

**BUILDING SUSTAINABLE BUSINESS DEVELOPMENT SERVICES: EMPIRICAL  
EVIDENCE FROM KENYA**

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Hellen Nyolo-Otieno

27<sup>th</sup> June 2012

## ABSTRACT

*The aim of this study was to explain sustainability of Business Development Services (BDS) in Kenya. The study was conducted through the use of Grounded Theory methodology on eleven BDS providers, two BDS facilitators and one donor agency and four small enterprise (SE) entrepreneurs. Data collection and analysis took 12 months spread between the months of May 2008 and August 2010. The study established that BDS Providers venture into business for different motives. The motives were classified into three as extrinsic, intrinsic and philanthropic motives. The study established that there are BDS Providers who venture into and sustain their businesses mainly for intrinsic and philanthropic motives. The study showed that while it is true that BDS Providers strive to recover costs and possibly make profits, this is not the major reason why some stay in business.*

*The study showed that there are multiple conceptions of “sustainability” depending on providers’ strategic response; background characteristics; start-up motives; ability to identify and close gaps; situational forces; perception of the business and the meaning attached to business. These multiple conceptions of “sustainability” affect the way continuity is pursued and sustained. BDS becomes sustainable in the traditional economic sense of covering costs when the provider manages to identify and fill at least 9 specific demand and supply side gaps. The gaps relate to awareness, value, trust, quality, capacity, willingness to pay, appreciation, ability to pay and perception. BDS Providers identify and close the gaps in their market using a number of strategies. The strategies were client, product, price, simultaneous collaboration and competition, trial and error and diversification which differ by situational context.*

*The study showed that filling some of the gaps requires collaboration among service providers. Filling other gaps require the action of the industry as a whole. The study*

*further showed that perception of the providers is a major factor that influences how they do business and whether they stay in business. The study offers a number of theoretical contributions which have both theoretical and practical implications. First BDS philanthropy suggests that evaluation of performance and/or success should not be based purely on mercantile principles but should also combine the socio-cultural impact of the business. It also suggests that the measure of success should not be generalized across business sectors or within a business sector. Philanthropic motives may also justify spending public resources on such people because they have a mission to impact on others. Regarding perception, the study recommends that policy makers should take a deliberate effort to improve perception of potential opportunities in small-scale businesses.*

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## **DEDICATION**

This thesis is dedicated to my family; my husband Aloys, my children Albert, Steve, Irene and Mary whose moral support and encouragement inspired me to see this work to completion and to the memory of my dear loving Mum and Dad whose values and principles of hard work have continued to inspire me in life.

## **LIST OF ABBREVEVIATIONS AND ACRONYMS**

BDS	Business Development Services
BDSP	Business Development Service Provider
CDAs	Committee of Donor Agencies
CGAP	Consultative Group to Assist the Poor
CSR	Corporate Social Responsibility
GDP	Gross Domestic Product
ILO	International Labour Organization
MDGs	Millennium Development Goals
MSMEs	Micro, Small and Medium Enterprises
MSE	Micro and Small Enterprise
NGOs	Non Governmental Organizations
OECD	Organization for Economic Co-operation and Development
PMF	Performance Measurement Framework
RBV	Resource Based View
R & D	Research and Development
SDC	Swiss Agency for Development and Corporation
SME	Small and Micro Enterprises
SE	Small Enterprise
SEEP	Small Enterprise Education and Promotion
TMT	Top Management Team
UNDP	United Nations Development Programme
USAID	United States Agency for International Development

## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 Background**

The term Business Development Services (BDS) refers to a wide range of non-financial services provided by public and private suppliers (BDS providers) to entrepreneurs to help them operate efficiently and to grow their business with the broader purpose of contributing to economic growth, employment generation and poverty alleviation (Miehlradt & Mc Vay, 2003). The services include assistance with market access; input supply; technology and product development; training and technical assistance; infrastructure; policy/advocacy and alternative financing mechanisms (Miehlradt & Mc Vay). These services are critical to the survival and growth (Evans and Volery, 2001; Gibson et al., 2001), entry, productivity, competitiveness of micro, small and medium enterprises (MSMEs) (Esim, 2001).

Support for MSMEs dates back to early 1970s when it was widely justified in terms of its alleged poverty reducing effects. The services have traditionally been called non-financial services and have generally been provided in packages along with other financial and non-financial services (Goldmark, 1996). During the later part of the 1980s and early 1990s, the range of BDS was expanded to include developing network and clusters, and providing information in areas of equipment technology, markets, physical facilities and shared services (Esim, 2001). In addition to the diversification of services, emphasis on a more client-based approach began to evolve. In the mid to late 1990s, there was a growing awareness that if programs were to be sustainable, there had to be a shift in BDS from supply-driven to demand-driven and market responsive programs. Sustainability, impact, outreach and cost effectiveness began to emerge as performance indicators for BDS (Esim).

