". Participant 3; Quote 26.

"Yes, I have opened 4 new branches. If everything goes well, I will be opening a 5th branch in March next year". Participant 4; Quote 40.

5.10.3 Need for independence

The results of the study also show that the need for independence is another characteristic of successful microfranchisees. The microfranchisees started their own businesses through microfranchising as they needed to be in charge of their businesses allowing them to make decisions that affect their businesses. Despite operating their businesses through a microfranchising business system which has rules and regulations to be followed there are independent and sometimes make independent decisions in order for their businesses to be successfully. They also needed to be financially independent hence they started their own businesses than relying from salary incomes.

"Now I see where I am going, I want to start sewing and selling my own designs. I am beautiful now, I am not looking like an old granny anymore. I am proud of myself". Participant 1; Quote 17.

"Empowering them to become self-employed business owners". Participant 2; Quote 8.

"Additionally, is the nature of services and the personal business decisions that are made by the owner. The business model allows the owner to make decisions that affect their business at a local level. The position of the business depends on the decisions of the owner". Participant 4; Quote 6.

"For example, when I started the business I resigned from work". Participant 4; Quote 19.

"Yes, because I earn money to meet my needs". Participant 5; Quote 14.

“However, individual owners are empowered to determine and arrange their own staffing needs on a local basis”. Participant 6; Quote 43.

“Because Vodacom is able to track Community Services line usage patterns and because owners pre-pay for phone time, owners are not responsible for providing specific reports to Vodacom on a regular basis. Owners thus have great flexibility in determining how they run their business”. Participant 6; Quote 53.

5.10.4 Opportunity recognition

The ability to recognise opportunities stemmed out as one the successful microfranchisees characteristics. The microfranchisees demonstrate that they see opportunities in the markets to expand their businesses and thereby, gather resources and grow their businesses to satisfy the needs of their customers. Microfranchisees also saw opportunities to make money through joining an already established system of doing businesses. The microfranchisees in this study prove that there are successfully entrepreneurs as they exploit their recognised business opportunities with the help of the microfranchisor, commit their resources to exploit opportunities for personal gain effectively and timeously.

“When the Thohoyandou branch is self-sustainable, we will open more branches as they are more opportunities in the market especially in Limpopo. For example, there are only two branches in Limpopo, Mokopane will be a good market for us to open a branch there even Giyani, Tzaneen. There are so many opportunities for this brand to grow in the Limpopo province. This new branch will become self-sustainable than expected which will give us the opportunity to open another new branch”. Participant 3; Quote 29.

“I continue opening new branches because as I see new opportunities opening it becomes difficult for me to ignore them. If I do not close these opportunities, they will be definitely someone who will become a competitor who will take that opportunity and they will give me tough competition”. Participant 4; Quote 42.

5.10.5 Risk takers

It is evident that from the data collected that successfully microfranchisees are risk takers. Microfranchisees risks their capital and personal time by investing in the microfranchise business system. Microfranchisees also carry the risk of microfranchisors through investing

into new markets. It is in this regard that microfranchisees, are risk takers as they take calculated risk of investing their resources in a business with an unknown outcome although the risk is very low as compared to totally starting a new business venture. The microfranchisees also took risk by stepping out of their comfort zones to start their businesses with some resigning from their jobs.

“For the first branch it was a combination of personal savings, income from my previous business which I was a silent partner and a bank loan. For this second branch we used a franchise loan from ABSA which assisted in paying a portion of the franchise fee for this branch. We also got an assistance from the microfranchisor as we are a good microfranchisee to him”. Participant 3; Quote 72.

“I opened a business in Messina which was new in Messina and me myself as an entrepreneur did not know Messina very well which was a challenge”. Participant 4; Quote 11.

“For example, when I started the business I resigned from work, I had a family to care, I had debts to pay and the portion of the investment came from my savings hence, I had to make sure the business works as it was my only option. If it failed, I had no other sources of income”. Participant 4; Quote 74.

“Rather, owners are empowered to operate the businesses on their own accord, assuming all risk and financial liability”. Participant 6; Quote 57.

5.10.6 Determination and perseverance

The results of the study also show that successful microfranchisees possess an entrepreneurial characteristic of determination and perseverance. The remarks below show that the microfranchisees were determined to make sure that their businesses work no matter the challenges they encountered. The microfranchisees as indicated by participant 3 were not easily discouraged when things went bad but were prepared to overcome these challenges as they anticipated they would face difficult situations.

“I was rejected the first time at the TCB, but I did not give up and the next time I was accepted”. Participant 1; Quote 57.

“I came to the TCB classes and I started to hustle. I have these clothes so, I must find a place where I am going to sell them quickly”. Participant 2; Quote 39.

“But that is why one has to be an entrepreneur to overcome these challenges, as entrepreneur you need to work around or find a solution to these challenges”.

Participant 3; Quote 14.

Figure 5.15 summarises the microfranchisors characteristics that stemmed out during from the study.

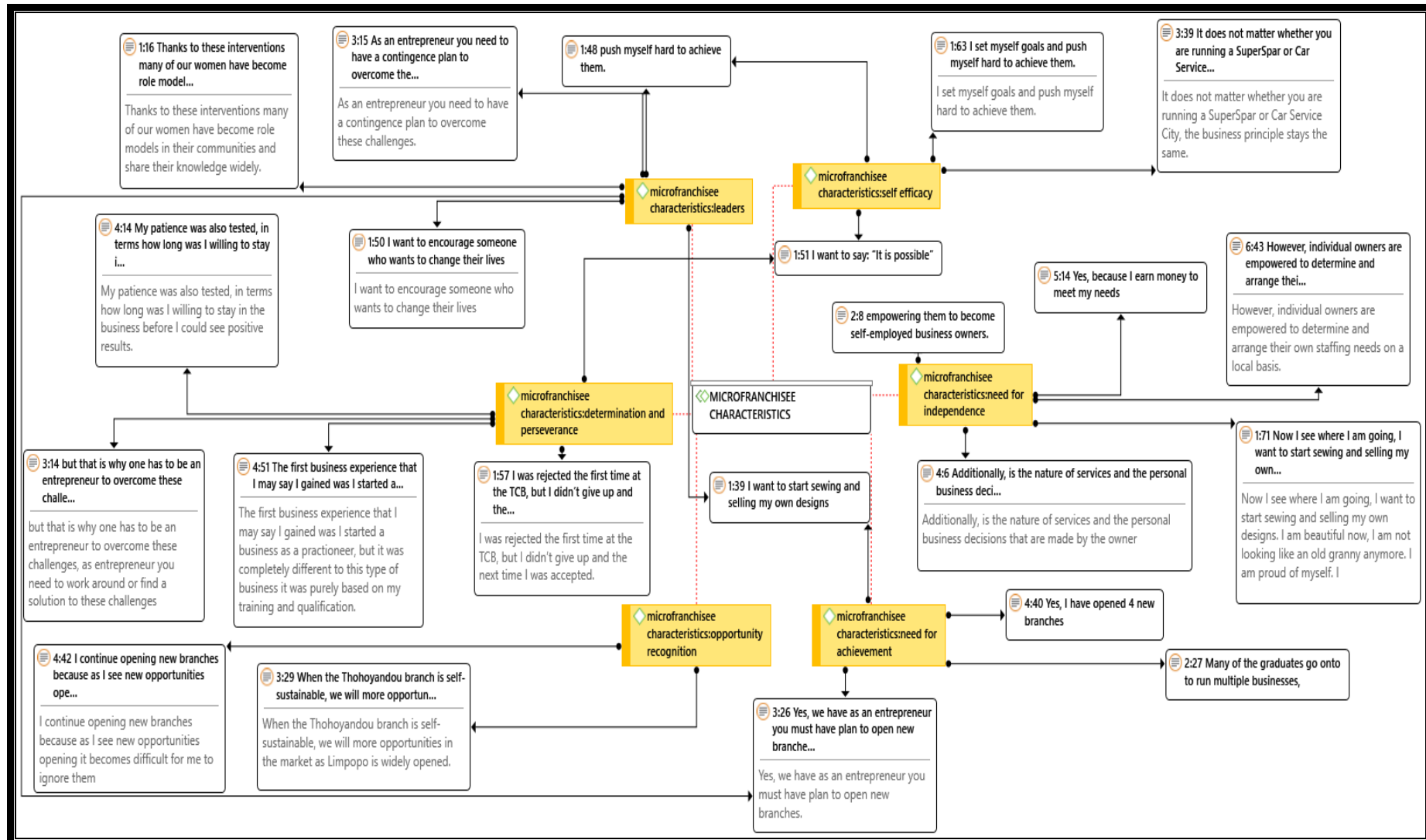


Figure 5.15: Microfranchisee Characteristics

Source: Microfranchisee Characteristics codes using ATLAS.ti

5.11 Conclusion

This chapter presented the results of the research. The qualitative data collected was analysed using ATLAS.ti. The following chapter (Chapter 6) will discuss the key findings of the study.