### **1.1.1 History of Business Development Services**

Until the early 1990s, business support model was heavily supply driven; support was predominantly centrally organized and administered by governments, and heavily financed by foreign donors (Caniels & Romijn, 2005) and the state (SDC, 2000). The key providers of BDS were government agencies and Non-Governmental Organizations (NGOs). This ‘conventional’ approach to BDS, emphasized donors’ (supply-side) view of what was good for SMEs, focused on training and counseling and viewed SMEs as grateful beneficiaries of charity. These standard public policy incentives designed to create dynamic business development services market were not successful (McVay & Miehlbradt, 2001). After many years of funding and endeavor, the results were disappointing (Gibson et. al., 2001; Caniels & Romijn, 2005). The programs suffered from widespread corruption and inefficiency, lacked outreach, impact and relevance (Caniels & Romijn). Majority of programs and institutions designed to support small enterprises reached and assisted only a minority of the small enterprises, (Farbman & Steel, 1992; Mahemba & Druijn, 2003; ILO, 2003). In developing countries, majority of small scale enterprises remained sluggish activities struggling for survival (Caniels & Romijn, 2005). With regards to sustainability public organizations supported to deliver services consumed resources with little or no income from SME clients and continued to depend on aid. Little was achieved in terms of creating sustainable forms of institutional support (European Union, 2000).

The supply-side approach was however, deemed to be appropriate in many developing countries where markets for BDS suffered from small enterprise lack of information about services and their potential benefits. BDS practitioners argued that BDS needed to be subsidized, promoted and sometimes even required in order to access finance until such a time that the entrepreneurs in a community

realized the value of the BDS (McVay & Miehlbradt, 2001). In response to the failures of the supply-side approach; ‘commercial approach’ to BDS was developed.

A key feature of the commercial approach was that BDS delivery was organized along commercial lines with an indirect facilitative role of donors, NGOs and developmental agencies. BDS facilitators targeted private sector service suppliers (called “BDS providers”) with technical assistance and incentives and encouraged them to initiate and launch new services and enter new markets (Miehlbradt & McVay, 2003; CDAs, 2001). In addition, stringent commercial criteria were imposed; new services had to quickly prove their worth in the market by means of a demonstrated willingness to pay on the part of small enterprise clients. Services that failed to pass this test within a short time span (typically months) after their launch automatically disappeared because BDS facilitators withdrew their support to the BDS providers (Miehlbradt & McVay, 2003). Although some successes were achieved, the commercial approach too proved to be especially inept in reaching the poorest segments of the small enterprise spectrum (Caniels & Romijn, 2005).

The failures of the supply-side approach and the commercial approach led to a paradigm shift. Isolated BDS practitioners around the globe, determined to reach large numbers of firms through sustainable delivery of BDS experimented with and developed innovative ways of delivering BDS that would overcome the challenges of the traditional programs (McVay & Miehlbradt, 2000). They realized that the key to both sustainability and success was a more rigorous pursuit of the “market paradigm” a key (but not sole) component of which was a focus upon profit activities in the provision of services to small scale enterprises (McVay & Miehlbradt 2001; CDAs, 2001; Bear et al. 2003).

The ultimate goal of BDS under the market development approach is to enable small enterprise clients to buy services of their own choice from a wide array of products primarily offered by unsubsidized private sector suppliers in a competitive and evolving market (McVay & Miehlbradt, 2000). The market approach highlights the need for services to be provided at cost-covering rates and by providers who operate in a demand-driven and business-like manner (Altenburg & van Drachenfels, 2006). In addition, services should be regarded as commercial products; the companies that receive services as customers rather than beneficiaries while providers should always charge fees which should be high enough to secure the provider's financial sustainability.

Market Development Approach is driven by the belief that objectives of outreach and sustainability can only be achieved in well developed BDS markets. The Market Development perspective recognizes that the provision of operating subsidies to particular suppliers may crowd out other private sector suppliers who do not receive subsidies, (McVay & Miehlbradt, 2000). Therefore, it emphasizes that the goal of market intervention should be to overcome the market failures as well as to take advantage of opportunities to expand the service market for SEs. That the government should play a role that fits with its core competence as a provider of public good. The central task in BDS market development is facilitation i.e. development resources should not be used to support the delivery of BDS directly but to play a catalytic role in supporting the development of markets (Gibb, 2003). He noted that while the 'conventional' SME development interventions, projects ask: 'what problems do businesses have and how can I help to solve them?' a market development perspective asks: what problems do businesses have and why is the market environment not providing solutions to them?'