CHAPTER SIX

FRAMEWORK CONSTRUCTION

6.1. Chapter overview

The preceding chapter on data analysis presented the results of the study. This chapter focuses on the two last important aspects of data analysis, where themes and subthemes that will be used to develop a microfranchising framework geared to enhance entrepreneurship in South Africa will be discussed. The main themes which emerged from the preceding chapter will also be discussed. These themes will be discussed in a bid to answer the research questions for this study. The chapter will be summed up with a new framework that will be generated to stimulate entrepreneurship in South Africa.

6.2. Introduction

In continuation to the preceding procedure of constant comparison, this section discusses the main themes of the study. The themes also summarised the relationship between postulations and the actual findings of the study. The discussions of the main themes developed in this study are underpinned by the research questions. Furthermore, the study established its core categories based on the activities proffered by the microfranchise entrepreneurs (Neergaard & Ulhøi, 2007). The study employed selective coding (Heath & Cowley, 2004) to compare incoming data to the core categories of the study in a more detailed manner (Neergaard & Ulhøi, 2007). The process of selective coding only considered variables related to the core categories in order to generate improved themes.

6.3 Construction of themes

The construction of themes comprised of an analytic process which correlates with the preceding chapters. As part of constructing themes, the study used illustrations that summarised the main themes constituting a piece of text. The construction of themes is usually a robust and highly sensitive technique for the systematisation and presentation of qualitative analyses. Most importantly for this study, it helped in the analysis of microfranchise entrepreneurs. The following presentations gave an insightful and rich exploration of microfranchise entrepreneurs' information and discovered uncluttered structures underlying

the microfranchise entrepreneurs in South Africa. As highlighted in the introduction; discussions of main themes were underpinned by the research questions.

6.4 Research Question 1

Research Question 1 sought to explore; What are the microfranchisees former and current ways of operating their businesses in South Africa? Therefore, the study addressed the following aspects in seeking to answer RQ1.

- (1) The challenges that were faced by the microfranchisees when they started their business through microfranchising.
- (2) To identify the characteristics of microfranchising businesses operating in South Africa.

ATLAS.ti. was used to code the information solicited from the participants in answering the research questions. Furthermore, the codes were grouped into relevant categories according to their similarities. A process was necessitated by constant comparison of information proffered by the microfranchisees as discussed earlier in Section 5.7 and 5.8 of this study. The codes and code groups developed for this study are shown in Figure 6.1.

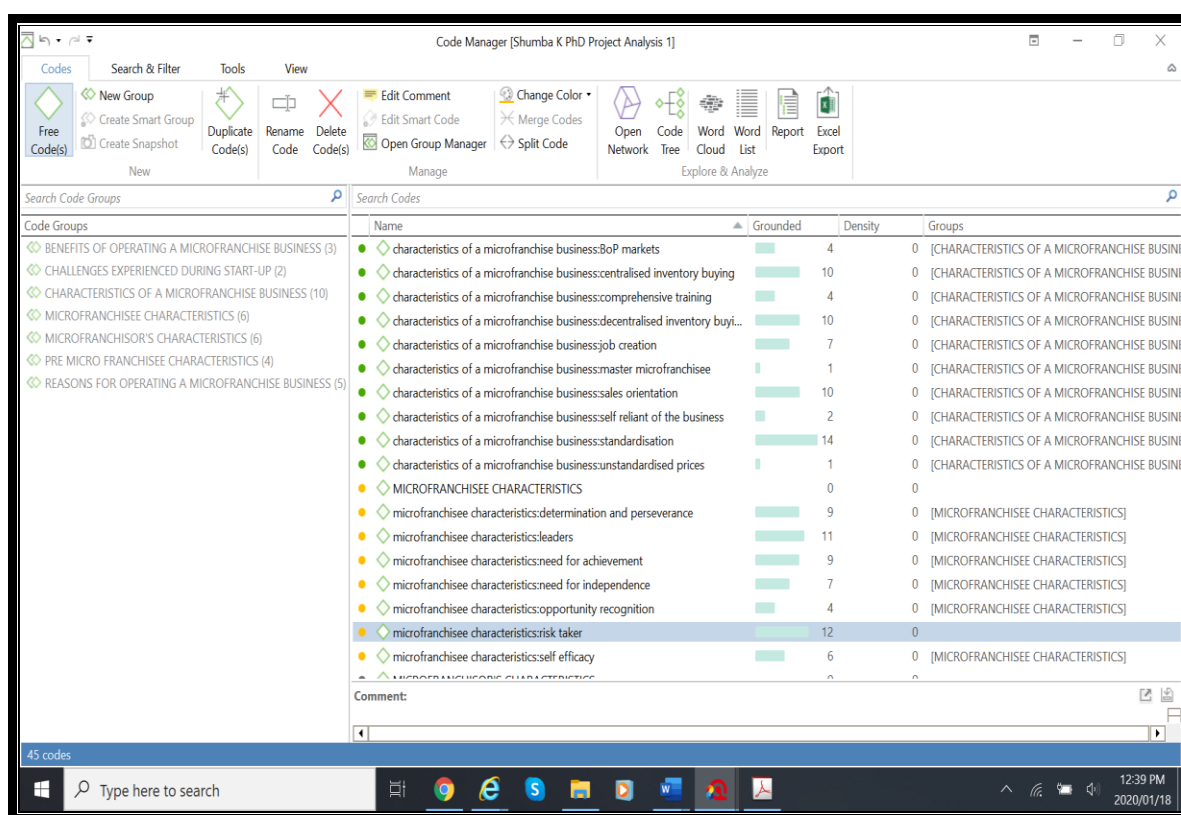


Figure 6.1: Codes and Group codes
Source: ATLAS.ti

Continuation of comparisons across each category facilitated the development of themes which were used to report the findings in this section. Furthermore, cross examination of the categories involved was done through the Noticing, Coding and Thinking process (NCT) (Chakuzira, 2019). The NCT process helped in formulating a road map, which determined the codes and code groups relevant enough to answer Research Question 1 as indicated in 5.2

In total 2 group codes (themes) were extracted and discussed to answer Research Question 1. These groups codes (themes) consisted of codes (subthemes) that fall under them. The group code of challenges faced by microfranchisees has 2 codes (subthemes) and the characteristics of a microfranchise business group codes (theme) has seven codes (subthemes) as illustrated in figure 6.2 below.

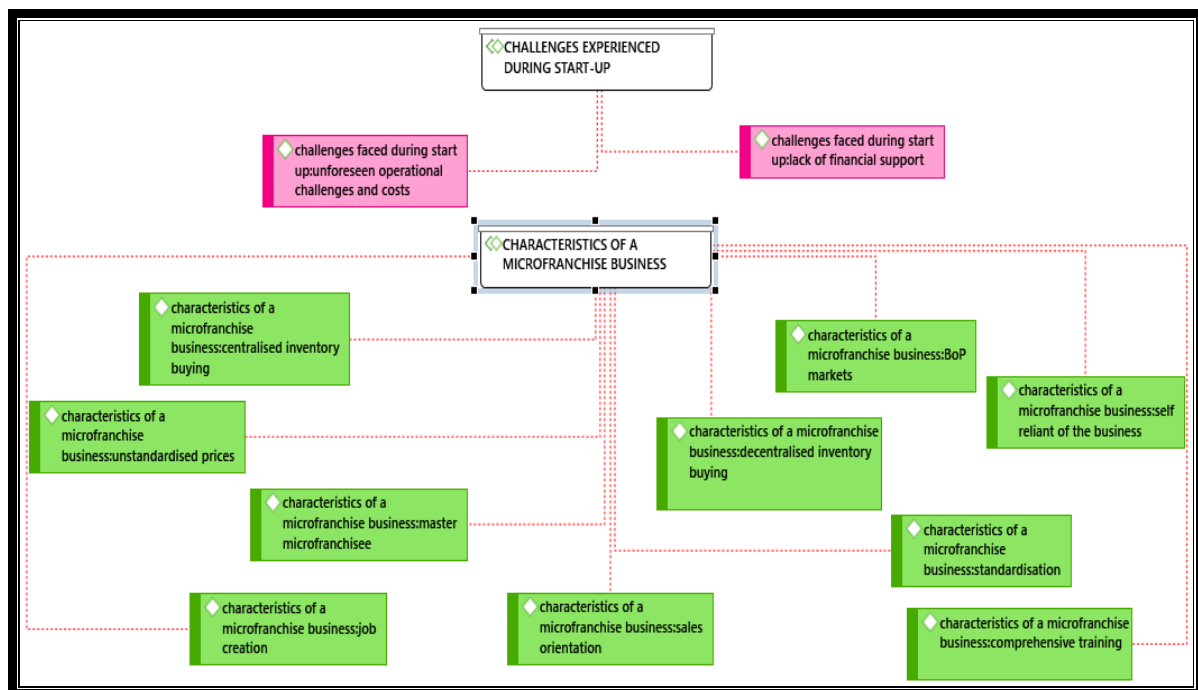


Figure 6.2: Experience of Operating a microfranchise business

Source: ATLAS.ti

6.4.2 Experience of Operating a microfranchise business

Several themes were drawn to comprehend how microfranchisees operate their businesses, the following themes were developed based on the group codes and codes (subthemes) formulated from the data analysis using ATLAS.ti.

- **Challenges faced by microfranchisees**

1. **SUBTHEME 1: Lack of financial support:** The challenge discussed under this theme is lack of financial support faced by microfranchisees in their journey to success.
2. **SUBTHEME 2: Unforeseen challenges:** These relays some of the unanticipated encounters that have been experienced by the microfranchisees.

- **Characteristics of a Microfranchise Business**

3. **SUBTHEME 3: BoP markets:** This subtheme describes the markets and the type of customers that the microfranchisee sell their products to.
4. **SUBTHEME 4: Combined Approach Inventory buying:** This relates to how the microfranchisees purchase their inventories from the suppliers.
5. **SUBTHEME: 6 Comprehensive training:** This describe the training that the microfranchisees went through before starting their businesses and the nature of training that the microfranchisees are exposed to as a result of operating a business through the microfranchising business model.
6. **SUBTHEME: 7 Job creation:** This shows the benefits of microfranchising businesses operated by microfranchisee to South Africa.
7. **SUBTHEME: 8 Master Microfranchisee:** This describes one of the types of contracts that bind the microfranchisee and the microfranchisor in operating a business through the microfranchise business model.
8. **SUBTHEME: 9 Sales orientation:** This relates to one of the microfranchisors' expectations and describes what motivates the microfranchisee in operating the business.
9. **SUBTHEME: 10. self-reliance:** This shows that businesses operated by microfranchisees generate enough capital such that they are operated on an ongoing concern.

10. SUBTHEME: 11. Standardisation: Focuses on the uniformity that must be maintained by all the microfranchisees to identify the microfranchise business concept.

11. SUBTHEME: 12 Adaptation: The allowance given by microfranchisors to the microfranchisees to localise some of their products or services according to the customer's needs.

6.4.2.1 Lack of financial support

As highlighted in in Section 2.5.2, Saxena (2012); Dhlwayo et al. (2017); Donga et al., (2016) have highlighted that entrepreneurs fail to get external funds due to absence of tangible security and credit in the market. It is one of the most prominent impediments to people seeking to build or start their own businesses. Lack of adequate start-up finance is one of the most prominent impediments to people seeking to build their own businesses in BoP markets (Robinson, Dassie & Christy, 2004; Sarasvathy, 2009; Schoof, 2006). People living at BoP lack personal savings, credibility and collateral securities for debt financing, business experience and skills. They also face strict credit scoring methodologies and regulations, complex documentation procedures and long waiting periods when they apply for funding (Robinson et al., 2004; Sarasvathy, 2009; Schoof, 2006). The South African financial and operating environment is not supportive of entrepreneurs in terms of regulations, policies and access to capital (Gore & Fal, 2010) making it difficult for entrepreneurs to have easy access to finance.

“The instruments that are available to assist entrepreneurs are too slow to respond to their needs. Assistance to entrepreneurs is very slow such that the time they assist you the opportunity would have gone or closed. This is the same situation with private organisations, they put conditions that upcoming entrepreneurs cannot easily meet. For example, I used a bank loan, for my first business branch, but they demanded collateral security equivalent to the money that I required. If I had collateral security equivalent to the money that I wanted, I will simply sell the assets and use the money to invest in the business that I want and avoid paying interests”. Participant 4; Quote 20.

Findings show that microfranchisees face a lack of financial support related challenge when they start operating their businesses. This is one of the major challenges that are faced by microentrepreneurs as highlighted in section 2.5.2 of the literature review.

6.4.2.2 Unforeseen Challenges

Microfranchisees also noted that they encountered unforeseen challenges when they started operating their business. The participants (microfranchisees) knew that they were taking risks when they started their business, hence, they were prepared to earn unsteady revenue, sacrificing their careers for the success of the business, considering that their business could fail. They were prepared for these challenges and knew that they had to persevere and be determined. However, the microfranchisees were not prepared for some of the unforeseen challenges such as inventory carrying costs and labour disputes. It is in this regard that the microfranchisees had difficulties in dealing with unforeseen challenges because they did not have a contingency plan to counter such challenges.

6.4.2.3 BoP markets

The results show that microfranchisees operate their businesses in BoP markets. As discussed in section 3.4.1., the term 'bottom-of-the-pyramid markets' refers to a market, which consists of the world's population that resides at the lower levels of the world's economic pyramid (Timonen-Nissi, 2017). BoP markets are often disengaged from the global market, hence, they are not part of the supply chains that link developed markets with emerging markets. Additionally, BoP markets are often oligopolistic in nature, due to lack of competition. Thus, consumers in such markets often overpay for necessities such as water, housing, and financial products among other products (Kistruck et al., 2013). Considering the typical operating areas of microfranchise businesses, the study also identified that microfranchisees in South Africa operate their businesses in BoP markets. These BoP markets are characterised by low income people, township and rural areas as indicated in section 5.8.1.

6.4.2.4 Combined Approach Inventory buying

The microfranchisees revealed that they use a combined approach for inventory buying. Thus, they utilise centralised and decentralised inventory buying system. Centralised inventory buying is suitable in microfranchising business because the microfranchisees have common needs since they sell the same products or services, hence, purchases are made from a single supplier. This, therefore, allows them to buy in large quantities from their suppliers who give them favourable business terms. They also enjoy economies of scale through centralised purchasing, which enable them to negotiate for stock discounts from suppliers. This corroborates with (Mphambela, 2015), who explains that a centralised operating system in

franchising fully drives the business to success, because franchisees in the same franchise network are not competitors but allies in the business.

The adoption of a decentralised inventory buying in the combined approach allows the purchase of individual microfranchisees' requirements. Using this approach microfranchisees can purchase special needs from their local suppliers. This study, therefore, acknowledges combined approach inventory buying as one of the ways that are used by microfranchisees in operating their businesses.

5.4.2.5 Comprehensive training

The comprehensive training, they receive from the microfranchisor is of paramount importance to the successful operations of microfranchise businesses. This enables them to be familiar with the business model. Specific training provided by the microfranchisor is an important opportunity for the microfranchisee to recognise the significance of utilising creativity, know-how as well as social and financial capital resources. Since training is provided by the microfranchisor, the risk of starting a new business is much lower when compared to starting a business from scratch for the microfranchisor (Fairbourne, 2007). Tantamount to the results from the study (Gibson, 2007) explained that there are several benefits for microfranchisees that are attributed to training. For instance, microfranchisor helps microfranchisees with site selection, negotiating the terms of lease for the storefront, and establishing an effective store layout. Moreover, tested operational guidelines and different checklists help microfranchisee both in short and long-term planning and reporting. Lastly, there are built-in support systems, where microfranchisors financial success is directly tied to microfranchisees, as a result there are incentives for both actors to do their job successfully. These built-in support systems include mentors and networks with other microfranchisees among others.

6.4.2.6 Job creation

As mentioned earlier, in section 3.4.4 of the literature review, one of the benefits of microfranchising is job creation. The microfranchisees confirmed this notion, asserting that their businesses create jobs for themselves and their employees. One of the biggest problems of developing countries is the lack of employment. As a result, most people are working in the informal economy, since the formal economy does not offer enough jobs. Apart from the low salaries, the working conditions in the informal sector are often poor; there is lack of formal

employment contracts, and hardly any social protection. In reality, the informal economy presents one of the biggest development challenges at the moment, but the growth of microfranchising could upgrade those businesses into formal economies (Henriques & Herr, 2007). Thus, small, local businesses can enjoy the benefit of the microfranchisor's official registered status (Magleby, 2005). Potentials of creating jobs and growth are better in proven business models such as microfranchising (Fairbourne, 2007). The notion of job creation is explained in the following extract from Participant 1 and 8.

"We have the capacity to support 800 mothers trading from our five branches in Cape Town, Johannesburg, Durban, East London and Paarl". Participant 1; Quote 78.

"The main benefit of microfranchising is that we are very big job creators. We currently have close to 15 000 demonstrators in our business, so we created 15 000, although every demonstrator does not sell every month and that is the thing that goes with direct selling". Participant 8; Quote 14.