### 1.1.2 Types of BDS

BDS can be categorized according to the following (Esim, 2001):

(i) *Type of services (namely, technology and product development, training, or technical assistance)*. The most common form of interventions are training and technical assistance. These services develop the capacity of enterprises to better plan and manage their operations and to improve their technical expertise.

(ii) *Sector of services (sub-sector, sector, or multi-sector programs)*. A sub-sector is defined by the final product or commodity such as silk or maize. A sub-sector analysis examines the vertical supply chains within a sub-sector, diagnoses opportunities and constraints and prescribes interventions (Kantor, 2000).

(iii) *Level of services (enterprise, meso or macro level initiatives)*. At the enterprise level, marketing, technology access, accounting and legal services have proven to be viable services (Goldmark, 1996). At the intermediate level, BDS programs concentrate on building and strengthening capabilities of intermediary institutions while at the macro level intervention concentrates on building an enabling policy framework, creating an environment conducive to business growth, and eliminating barriers and administrative burdens imposed by legal and regulatory systems (Esim, 2001).

(iv) *Scope of services (minimalist or package programs)*. In terms of scope, BDS programs can be minimalist with single interventions such as training-only or marketing-only services or a package where a number of different services are combined or linked to microfinance (Esim, 2001). The minimalist strategy is perceived to be better in terms of sustainability and cost efficiency while integrated strategies can be more effective and have more impact although they cost more and need subsidies (Kantor, 2000).

*Strategic focus of services (could be income generation or entrepreneurship development)*. If income generation is the focus, then the rationale is mainly welfare and poverty alleviation. Such programs promote the production of lower

quality products using traditional skills and lack a focus on the market (Mayoux, 1995). An enterprise development focus in BDS is based on demand-driven and market-responsive provision of services with efficiency as the guiding principles in the programs (Esim, 2001). Table 1.1 highlights examples of services under different categories of BDS.

**Table1.1: Services under different categories of BDS**

• Market access	Market research Market information Trade fairs Product exhibitions	Advertising; Packaging Marketing trips and meetings Subcontracting and outsourcing etc.
• Infrastructure	Storage and warehousing Transport and delivery Business incubators Telecommunications Courier	Money transfer Information through print, radio, TV; Internet access, computer access and secretarial services, etc.
• Policy and advocacy	Training in policy advocacy Analysis of policy constraints and opportunities	Direct advocacy on behalf of MSMEs; Sponsorship of conferences; Policy studies etc.
• Input supply	Linking MSMEs to input suppliers; Improving suppliers' capacity to deliver quality inputs	Facilitating establishment of bulk buying groups; Information on input supply sources, etc.
• Training and Technical Assistance	Mentoring Feasibility studies Business plans Franchising Management training	Counseling / advisory services Legal services Financial and tax services Accountancy and bookkeeping Technical training, etc.
• Technology and Product Development	Technology transfer / commercialization Linking MSMEs to technology suppliers	Facilitating technology procurement; Quality assurance programmes; Design services, etc.
• Alternative financing mechanisms	Factoring companies providing capital for confirmed orders Equity financing	Facilitating supplier credit Equipment leasing and rental, etc.

Source: ILO, 2003, pp.3

The actors in the BDS sector include small enterprises (SEs), BDS providers, BDS facilitators, donors and governments (CDAs, 2001). Small enterprises are the actual or potential clients of BDS providers. They include micro, small and

medium enterprises (MSMEs) that are mostly profit-oriented. BDS providers are the supply-side actors that are in direct contact with small enterprise clients (Hileman & Tanburn, 2000). BDS facilitators support BDS providers, develop new service products, promote good practice, and build provider capacity. Donors provide funding for BDS projects and programs. Governments like donors may provide funding for BDS projects and programs. Beyond BDS interventions, the principal role of governments is to provide an enabling environment for small enterprises and BDS providers, as well as public goods such as basic infrastructure, education and information services (Hileman & Tanburn).

Potentially, a wide range of providers offer BDS to small enterprises. Environments that are conducive to small enterprise development provide relevant and differentiated BDS on an informal or formal basis. In the most entrepreneurial situations, private-sector companies and formal and informal networks are the most important players (Gibson et. al., 2001). Potential providers include the following: (i) Government and government organizations: can be local or federal government. (ii) For-profit businesses of any size or ownership form, ranging from self employed to large corporations. (iii) Business networks: can be formal or informal (iv) Business membership organizations namely sector associations, chamber of commerce and employers' organizations whose principal role is advocacy. (v) Not-for-profit businesses: these include nongovernmental organizations but also universities and educational institutions.