Following the explanations in the above excerpts, job creation becomes one of the most important benefits derived from the microfranchisees business operations. The above prove that microfranchising creates jobs for microfranchisees and their employees, including those who do not have managerial skills. This is because microfranchises are often larger than traditional microenterprises (Fairbourne, 2007). In support of the employment capacities of microfranchising (Gibson, 2007) explained that the development of microfranchising is recognised by many as the most innovative and fastest method to transform temporary, informal microenterprises into legitimate, viable businesses. However, according to (Christensen et al., 2010) previous studies have not discussed the poor, as employees that much. They see employment creation as one of the greatest benefits of microfranchising that employs people who do not generate their own business ideas.

6.4.2.7 Master microfranchisee

One of the microfranchisees notified that they operate their microfranchise business through a master microfranchise agreement. Just like the master franchise agreement, the microfranchisee agreement gives the microfranchisee more rights than an area development agreement (Beshel, 2010). The microfranchisee that is given more rights is known as the sub-microfranchisor while the microfranchisee that enters into an agreement with the sub-microfranchisor is known as the sub-microfranchisee (UNIDROIT (International Institute for the Unification of Private Law), 2007). In addition to having the right and obligation to open

and operate a certain number of units in a defined area, the master franchisee also has the right to sell franchises to other people within the territory (Beshel, 2010). This, therefore, means that the sub-microfranchisor acts as the microfranchisor. Thus, the master microfranchisee or the sub-microfranchisor takes over many of the tasks, duties and benefits of the franchisor, such as providing support and training, as well as receiving fees and royalties. This was explained by participant 8 in the following extract during the interviews.

“Basically, we are a direct selling business. Me and my wife we are distributors of Tupperware. We buy the Tupperware from the Tupperware company which is based in Brakpan and the head office is in Bryanston, it is the head office for Southern Africa. There are responsible for planning the operational activities of the business, including training and the other aspects of the business. We have the main business in Johannesburg. We have other distributors across SADC countries, Ghana and Nigeria. There are about 33 distributors in the business. There are about 2 or 3 in a region. Each distributor is a business on its own. As a distributor we recruit sale force members in our business to become demonstrators”. Participant 8; Quote 17.

The explanation given by participant 8 exhibits how the word distributor and master microfranchise is used interchangeably referring to microfranchisor in the framework developed for this study.

6.4.2.8 Sales orientation

The microfranchisees also indicated that the microfranchise businesses operate on a sales orientation. This motivates them to sell more of their products and receive more incentives for having a high sales turnover. Their amount of work is reflected by the sales revenues they make for a certain period, for example in a month.

6.4.2.9 Self-reliance

Self-reliance is essential for any entrepreneurial venture. The participants acknowledge that their businesses are self-reliant. The microfranchisees therefore, operate businesses that provide them with an income that goes beyond just to a day to day subsistence. From the interviews conducted the study attests that microfranchisee businesses are generating enough revenue to facilitate reinvestment of profits in the business and they are growing in capacity. The owners are therefore, enjoying a consistent income and can acquire assets that increase in value as highlighted in the remarks captured in section 5.8.7.

6.4.2.10 Standardisation

Standardisation is also essential to microfranchising business, as (Nieman & Nieuwenhuizen, 2009) explained that established franchisors will insist that certain minimum standards of furnishings, fittings and equipment be maintained. Standardisation is a concept that both microfranchising and franchising equally regard and enforce.

6.4.2.11 Adaptation

Adaptive pricing also stemmed from the results as part of the characterises of microfranchising. Microfranchising business allows microfranchisees to adapt or adjust their prices to meet local conditions which helps them have great success (Meyer & Bernier, 2010). Therefore, microfranchisees can establish prices depending on their local consumer's revenues and other costs such as transport cost, regulations and tariffs.

6.5 Research Question 2

Research Question 2 sought to profile and describe the characteristics of microfranchisees operating in South Africa. To solicit responses for research question 2, the study therefore, addressed the following aspect;

- (1) What were the characteristics of microfranchisees before they started operating their businesses through microfranchising?
- (2) What are the microfranchisees reasons for operating a microfranchise business?
- (3) What are the benefits of operating a microfranchise business to microfranchisees?
- (4) What are the characteristics of successful microfranchisees?

6.5.1 Profiles and Characteristics of Microfranchisees

To describe the profiles and characteristics of microfranchisees operating in South Africa, the following themes (group codes) were developed based on the codes (subthemes) formulated from the data analyses using ATLAS.ti. The developed group codes and codes led to the development of the proposed microfranchising framework meant to enhance the development of entrepreneurship in South Africa. The development of the proposed microfranchising framework addresses research question 3 of this study.

- **Characteristics of pre Microfranchisees**

1. **SUBTHEME 1: Lack of entrepreneurial skills and experience:** Microfranchisees lacked entrepreneurial skills and experience when they joined the microfranchising business. Most of the microfranchisee had not operated any entrepreneurial venture and did not have any entrepreneurial education. Hence, they lacked the entrepreneurial skills required to operate a business. This is highlighted as one of the challenges that face micro entrepreneurs in the proposed conceptual framework of the study.
2. **SUBTHEME 2: Poor background:** Most microfranchisee come from poor backgrounds. This attest to the notion that microfranchise businesses were created with intent to alleviate poverty at BoP. Microfranchising also provides business models that facilitates local and low-income entrepreneurs in launching business ventures that employ local people and establish feasible platforms for MNCs wishing to work at the BoP.
3. **SUBTHEME 3: Low self-efficacy:** Microfranchisees had low confidence and believed that it was very hard to start and pursue an entrepreneurial venture.

Reasons for operating a microfranchise business

4. **SUBTHEME 4: Market gap:** Microfranchisees joined the microfranchising business because the microfranchisor's concept had a market gap. They believe that the products or services of the microfranchisors have demand, the microfranchisors have found the means to meet the demand and will generate enough profits for the microfranchisor and the microfranchisees.
5. **SUBTHEME 5: Referrals:** This show that most of the microfranchisees reasons for operating a microfranchise business was attributed to being referred about the business opportunity made available by the microfranchisor.
6. **SUBTHEME 6: Extreme poverty:** Some of the microfranchisees were pushed to operate and or open businesses through microfranchising by extreme poverty. As a result, they opened their businesses hoping to generate enough income to improve their livelihoods.

7. **SUBTHEME 7: Good marketing mix.** Some microfranchisees started their businesses through microfranchising because they were attracted by good marketing mix done by microfranchisors.
8. **SUBTHEME 8: Creation of wealth:** This reveals that the microfranchisees are creating wealth from their entrepreneurial ventures.
9. **SUBTHEME 9: Gain respect:** Some microfranchisees have gained respect in their communities because they operate local businesses.
10. **SUBTHEME 10: Learning entrepreneurial skills.** Microfranchisees also acquired entrepreneurial skills as a result of operating a microfranchise business.

- **Microfranchisee Characteristics**

11. **SUBTHEME: leaders:** Microfranchisees exhibits leadership qualities. As a result, they motivate and inspire others to do well in the communities they live in.
12. **SUBTHEME: need for achievement:** This shows that microfranchisees have high energy levels to chase their entrepreneurial goals.
13. **SUBTHEME: need for independence:** Although microfranchises are regulated, microfranchisees prefer to do some of the things in their own way.
14. **SUBTHEME: opportunity recognition:** Microfranchisees can also recognise business opportunities to expand their businesses.
15. **SUBTHEME: risk takers:** This describes the risks that were taken by the microfranchisees in order to operate successfully microfranchise businesses.
16. **SUBTHEME: Determination and perseverance:** This describes how microfranchisees endure to have successful businesses, despite the challenges that would have derailed their business operations.

6.5.1.1 Lack of entrepreneurial skills and experience

As highlighted in section 5.41, most of the microfranchisees lacked entrepreneurial skills and experience when they started the microfranchise businesses. This is in line with (Neneh & Van Zyl, 2012) who also noted that lack of entrepreneurial skills makes it difficult for small enterprises to start up or expand in South Africa. Microfranchising therefore, presents an opportunity for these entrepreneurs to start businesses. It is in this regard that (Fairbourne, 2007) argued that, with microfranchising, one does not have to be a real entrepreneur in order to be a successful microfranchisee. Thus, there are no special skills and experience required for one to join a microfranchising business. It can, therefore, be concluded that some microfranchises are more suitable business models for low income entrepreneurs, because they do not require more education, experience and skills.

6.5.1.2 Possession of entrepreneurial skills

Contrary to the above assertion, some of the microfranchisees had entrepreneurial skills that they had gained before joining the microfranchise business. These include having a business academic qualification and having operated a business before joining the microfranchise business. These results corroborated with (Woodworth, 2007), who argued that microfranchising is more likely going to work for individuals who are better educated, equipped with the math and reading skills required. Fairbourne, (2007), emphasised that it is important for a microfranchisee to have some basic level of education, skills and motivation. Indeed, some microfranchisors require their microfranchisees to have some previous experience, for example, from selling and skills development. Moreover, some microfranchises such as the HealthStore Foundation for instance, require qualified nurses.

HealthStore was created to improve access to necessary medications. The Kenyan government partnered up with HealthStore Foundation (HSF); a local non-governmental organisation, in an effort to improve the distribution of anti-malaria drugs (Timonen-Nissi, 2017). A microfranchise system was used to increase access to drugs through small privately-owned rural shops. The HealthStore Foundation has been active for several years in Kenya and it has initiated clinic networks in Ghana and Rwanda. The HealthStore Foundation has continued to develop its operations over the years. The HealthStore has recruited local practicing nurse as microfranchisees and it has trained them to comply with the requirements of the microfranchise operation system.

This highlights that some microfranchises requires educated microfranchisees who possess a certain qualification, for instance, the HealthStore Foundation requires qualified nurses.

6.5.1.3 Poor background

Poor background has also motivated some microfranchisees to operate a microfranchise business. Thus, poor background is one of the critical pre-microfranchisees characteristics and the reasons for operating a microfranchising business. As highlighted in section 5.4.3, some microfranchisees were pushed to start a business because of poor background. Similarly, (Fairbourne, 2007; Gibson, 2007), explained that a microfranchise is established to assist the poor entrepreneurs to create a sustainable income through owning and operating their own business. The microfranchise business helps the poor entrepreneur with the reduction of risk and creative burden, provision of specific training, as well as ongoing mentoring. Thus, microfranchise business model was designed to economically empower poor entrepreneurs, by providing them with the opportunities to operate proven successful businesses (Fairbourne, 2006). The results of the study and literature confirms that microfranchise business opportunities were established to assist poor entrepreneurs to generate sustainable income through owning and running successful businesses that have potential to expand, than the normal micro entrepreneurs.

6.5.1.4 Low self-efficacy

Some microfranchisees lacked confidence, less persistency to pursue their entrepreneurial intentions and did not have self-regulation. On the contrary, (Di Paula & Campbell, 2002) argued that people with self-esteem are more persistent after a single failure, but less so when persistency is not a good strategy. This assertion implies that, microfranchisees were not persistent in their endeavours to become successful entrepreneurs. Furthermore, it seems some microfranchisees were afraid or avoided entrepreneurial ventures or tasks related to a lot of risk which is a sign of low self-efficacy.

6.5.1.5 Market gap

The study also established that the existence of a market gap for microfranchisors' products or services was one of the reasons behind microfranchisees' decision to operate businesses through microfranchising. This is mainly attributed to the BoP consumer and entrepreneurs

target market established by microfranchising businesses. (Prahalad, 2009) confirms that, there is a huge untapped market at the BoP, and if companies can restructure their delivery systems to provide goods and services at an affordable price, they can serve the poor, while earning profits.

6.5.1.6 Referrals

The study also established that some of the microfranchisees joined the microfranchise business through business referrals. These referrals emanated from their friends and relatives who had better knowledge of the opportunities and advantages of operating a business through microfranchising business models.

6.5.1.7 Business in a box

Another reason that was discovered from the study results is that a microfranchise business model provide a “business in box or backpack”. According to (Gibson, 2007) a microfranchise can be a “business in a box or a backpack” that uses the same operational, marketing and management tools as a traditional franchise, but is “cheaper and much simpler.” Since microfranchise businesses provide a business in a box there is no need for microfranchisees to be prodigies to run profitable businesses because they are only required to follow operational procedures to produce, market and sell products. Microfranchisees are equipped to operating such businesses through training, which makes it easier for them because they receive step by step operating tools for the business. Fairbourne et al. (2007) clarifies that Vision Entrepreneurs for instance, receive step-by-step training to conduct vision screenings, sell affordable eyeglasses, and refer those who require advanced eye care to reputable clinics. Using business blueprints, Vision Entrepreneurs can easily learn to run successful and profitable businesses selling life-improving health products. A microfranchise has some unique advantages for microentrepreneurs. First, it provides them with products or services and a “recipe” for success, operations manual, advertising, etc. As a result, the microentrepreneur does not need to “reinvent the wheel” regarding starting up and managing a new business.

6.5.1.8 Good marketing mix

The study discovered that microfranchisees operate businesses through microfranchising because of the good marketing mix provided by the business model. This is because individual microentrepreneurs have inadequate marketing skills and lack of knowledge regarding the marketing mix (Rwigema, 2004). Nani (2011) noted that these micro entrepreneurs may also lack knowledge about the extension of a marketing mix that consists of people, processes, physical evidence and failure to creatively develop a marketing mix suitable for the target market, which may be detrimental to the business. In a microfranchising business setup, microfranchisees rely on microfranchisors who normally operate an effective marketing program from which all franchisees benefit. Moreover, the franchisor may also provide a ready market for the entrepreneur, making the need for developing a marketing and selling strategy unnecessary.

6.5.1.9 Creation of wealth

The study found out that microfranchising enables the microfranchisees to create wealth. Likewise, Fairbourne et al. (2007) explain that microfranchising business model as a method of making BoP markets work for the low income entrepreneurs and has great potential to create wealth for the microfranchisees allowing them to reach a state of economic self-reliance.

6.5.1.10 Gain respect

Earning respect was also found to be one of the benefits that the microfranchisees have as a result of operating a microfranchise business. Entrepreneurs are always yearning for respect and as such, always desire to accomplish great things to gain respect from their community members.

6.5.1.11 Learning entrepreneurial skills

The findings of the study also showed that microfranchisees acquire entrepreneurial skills. Learning entrepreneurial skills play a vital role in the success of the microfranchise business model, since most of the microfranchisees lack entrepreneurial skills when they join the business. Justis and Vincent (2002) explained that in setting up, rolling out, and running a

microfranchising operation, the microfranchisor and microfranchisees need entrepreneurial skills and business development training. This training is imperative for microfranchise models to succeed. Similarly, Reed-Kane, (2004) also explained that the microfranchisor provides initial and ongoing training and support, develops new products and advertising campaigns to attract customers to franchisees' establishments. This suggest that microfranchisees are trained entrepreneurial skills by the microfranchisor before opening their businesses. This initial training should establish the microfranchisees on a sure path toward success (Reed-Kane, 2004).

6.5.1.12 Leaders

The microfranchisees in this study are regarded as leaders in their communities. Leadership is an entrepreneurial characteristic that is found in successful entrepreneurs. This conforms to Spinelli & Adams' definition, which defines entrepreneur as a creator, innovator and leader who gives back to society, as a philanthropist, director, and trustee, and who, more than any others, changes how people live, work, learn, play and lead (Spinelli & Adams, 2012). The entrepreneur also creates new technologies, products, processes and services. He or she creates value with high-potential, high-growth business ventures. Furthermore, the microfranchisees meet (Wareen, 2012) five qualities of leadership, which are; a well-defined vision, ability to sell the vision, ability to learn quickly, persistence and effectuation. From the study results it is clear that the microfranchisee has a well-defined vision and have clear plan of actions for moving from their present state to the future. Secondly the microfranchisees can sell their visions as demonstrated by communicating their future plans as indicated in the remark below.

"Now I see where I am going, I want to start sewing and selling my own designs".
Participant 1; Quote 39.

The study also noted the ability of microfranchisees to learn quickly from the training they receive from their microfranchisor. The microfranchisees have shown that there is persistence in operating microfranchise business. They operated their businesses for a long time, with some of them going through a microfranchisee training program for 18 months as evidence in the remark below.

"The Clothing Bank's main programme involves recruiting unemployed women, and now men as well, providing them with basic entrepreneurship and financial training over a 24-month period". Participant 2; Quote 51.

Lastly the microfranchisees have shown that they have effectuation. The microfranchisees are aware of their unfair advantage, which they exploit to their own advantages. Sarasvathy (2009) explained that effectuation is a common trait among highly effective entrepreneurial leaders.

6.5.1.13 Need for achievement

The need for achievement among microfranchisee is one of the entrepreneurial characteristics observed from the study. This is in line with (Clarence, 2016) who explained that in order for entrepreneurs to make a breakthrough in business, the entrepreneur's primary goal should be the desire to achieve more. The microfranchisees in this study showed that they are motivated to excel and this allowed them to see opportunities and take action on these opportunities (Clarence, 2016).