### **1.1.3 The importance of Business Development Services**

Business Development Services are very important means of supporting the development of micro, small and medium sized enterprises (MSMEs). The services generally seek to raise the profitability and enhance the growth and

competitiveness of enterprises, which directly raises their incomes (UNDP, 2004). The services also help small enterprises to learn to implement competitive business practices and strategies (OECD, 2004). There is increasing recognition in developing as well as in developed countries of the need for appropriate policies to develop BDS markets and to encourage the provision and use of BDS. BDS markets are becoming more and more important accounting for 25-35 percent of GDP in most high income economies and perhaps half of this in low-income countries (Gibb, 2003). Business services have become among the highest growth sectors in most economies (Gibb). Internationally BDS is considered to be the key to enhancing performance in manufacturing and service sectors. An effective and efficient business service sector has also been identified as useful to economic growth (Central Institute for Economic Management, 2003).

BDS aims at increasing the sales of small enterprises and reducing their costs so that they can grow and become more profitable (Miehlbradt & McVay, 2003). This growth and increased productivity leads to increased income for owners, increased employment for people in the community and economic growth for other businesses in the same market (Miehlbradt & McVay). According to (USAID, 2008), the creation of well-functioning BDS markets is the best means of providing micro, small and medium enterprises with a wide array of useful affordable and high quality services. The nature of BDS required depends on the sector and stage of enterprise development but the degree to which the services meet the needs of the entrepreneur has a major influence on business success (Gibson et al., 2001).

Understanding how BDS market works is important because BDS is a very vital means of supporting the development of the small enterprise sector (UNDP, 2004) to make the sector adopt competitive business practices and strategies especially

in the phase of globalization (OECD, 2004). As globalization is intensifying, many business opportunities are opening for small and medium businesses (Caniels & Romijn, 2005) but so are numerous challenges and problems (Beyene, 2002). Only a small segment of small enterprises is capable of making full use of new business openings and coping effectively with threats without assistance (Caniels & Romijn, 2005). It is generally agreed that smallness confers inherent competitive disadvantages and that some external support is needed to help small enterprises reach their full potential (OECD, 2004).

Most small enterprises lack effective organizations and knowledge of modern management techniques. Thus as noted by Beyene (2002), small enterprises need to upgrade their management, quality and delivery capacity in order for them to enjoy the benefit that globalization promises. In Africa for example, most small enterprises are far from meeting the conditions for taking advantage of the promise of globalization. Services to promote and enhance small enterprise competitive performance therefore constitute important policy instruments both in economically advanced countries of Western Europe, the USA and Japan as well as in developing countries (OECD, 2004).

#### **1.1.4 Meaning of Sustainability**

Sustainability comes from the verb to sustain; meaning to hold up, to bear, to support, to provide, to maintain, to keep going, to keep up, to prolong, to support the life of (Chambers Concise Dictionary). It is a complex concept. Different people perceive sustainability in different ways and so it is difficult to arrive at a consensus on the issue (Buchanan et al., 2005).

Hitchins (2000) defines sustainability in the context of BDS market development as the supply-side capacity to ensure that relevant, differentiated BDS continue to be offered to and consumed by SMEs beyond the period of an intervention. Mayoux (1999) defines sustainability as being able to meet the goals now and in the long term. In small enterprise development it can be defined in different ways and applies to both small enterprise and the service provider (Kantor, 2001). In terms of small enterprise, sustainability implies the firm's ability to survive on its own or without other external assistance, and can also include an evaluation of the payback or profitability of the investment made in purchasing support services (McVay, 1999). For the service provider, defining sustainability is more complex, with some stating it as the ability to maintain services and impact after funding ends (McVay); and other defining it as the ability to maintain a continuous level of services with funds from various sources (Edgcomb et al. 1996). Thus while the former excludes subsidies, the latter does not.

Sustainability also depends on the level of analysis. McVay (1999) argues that sustainability also depends on whether one is interested in sustainable service delivery or sustainable institution. In addition, sustainability is closely related to cost and so is influenced by the organization's structure, service delivery approach and culture (Edgcomb et al., 1996). Others have identified three levels of sustainability namely; (i) individual BDS, which can be financially sustainable and even profitable for the provider; sustainability being represented by the proportion of the direct costs charged as fees; (ii) organizations and companies which provide the services which may aspire to become sustainable and independent, both financially and institutionally; sustainability being represented by the proportion of overall costs charged as fees and (iii) the small enterprises using those services, which may experience sustained improvements in performance as a result; sustainability being taken as the survival rate (Tanburn,

1998). Sustainability is closely related to cost and so it is influenced by the organization's structure, service delivery approach and culture. The ability of an organization to generate new sources of earned income, to decrease costs through partnerships and linkages and to solidify relations with funders are all important for achieving sustainability (Edgcomb, et al. 1996).