6.5.1.14 Need for independence

The need for independence by microfranchisees was also another entrepreneurial trait that emerged from the results. This is supported by literature which indicates that like franchising, microfranchising offers microfranchisees the advantage of belonging to a business brand and chain, while at the same time being an independent business person (Hunt, 1997). The microfranchisees enjoy independence in running their own businesses than working for someone as such they independently make decisions that affect their businesses. The results of the study corroborates with a franchisees survey which found out that the benefit of a known trade name, the higher independence, job satisfaction and easier business development were the primary reasons for joining a franchise system (Knight, 1984) Thus, microfranchisees in this study have chosen the microfranchise business option in order to become their own bosses who make their own decisions while profiting from a proven business concept.

6.5.1.15 Opportunity recognition

The ability to recognise opportunities is also another microfranchisee trait that was identified in this study. According to Shane & Venkataraman, (2000) entrepreneurial opportunities are the requisite and central aspects of entrepreneurship. An entrepreneurial opportunity is a situation in which an entrepreneur can create a new means-ends framework for recombining resources that he or she believe will yield a profit (Shane, 2003). Through opportunity recognition microfranchisees have identified opportunities of expanding their business by

opening new branches in areas where the microfranchise brands were not operating at all. Therefore, microfranchisees identify unexploited market areas and set up microfranchised branches with the help of the microfranchisors. By so doing microfranchisees exhibit entrepreneurial traits of being able to recognise opportunities in their business environment.

6.5.1.16 Risk takers

The microfranchisees in this study are risk takers, which is an entrepreneurial characteristic expected from entrepreneurs. Few if any entrepreneurs have escaped failure, and apart from risking money, they also risk their reputation. The microfranchisees in this study risked their capital and personal time by investing in the franchise business system. Proportionally, a microfranchisee takes a far greater risk because most, if not all, of his/her capital is tied up in the microfranchise, so there is a major incentive to protect and enhance the investment (Bennett, Frazer & Weaven, 2009). Successful entrepreneurs only take calculated risks and are therefore, not gamblers who will risk everything for the possibility of success (Zindiye, 2008). Similarly, the microfranchisees in this study are risk takers because they invested their funds in the microfranchising business. They however, calculated their risk carefully thoroughly and conducted research on the viability of the business concept before they invested their capital and personal time.

6.5.1.17 Determination and perseverance

The microfranchisees have also shown an entrepreneurial character of determination and perseverance. Likewise, Clarence, (2016); Dhliwayo et al. (2017); Van Aardt & Bezuidenhout, (2014) explained that successful entrepreneurs have great determination and perseverance. This indicates that microfranchisees are successful entrepreneurs who believe that their businesses will succeed despite the setbacks they will and would have faced.

6.6 Shumba's Microfranchising Framework for entrepreneurship development

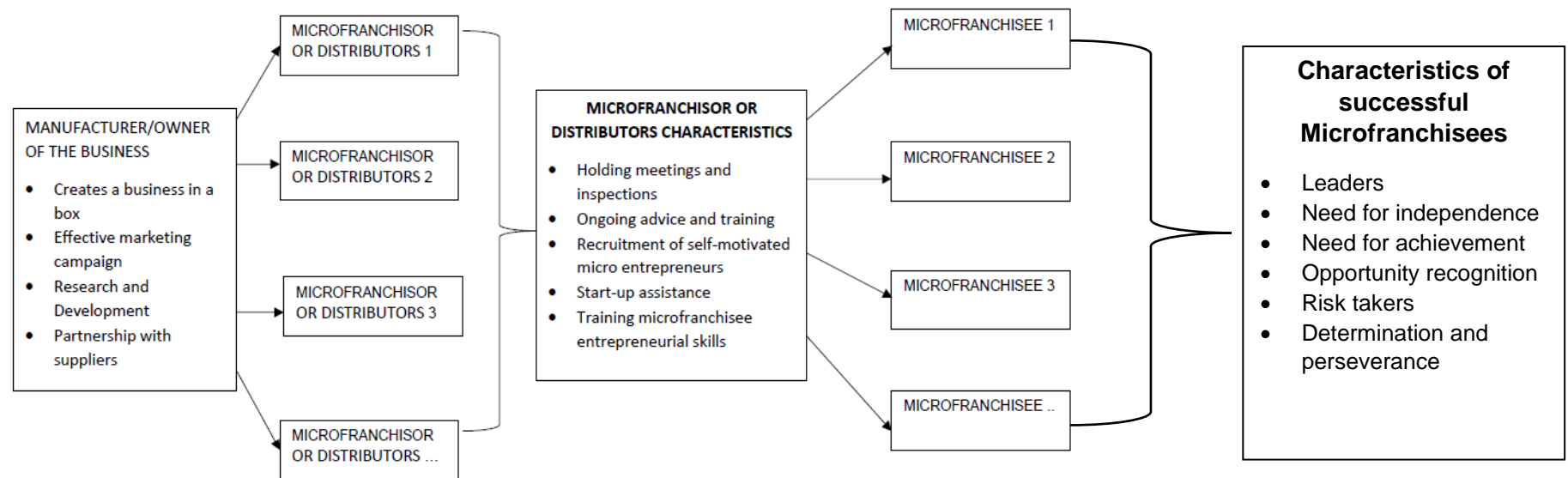
The study established that microfranchising has the ability to develop microfranchisees into successful entrepreneurs and as such, a framework was proposed for developing entrepreneurs. The framework was developed from the themes that were established on microfranchising practices and the profiles and characteristics of microfranchisees operating in South Africa.

The proposed microfranchising framework can be used by independent microfranchisors and MNCs as it is suitable for both business format and product distribution. It is for this reason therefore, that the study refers the microfranchisor as distributors. This emerged during the interviews with one of the microfranchisors or distributors.

“Me and my wife we are distributors of Tupperware. We buy the Tupperware from the Tupperware company, which is based in Brakpan and the head office is in Bryanston, it is the head office for Southern Africa. They are responsible for planning the operation of the business including training and the other business aspects. We have the main business in Johannesburg and other distributors across SADC countries that include Ghana and Nigeria. There are about 33 distributors in the business. There are about 2 or 3 in a region. Each distributor is a business on its own”. Participant 8; Quote 17.

Thus, from the response given by participant 8 the above microfranchisees can often tap into an existing distribution channel through the proposed model. The model also facilitates, microfranchisees to be used as a part of supply base to reach customers at the BoP. The model also demonstrates that microfranchising help to build successful microfranchisees that exhibit traits of successful entrepreneurs.

In South Africa, TCB is an example that shows the capability of microfranchising to stimulate entrepreneurship. The TCB has grown rapidly over the years, which has seen the introduction of new microfranchise business model concept. Their original project was established 9 years ago in Cape Town and has spread to Johannesburg, Durban, East London and Paarl. Furthermore, TCB introduced the Grow Educare Centres and the Appliance Bank as their new microfranchising business concepts.



Reasons for operating a Microfranchise business

- Good product and marketing mix
- Low esteem
- Poor background
- Extreme poverty
- Market gap
- Business in box
- Referrals

Pre Microfranchisee-Characteristics

1. Lack of entrepreneurial skills and experience
2. Low esteem
3. Poor background

Figure 6.3: Shumba's Microfranchising Framework for entrepreneurship development

Source: Developed for this research

6.7 Conclusion

This chapter presented a discussion of the results in relation to the research questions of the study. The study presented the different stages charted in the data analysing process. Furthermore, the chapter explained the proposed microfranchising framework for the development of entrepreneurship in South Africa.

CHAPTER SEVEN

CONCLUSIONS AND RECOMMENDATIONS

7.1 Chapter Overview

The preceding chapter discussed the findings and the main themes of the study, which emerged from data analysis in tandem with the research questions of the study. The analysis led to the presentation of the proposed microfranchising framework meant to stimulate entrepreneurship in South Africa. The theoretical and practical implications of findings on the body of knowledge are discussed. The chapter concludes by discussing the research limitations and proposing areas for further research.

7.2 Introduction

This chapter imparts the findings, and their implications to the body of knowledge with a view to guiding future research on microfranchising. As highlighted in Chapter 1, a review of literature established the following research gap:

Microfranchising has been singled out as a panacea for economic development by scholars (Fairbourne, 2006; Fairbourne et al., 2007; Magleby, 2005) although, the concept is not widely known and used as a tool for economic development when compared to developing countries such as Ghana, Kenya, India and Bangladesh. However, its ideas are starting to gain momentum in South Africa. Hence, the study sought to examine the former and current microfranchising practices used in South Africa, which can possibly stimulate entrepreneurship. At the same time microfranchising fills an economic development gap through replicating proven business models for small and successful business, which lures a remarkable capacity of people into business, because entrepreneurship is not innate in some of them. As a result, one can conclude that microfranchising has been largely ignored in South Africa, particularly in stimulating entrepreneurship. Therefore, the study proposed a microfranchising framework that will enhance the development of entrepreneurship in South Africa. A research problem was formulated after a review of the gaps listed above:

Despite microfranchising being singled out as a panacea for economic growth across the world, very little is known about microfranchising practices in South Africa and its ability to enhance entrepreneurship development.