The Committee of Donor Agencies on Small Enterprises (CDAs) (2001) define sustainability of BDS to mean that the provision of BDS should be able to generate enough revenue (excluding revenue from charitable sources) to cover all costs. This definition is based on a private sector-led market economy framework which reflects the fundamental belief in the principles of a market economy. In a market economy the state has a role in providing an enabling environment, in correcting or compensating for market failures, and in the provision of public goods, but not in the direct provision of private goods that can be more efficiently provided by the market. The assumption here is that majority of BDS are private goods and are thus similar to any other service and so market rules apply. Therefore, with appropriate product design, delivery and payment mechanisms BDS can be provided on a commercial basis even to the lowest segment of the SE sector (CDAs). Altenburg and von Drachenfels (2006) noted that CDAs' (2001) definition rests on the assumptions that customers are willing to cover the full cost of the services and that privatized service markets supply the amount of services needed to raise the overall competitiveness of the small enterprises (Altenburg & von Drachenfels) which may not be the case.

Altenburg and Stamm (2004) strongly criticize the above definition on a number of grounds; (i) that it presupposes that BDSPs use cost-analysis systems that enable them to determine the total cost and adequate price of each service product they provide which may not be the case; (ii) that the market development

approach underestimates the degree of market failure in developing countries; (iii) that even in industrialized countries where service supply is usually of good quality and firms are able to pay sizable fees, many services are not provided on a cost covering basis; (iv) that most BDS products contain ‘public’ and ‘private’ goods elements in them and as such markets cannot provide socially optimal solutions (v) that the benefits of most BDS products are long term and indirect which means that BDS market may not be ready for business and, (v) that even BDS provided by business-like suppliers are highly dependent on institutional clients such as donor financed NGOs and that the cost recovery rates are usually low even in industrialized countries (Altenburg & Stamm). UNDP report (2004) also indicated that even in advanced economies, the provision of BDS is not financially sustainable without on-going public intervention in the form of grants and other forms of support. These arguments raise a fundamental question as to whether or not sustainability of BDS in developing countries can be evaluated based purely on the principles of a market economy.

#### **1.1.5 Kenya’s Micro and Small Enterprise (MSE) Sector**

Micro and Small Enterprise Sector (MSE) has been recognized throughout developing countries as an engine to development and as a vehicle towards fulfilling the Millennium Development Goals (MDGs) (ILO, 2008). The need to promote and support small-scale and informal enterprises has been recognized in Kenya since 1972 (ILO, 1972). The government of Kenya has made explicit commitments to SME development in a series of Sessional Papers. Sessional Paper No. 1 (1986), entitled “Economic Management for Renewed Growth” laid a foundation for the establishment of microfinance institutions (MFIs). Sessional Paper No. 2 (1992), on the Small Enterprise and Jua Kali Development in Kenya was geared towards improving existing policy, the regulatory environment,



gender specific issues and policy measures aimed at improving access to credit facilities and the provision of non-financial services.

However, in Kenya, the data on the MSE sector is scarce. National Micro and Small Enterprise Baseline Survey (Central Bureau of Statistics, National MSE Baseline Survey, 1999) indicates that the contribution of the MSE sector increased from 13.8% in 1993 to 18.4% in 1999. Of the labour force in this segment (1-50 employees), 99% was concentrated in enterprises with less than 10 workers, while only 1% comprised firms with 10-50 employees. The increasing role of the MSME sector is confirmed by the Kenya government in its Economic Survey (2003). According to the survey, total employment recorded in the informal sector increased from 3.7 million employees in 1999 to 4.2 million in 2001 to 5.1 million in 2002, and from 1.74 million to 1.76 million employees in the formal sector in the same period. The report also indicates that in 2001, the informal sector accounted for 72.8% of total employment opportunities. This percentage rose to 74.3% in 2002 and 76.5% in 2004 highlighting the potential of the sector (Economic Survey).

The 1999 National Survey further revealed that only a very small percentage of MSE actually access any form of non-financial business assistance. Only 7% of MSEs in the Baseline Survey had received any form of non-financial assistance in the previous four years despite the increasing number of formal and informal organizations in the country offering all types of non-financial assistance in form of business skills and entrepreneurship, practical skills, technical assistance, and marketing support. *It is however, worth noting that this data has not been updated since 1999 (ILO, 2008). In addition, there is no comprehensive data on the status of BDS in Kenya. The data that exists are those of individual organizations.*

Although the MSE sector experienced substantial growth from 2000-2002, increasing to 2.8million enterprises and MSE employment of 5.1 million persons, accounting for 74.2 per cent of total employment in 2002 (Economic Survey, 2003); the draft Ssessional Paper on Development of MSEs (2004) acknowledges that a number of constraints need to be addressed if the MSE sector is to realize its full potential namely;

- i. A deteriorating infrastructure which negatively impacts on the SME competitiveness;
- ii. A high cost of credit and unavailability of long and medium term financing;
- iii. A burdensome and costly regulatory environment;
- iv. An unfavourable tax regime;
- v. An inefficient legal and judicial system;
- vi. Limited access to reliable market data and trade-related information, and poor access to markets;
- vii. Scarce IT resources;
- viii. Poor coordination of association and institutions;
- ix. Inadequate access to business skills and technology;
- x. Insecurity of tenure;
- xi. Gender inequality; and
- xii. Insufficient business development service providers.