Subsequently, three research questions were formulated to address the identified gaps and research problem:

RQ1: What are the microfranchisees former and current ways of operating their businesses in South Africa?

RQ2: What are the profiles and characteristics of microfranchisees operating in South Africa?

RQ3: How do microfranchisees utilise microfranchising as a means and strategy to stimulate their businesses?

The research objectives and aims underpinning the study are:

- To determine the practices of microfranchising in South Africa.
- To profile characteristics of microfranchisees in South Africa.
- To examine the efficacy of microfranchising in stimulating entrepreneurship in South Africa.
- To propose a microfranchising framework that will enhance the development of entrepreneurship in South Africa.

The study adopted the interpretivism paradigm to resolve the research problem. The interpretivist research paradigm was selected because it enabled the researcher to understand the socially constructed meanings of the participants during data collection. Thus, the researcher was able to acquire meaning of the gathered information from the social world. The paradigm also played a part in the construction of a framework by providing social construction guidelines, which helped the researcher to build the proposed microfranchising framework from the gathered data. After comprehending the microfranchising practices and profiling characteristics of the microfranchisees the study sought to develop a microfranchising framework that will enhance the development of entrepreneurship in South Africa, hence it adopted the interpretivism paradigm. A microfranchising framework was proposed in Chapter 6 of this study.

7.3 Implications for Theory, policy and practice

This section discusses the study's implications for theory, policy and practice. Importantly, this study has not only made significant contributions to the microfranchising discipline but has also generated implications for a wider body of knowledge on this topic where other disciplines could benefit from its findings.

7.3.1 Implications for Theory

The study concedes the cannons of microfranchising who include (Burand & Koch, 2010; Christensen et al., 2010; Erceg & Kukec, 2017; Fairbourne, 2006; Fairbourne et al., 2007; Gibson, 2007; Henriques & Herr, 2007; Khillare, 2014; Lehr, 2008; Magleby, 2005; Platzer & Heierli, 2015; Webb & Fairbourne, 2016) in describing microfranchising activities in developing countries. Microfranchising is regarded as a sustainable approach towards building a vibrant micro enterprise sector, hence scholars such as (Fairbourne, 2007), advocate for increased attention on microfranchising. However, some scholars such as Shane (2009) in his paper titled: *Why encouraging more people to become entrepreneurs is bad public policy*, criticised the promotion of venture creation. He contends that:

“Policy makers often think that creating more start-up companies will transform depressed economic regions, generate innovation, and create jobs. This belief is flawed because the typical start-up is not innovative, creates few jobs, and generates little wealth. Getting economic growth and job creation from entrepreneurs is not a numbers game. It is about encouraging the formation of high quality, high growth companies. Policy makers should stop subsidising the formation of the typical start-up and focus on the subset of businesses with growth potential. While government officials will not be able to “pick winners,” they can identify start-ups with a low probability of generating jobs and enhancing economic growth. By eliminating incentives to create these low probability companies, policy makers can improve the average performance of new businesses”.

Contrary to Shane's (2009) propositions, the microfranchisee characteristics identified from the data collected for this study, exhibit characteristics of successful entrepreneurs as postulated by authors such as (Clarence, 2016; Dhliwayo et al., 2017; Erasmus, Strydom & Rudansky-Kloppers, 2016; Neiuwenhuizen, 2014; Nieman & Neiuwenhuizen, 2014; Van Aardt & Bezuidenhout, 2014; Spinelli, 2012) among others. The study has proved that microfranchising fills an important economic development gap by acknowledging that entrepreneurship is not innate in all businesspeople, hence, it advocates replicating proven business models for small and successful businesses. Microfranchising also plays a pivotal role in the economy as a source of employment, creating wealth and providing products and services at the BoP.

“There are over 1800 owners and over 4400 phone shops nationwide, and each owner is empowered to have his/her staff and operate phone shops according to their own needs and preferences”. Participant 6; Quote 38.

“The main benefit of this is that we have a huge employment capacity. Currently we have employed almost 15 000 demonstrators in our business. However, not all demonstrators sell every month and that is the challenge in direct selling”. Participant 8; Quote 14.

The remarks above were captured during the study. The remarks show that microfranchising is a source of income for those living at the BoP.

The excerpts below show that microfranchisees create wealth at BoP. The data used for this study confirms that microfranchising business model has a remarkable economic contribution.

“The objective is that each woman should earn at least R4 000 per month and use her income and skills to eradicate poverty in her family”. Participant 1; Quote 74.

“Since I started the business, I have opened three other branches using my financial reserves that I saved over the years, because I was frustrated with the process of acquiring finance from government organisations and banks”. Participant 4; Quote 37.

These extracts are an indication of how microfranchising is also playing a part in filling economic gaps in South Africa. It is in this regard that the proposed Shumba’s Microfranchising Framework for entrepreneurship development will aid in the development of entrepreneurship especially at the BoP. To add on the model provides policy makers, entrepreneurs and theorists with a description of microfranchising practices found in South Africa. Theorists can now use the model to explain microfranchising practices and the efficacy of microfranchising in stimulating entrepreneurial development at the BoP in South Africa.

7.3.2 Implications to policy makers and practice

This study is of value to policymakers when they are designing and implementing policies that are meant to develop and improve the growth of entrepreneurship at the BoP, as the current the current study has shown that microfranchising business model may be easily replicated and are self-reliant. The government and other entrepreneurial development agencies should,

therefore, develop forums and workshop for better communication of knowledge with regards to the efficacy of microfranchising in developing entrepreneurship.

The study is also of value to the government as it assists the government position of transforming the franchising sector. FASA (2015) reported that the former minister of Small Business, Lindiwe Sisulu in 2014 stated that, “the department is determined to transform the franchising sector through various measures and one of them is to develop more franchisors from townships and rural communities. We have started a process of identifying and packaging successful and profitable businesses based in township and rural areas. Microfranchising is still at its infancy stage in South Africa”. The study, therefore, assists the government in that it has exposed the microfranchising practices in South Africa and proved that microfranchising help stimulate entrepreneurship development. It is also hoped that this study will be of value to entrepreneurs to assist them in understanding the microfranchising practices and its efficacy in stimulating entrepreneurship development.

7.4 Conclusions to the Study

After assessing the microfranchising practices in South Africa with the aim of developing a microfranchising framework that will enhance the growth of entrepreneurship in South Africa; the study concludes that:

Microfranchising businesses operates in the BoP, and many of microfranchisees reside in townships and rural areas where there are a lot of aspiring entrepreneurs with small capital. These microfranchise businesses use a combined approach of inventory buying. Thus, microfranchising use centralised and decentralised inventory buying systems. The centralised inventory buying is used to purchase common items for all partner microfranchisees. Microfranchising contribute to the South African economy through job creation against the rising unemployment rate, which fills the economic gap to a certain extent, although the study could not establish the exact number of jobs created by each microfranchising business. Most microfranchising businesses use sales orientation as a way of motivating microfranchisees to work harder. The microfranchising businesses generate enough revenue to facilitate reinvestment of profits into the business making the business self-reliant. Hence, they are able to create wealth for microfranchisees. Microfranchisees are trained on how to operate their businesses successfully and they also learn entrepreneurial skills from their microfranchisors. These trainings show that microfranchisors are cognisant of the notion that entrepreneurship is not inherent in all entrepreneurs, thus, some need to be equipped with knowledge to become

successful. Consequently, the microfranchising business concepts through microfranchisors equip their microfranchisees to become successful entrepreneurs. The study also concludes that regular meetings, inspections, recruiting self-motivated microfranchisees and start up assistance provided by microfranchisors play a pivotal role in building successful microfranchisees and contribute to the development of entrepreneurship.

The study concludes that microfranchising is an innovative business tool that ameliorate some of the entrepreneurial challenges, such as lack of information, lack of entrepreneurial skills and experience, as well as lack of self-efficacy among micro entrepreneurs at the BoP. Generally, microfranchisees join the microfranchise business model because it offers a complete business, which, has a readily available market gap and a good marketing mix. Poverty and business referrals are among the reasons behind operating businesses through microfranchising.

The study results revealed that microfranchisees exhibit traits of successful entrepreneurs, such as, leadership, need for achievement, opportunity recognition, risk taking, determination and perseverance. As a result, microfranchising can be used as a tool for entrepreneurship development using the proposed microfranchising framework developed in Chapter 6 of this study.