In their report, Stevenson and St-Onge (2005) noted that in Kenya, entrepreneurship had only recently been positioned as a valued economic activity. Members of the MSE sector were more likely to have started an enterprise “out of necessity”- there were no employment alternatives –rather than because of the “opportunity” they perceive in doing so.

One of the strategies of the Kenyan Government was to support the formation of the MSE associations so that they could provide business support services to members. Following the release of the 1992 Ssessional Paper, the Government facilitated the formation of 300 sectoral associations with 6,000 members located all over the country, along with an umbrella association, the Kenya National Federation of Jua Kali Associations. By 2002, over 500 primary Jua Kali associations belonged to the Kenya National Federation of Jua Kali Associations. These associations provide forums for Jua Kali members to exchange experiences, and to support coach and inform each other.

Namusonge (1999) and Ngugi (1999) noted that business start-up, survival and growth training was offered by a wide array of Kenyan government agencies, private consulting firms and NGOs including the ILO's Start and Improve Your Business (SIYB) training. Ngugi (1999) reported that there were 500 registered business development service (BDS) providers in Kenya in 1999. These services supplemented those of business one-stop shops and business service centres both initiated with donor support. Havers (1999) also noted that in addition to the array of formal and informal private sector providers, there were a variety of primarily aid-funded services ranging from counseling and training services offered by different organizations through the combined training and financing package of the Informal Sector Programme, to the strongly poverty- focused approaches of NGOs. Other organizations providing support services to MSEs are Kenya Gatsby Trust, The British Council, USAID and UNDP among others. Given the diversity of the services provided, the impact of BDS intervention is relatively diffuse (ILO, 2008).

In his assessment of the business support environment for MSE development, Ngugi (1999) outlined several weaknesses in the support system as lack of a

coherent national training policy; lack of sustainability of organizations offering BDS; lack of trained personnel, staff motivation, linkages with private sector organizations and adequate implementation funds; politicization of the activities of association; and ineffective transfer of national policy objectives to district plans and annexes. Beyene (2002) asserted that in spite of repeated public announcements about the assumed importance of MSEs in many African countries as instruments of development, most enjoyed only lukewarm support. MSEs lacked effective organization and knowledge of modern management techniques. Organizations created to promote them were not sufficiently prepared for the task and the interface with policy-makers left much to be desired. Furthermore, even though non-financial services were available, their effectiveness was doubtful (Beyene, 2002).

ILO report (2008) also revealed that BDS providers are oriented mainly towards large firms. On the demand side, past dependence on government agencies for these services, often at highly subsidized rates, have blunted MSEs' orientation toward seeking private BDS providers who have been crowded out. However, the report indicates that Kenya with its long private sector tradition has significant potential to establish sustainable financial, business and other service markets suitable for MSEs (ILO). In this thesis the terms micro and small enterprises (MSEs) and small scale enterprises (SEs) are used interchangeably.

## **1.2 Problem Statement**

Business Development Services (BDS) generally seek to raise profitability, enhance growth and competitiveness of small-scale enterprises (UNDP, 2004). International experience shows that access to BDS is essential for growth and development of small enterprises (Dawson, 1997). Amha & Ageba (2006) noted that availability of and access to efficient high quality BDS enables small

enterprises to acquire new skills and products, knowhow, technology and markets in an increasingly competitive and global environment. A vibrant BDS sector is essential for small enterprise development particularly for African economies where most small-scale enterprises lack effective organizations and knowledge of modern management techniques (OECD, 2004).

The concept of BDS dated back to 1970s. The early BDS programs were supply-driven, were of poor quality and were often confined to management training (Sievers & Vandenberg, 2007). In developing countries, enterprise promotion efforts were based on the belief that the small-scale entrepreneur was an individual that required continuous subsidization in the form of free training, ready-made feasibility studies, purpose-built industrial estates, marketing assistance, credit below-market interest rate and continuous advice (Dawson & Jeans, 1997). However, as Gibson et al., 2001 and Caniels & Romijn, 2005 noted the supply driven support programs achieved little success in terms of outreach, impact or sustainability (Gibson et al., 2001; Caniels & Romijn, 2005).

Over time this changed; BDS practitioners came to realize that the only way to provide quality BDS and make these services self sustaining was to use business principles and instruments; by BDS becoming a business itself and selling the services that clients want at a market price (Bear et al., 2003). The market model highlighted the need for services to be provided at cost covering rates and by providers who operate in a demand-driven and business manner (Altenburg & van Drachenfels, 2006). Under the market model, clients for BDS are no longer government or donor agencies but the SE entrepreneurs (Hitchins & Gibson, 1999). However evidence shows that in developing countries organizations offering BDS are either still weak or offering non-useful services to MSEs (CDAs, 2001; Caniels & Romijn, 2005). The financial sustainability of these

enterprises has been a problem, with many operating only with donor subsidies (de Ruijter-de Wildt, 2003). For example, in Uganda, Kyomugisha (2001) noted that institutions offering BDS were either still weak or offering non-useful services to MSEs (Government of Uganda (GoU)/Ministry of Finance, Planning and Economic Development (MFPED), 2008).

However, existing research on BDS has been typified by disparate and inconsistent methodologies (SDC, 2000). In developing countries, academic research on the genesis, sustainability and/or profitability of BDS business is still insufficient; research agenda has been driven mostly by donors. Most donor funded research has focused on how the concept of BDS has evolved over the years (McVay & Miehbradt, 2001; Bear et al, 2003; Rogerson, 2006). There is limited agreement among practitioners and scholars on what constitutes sustainable BDS (SDC, 2000); or how sustainable BDS business is built (Gibb, 2006). Different scholars define sustainability in different ways (Gagel, 2006; Buchanan et al., 2005; Mayoux, 1999; Tanburn, 1998; Edgcomb et al., 1996). Caniels and Romijn (2005) noted that there are no good reviews that have tried to distil common success and failure factors across programmes and countries.

Caniels et al., (2006) also argue that not enough is understood about the factors driving BDS success. Most studies on BDS in Kenya have concentrated on the operations of the voucher scheme (Riley et al., 2001; Phillips and Steel, 2003). Others focus on the operations of BDS programs of individual donor agencies (Havers, 1998; USAID, 2008; ILO, 2008). Havers (1999); Namusonge (1999); Ngugi (1999); Economic Survey (2003) all noted that although a range of BDS providers were offering BDS to small enterprise sector in Kenya, they were insufficient. Ngugi (1999) added that these BDSPs lacked sustainability. The questions that beg therefore are; can BDSPs play the entrepreneurial role of

identifying opportunities and creating sustainable businesses in a developing country like Kenya? If so how do they do it?

Miller and Toulouse (1986) cautions that research findings often differ systematically across different groups of firms and under different business environments hence findings in one business environment may not be applicable in another environment. Wijewardena and Garry (1999) also noted that causes of success and failure of firms vary from one country to another, depending on economic, geographical and cultural differences, hence there is need to carry out empirical investigation in different countries. Olomi (2002) adds to this debate and argues that theories originating in developed countries have limited applicability in developing countries. This study sought to establish through the use of grounded theory, how sustainability of BDS can be explained in Kenya. Through an in-depth investigation, the study sought to explain how sustainable BDS is built in a developing country context with the hope of generating propositions that could guide future research agenda.

### **1.3 Research Questions**

To achieve the above objective, the study sought to answer the following questions:

- (a) What motivates people to venture into BDS business in Kenya?
- (b) How and why do some BDS providers in Kenya succeed in building sustainable business whereas others do not?
- (c) What do these successful providers do differently from those whose businesses are not sustainable?

### **1.4 Rationale for the Research**

The study sought to establish how and why some BDS providers succeed in

building sustainable businesses while others do not from a developing country context. The results of the study will have both theoretical and practical significance. First, the importance of BDS sector is not questionable judging by the amount of debate it has generated among the donor agencies and the amount of money they (donor agencies) and some government agencies have spent to develop the sector. Understanding how BDS market works is important for the following reasons. BDS can contribute to development goals such as economic growth, employment generation as well as poverty alleviation. BDS is a very important means of supporting the development of the MSE sector (UNDP, 2004); to make MSE sector adopt competitive business practices and strategies especially in the phase of globalization (OECD, 2004). The creation of well-functioning BDS markets is the best means of providing micro, small and medium enterprises with a wide array of useful affordable and high quality services (USAID, 2008). Finally an effective and efficient business service sector is useful to economic growth (Central Institute for Economic Management, 2003).

Second, understanding the actions of the BDS providers; how and why they do what they do may assist policy makers and donor agencies who are interested in expanding the BDS sector in designing appropriate product, delivery and payment mechanism and offer BDS on a commercial basis. This knowledge will go a long way to support the small enterprise sector as well. In order to expand the BDS sector the policy makers and the donor community need to understand the actions of the providers; they need to understand why they (providers) do what they do. Furthermore knowing how providers build sustainable BDS will be of practical importance to existing and potential BDS providers who may use the information to develop effective strategies for responding to the changing market environment. The study also seeks to address the challenges which the BDS sector is facing and the coping mechanisms that sustainable providers use to



address these challenges.