7.5 The Contributions of the study to the body of knowledge

1. The study recorded and established microfranchising practices in South Africa to enhance the extinct academic literature on microfranchising and entrepreneurship ventures operating at the BoP.
2. The study proposed a microfranchising framework to develop entrepreneurship in South Africa. The proposed, Shumba's Microfranchising framework can be used by the government, business organisations and entrepreneurship development agencies to facilitate entrepreneurship growth in South Africa.

7.6 Limitations of the study

1. The study was carried out using a qualitative approach, therefore it did not provide any statistical conclusions on the efficacy of microfranchising in South Africa.

2. Some of the targeted participants refused to participate in the study, citing that they were not comfortable with sharing their business information, while some indicated that interviews wasted their precious time which they were supposed to operate their business or rest.
3. Microfranchising is still at its infancy in most parts of the world and South Africa is not an exception, as a result most of the information, is from practitioner reports recorded in other countries. Hence, it is difficult to find extensive academic literature on microfranchising.

7.7 Suggestions for future research

1. The use of a mixed methodology (qualitative and quantitative research method) to provide a holistic picture of microfranchising practices in South Africa and its efficacy, which can be used to develop entrepreneurship.
2. Further research to collect more information on the impact of microfranchising on job creation at the BoP. The study can be used to determine the capacity of jobs created by an individual microfranchisee and microfranchise businesses. This is because this study noted that microfranchising plays a pivotal role in job creation.
3. Literature indicates that one of the main benefits of microfranchising is poverty alleviation. As such, it would be of interest to conduct a research that assess the impact of microfranchising in alleviating poverty for those at the BoP.

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APPENDIX A: INTERVIEW GUIDE



INTERVIEW GUIDE

for
the Dissertation:

**DEVELOPING ENTREPRENEURSHIP THROUGH MICROFRANCHISING: EVIDENCE
FROM SOUTH AFRICAN PRACTICES.**

DEGREE: PhD BUSINESS MANAGEMENT

COMPILED BY: Knowledge Shumba

Introduction

In an attempt to establish innovative entrepreneurship models that will stimulate entrepreneurship and entrepreneurship growth in South Africa, I am conducting a PhD study on: **Developing entrepreneurship through microfranchising: evidence from South African practices**. I am inviting you to participate in this study because I believe your extensive experience will provide rich insight, understanding, explanation and depth regarding to microfranchising practices in South Africa. With your consent this discussion will be recorded, and I will also make a few notes for myself during the interview which will enable me to accurately capture everything that we will discuss. Your participation in this research is voluntary and you may choose to withdraw at any time or not to answer questions.

The purpose of the research is to investigate:

- 1) To determine practices of microfranchising in South Africa.
- 2) To profile characteristics of microfranchisees in South Africa.
- 3) To examine the efficacy of microfranchising in stimulating entrepreneurship in South Africa.
- 4) To propose a framework for microfranchising that will enhance entrepreneurship development in South Africa.

The above research objectives will serve as a guideline for asking questions during the interviews, however, the questions in the protocol may change depending on the different types of responses. The interview will approximately take 40 minutes of your time. All data collected and conclusions made will be solely be used for academic purposes. If you have any questions about the research, please feel free to ask. Please answer the questions as honestly as possible and with the best of your knowledge.

Thank you for taking time to participate.

Yours Sincerely

Knowledge Shumba,

knowledgeshumba@yahoo.com

0738492110

BUSINESS IDEA AND INITIATION

1. MAY YOU PLEASE DESCRIBE HOW YOU STARTED THE BUSINESS?

- Where did you get the idea to start the business?
- May you please describe why you decided to start this form of business?
- May you please explain why this business is sustainable?
- What were some of the challenges you faced when you started the business? And how did you overcome them?
- What are some of the challenges that you face when operating the business? And how do you overcome these challenges?
- What do you think the government, microfranchisors and other entrepreneurial support organisations should do to help overcome these challenges?

TRAINING

2. MAY YOU DESCRIBE THE TRAINING YOU RECEIVED THAT HELP YOU OPERATE THE BUSINESS SUCCESSFULLY?

- Did you receive any form of training and how long was it before you started the business?
- May you please describe the things that the training focussed on?
- How was the training helpful to you especially now that you operate your own business?
- May you highlight some of the important things you learnt from the training that help you operate your business successfully.
- Do you continue to receive training even though you are now operating your business? What does the training focus on?

3. HOW DID YOU FINANCE YOUR BUSINESS?

- How did you raise funds to buy or start the business?
- If you received any financial assistance from the microfranchisor, was it for the start-up process only or you continued receiving it until the business had grown?
- Are there any conditions of repayment to your start-up capital? If yes please elaborate more. If you are to expand the business in future, will use the same source of finance and why?

BUSINESS PERFORMANCE

4. HOW IS THE BUSINESS PERFORMING?

- Have you opened any new branches since you started and where?
- If yes how were these new branches opened?
- Do you have any plans to open new branches and why?
- May you please describe how the business has met some of your expectations ever since you started it?
- Would you and have you recommended others to start a business through microfranchising and why would you recommend them?

BUSINESS EXPERIENCE

5. DID YOU HAVE ANY BUSINESS EXPERIENCE BEFORE YOU STARTED THIS BUSINESS?

- May you please provide a brief background of yourself in relation to business experience and qualification you had before you started this business?
- How is your previous business work environment similar and nor like this one?
- If you operated a business as an independent entrepreneur, why did you choose to join microfranchising?

OPERATIONAL PROCEDURES

6. WHAT ARE SOME OF THE OPERATIONAL PROCEDURES THAT YOU HAVE TO FOLLOW IN THE BUSINESS?

- Can you describe how you purchase your inventory for the business?
- When do you normally purchase your inventory? And why?
- May you please explain the type of agreement or contract that you entered with the microfranchisor.
- Are there any sales or profit targets that the microfranchisor expects to meet at any given time? How do you make sure that you meet these?
- Are there any specific operational procedures that you must follow that are contained in your contract? May you please describe them?

7. HOW DO YOU OPERATE THE BUSINESS?

- Are there any employees you have hired to assist with operating the business? And why?

- How do they help you to run the business?
- Are you employed? If yes would you leave your current job to devote all your time to the business and why? If no, why not?
- How many days in a week does the business open and when does it open and close and why?
- Does the microfranchisor assist in operating the business? May you please explain how?
- May you please describe some of the operational procedures that you must follow that are expected from you by the microfranchisor?
- How often do you have meetings with your microfranchisor, microfranchisee and what will be the purpose of these meetings?

APPENDIX B: ETHICAL CLEARANCE

RESEARCH AND INNOVATION
OFFICE OF THE DIRECTOR

NAME OF RESEARCHER/INVESTIGATOR:

Mr K Shumba

Student No:

11605757

PROJECT TITLE: **Developing entrepreneurship
through microfranchising evidence from
South African practices.**

PROJECT NO: **SMS/18/BMA/03/0509**

SUPERVISORS/ CO-RESEARCHERS/ CO-INVESTIGATORS

NAME	INSTITUTION & DEPARTMENT	ROLE
Prof S Babalola	University of Venda	Promoter
Prof R Shambare	University of Venda	Co - Promoter
Mr K Shumba	University of Venda	Investigator – Student

ISSUED BY:

UNIVERSITY OF VENDA, RESEARCH ETHICS COMMITTEE

Date Considered: September 2018

Decision by Ethical Clearance Committee Granted

Signature of Chairperson of the Committee:

Name of the Chairperson of the Committee: Senior Prof. G.E. Ekosse

UNIVERSITY OF VENDA
DIRECTOR RESEARCH AND INNOVATION
2018 -09- 07
Private Bag X5050 Thohoyandou 0950



University of Venda

PRIVATE BAG X5050, THOHOYANDOU, 0950. LIMPOPO PROVINCE, SOUTH AFRICA
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APPENDIC C: PROOF READING LETTER

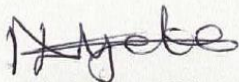
EDITING AND PROOF REPORTING REPORT

07/12/2020

EDITING AND PROOFREADING REPORT

This letter serves to confirm that I, Nyete Liberty, Takudzwa from the English Department, Boston Media House have proofread and edited a thesis to be submitted in fulfilment of the requirements for **DOCTOR OF PHILOSOPHY: BUSINESS MANAGEMENT** at the University of Venda, South Africa, by Knowledge Shumba (Student no.: 11605757), titled: **DEVELOPING ENTREPRENEURSHIP THROUGH MICROFRANCHISING: EVIDENCE FROM SOUTH AFRICAN PRACTICES**, I carefully read through the read the thesis, focusing on proofreading and editorial issues. The recommended suggestions were highlighted.

Yours Sincerely



Nyete Liberty, Takudzwa (PhD in English)

Boston Media House (Arcadia)

716 Francis Baard

Arcadia Pretoria 0183

South Africa

Tel.: 0766815547

E-mail: lnyete@gmail.com

PROOF READING REPORT