Third, study will extend our theoretical knowledge about how BDSPs build sustainable business in the context of a developing country like Kenya. Although sustainability was examined in the context of BDS, it is deemed to be relevant in answering the broader questions of why some micro and small enterprises survive and thrive while others do not or why some micro and small enterprise operators succeed and not others. Sustainability is also an important indicator of success. Hence understanding how sustainability is built can go a long way in explaining how success is achieved in the context of small firms. The study also makes a methodological contribution by applying grounded theory methodology in the context of management. As Bryman (1988) observed, in spite of the frequency with which Glaser and Strauss and the idea of grounded theory are cited in the literature, there are comparatively few instances of its application.

Finally, empirical findings of the study will help inform future academic research. As already mentioned most of research on sustainability of BDS has been driven by donor rather than academic interests. Lastly the study is also driven by the researcher's personal drive to make a contribution to the body of knowledge both from a practical point of view as well as fulfillment of an academic requirement.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

In this chapter theoretical and empirical literature are discussed. A common misconception is that grounded theory method means fieldwork before a literature search (Allan, 2003; Suddaby, 2006). This however, is a contradiction of the original principle of grounded theory methods as put forward by Glaser and Strauss (1967) who persuaded researchers to use any material bearing in the area. Suddaby (2006) notes that the real danger of prior knowledge in grounded theory is not contamination of the researcher's perspective but rather the likelihood of forcing the researcher into testing hypotheses either overtly or unconsciously, rather than observing. Strauss and Corbin (1998) explain the role of literature as a foundation of professional knowledge and referred to it as literature sensitivity. The review of the pertinent literature should reveal current thinking in an area but should not bring about any hypotheses (Moghaddam, 2006).

The chapter is divided six sections: In section one; we discuss Sustainability and performance of BDS followed by a review of BDS Transactions in section two. Section three looks at firm performance and its antecedents. Section four reviews firm strategy and its influences on firm survival and growth. Section five gives the sources of literature. The chapter concludes with a chapter summary.

#### **2.2 Sustainability and Performance of BDS Business**

Sustainability is not a 'clearly formulated concept' in business literature. The concept is ambiguous, multidimensional and contingent. Different researchers have used different approaches to generate different kinds of evidence (Buchanan, et al., 2005). Different people perceive sustainability in different ways and so it is difficult to arrive at a consensus on the issue. While organizations that are

committed to earning profit only consider financial sustainability without talking about institutional, social and environmental issues, organizations that are involved with development attach a higher value to sustainability (Sharma, 2008). CGAP (2003) states that sustainable means repeatable. This definition has two facets of sustainability namely sustainability of a transaction and sustainability of the organization. Sustainable transactions are repeatable while sustainable organizations have structure and incentives to repeat transactions (CGAP).

According to Owen et al., (2001) organizations go into business to create long-term performance and values. A sustainable high performance organization is therefore one that is able to remain responsive to marketplace expectations; and sustain the behaviours required to meet marketplace expectations. They note that ability of an organization to sustain the delivery of quality products and services is essential for its long-term success. They observed three major deterrents to sustaining high performance in organizations: First, senior leadership often has an inaccurate understanding of the marketplace in which the organization must compete, which often lead to inappropriate vision, mission and strategy. Second, the behaviour required to successfully implement the business strategy are often out of alignment with customer and marketplace requirements. Third, organization systems and process often fail to support the organization's vision and strategy. As a result organizations focus on and measure wrong things (Owen et al).

In a study to investigate the behavioural dimension of sustainable service improvements, it was found out that in most companies that were unable to achieve sustainable service improvements, managers believed that providing services were beyond the scope of their competencies and that it was too risky to invest resources in an area that did not use the traditional competencies of the

company (Gebauer & Fleisch, 2007). According to Einhorn and Hogarth (1986) risk aversion is a basic characteristic of human decision making. Risk aversion explain why managers prefer risk-free outcomes of investing resources in improving products to the uncertain outcome of investing in improving services (Kusyk & Lozano, 2007). Another barrier which may limit investment in improving services arises from the fact that managers may not believe in the economic potential of extended service business (Kusyk & Lozano). Ross (1977) established that people attribute undesirable outcomes to people rather than to system structures (although both are necessary). For example, managers push their employees to improve service business, but do not focus sufficiently on setting up the structures and processes that are necessary for sustainable service improvements – this is what Ross calls “fundamental attribution error”.

In an exploratory study (Daniel et al., 2004) sought to frame the factors, both in the external business environment and within individual organizations, which influence e-marketplaces sustainability. They defined e-marketplaces as web-based systems which enable automated transactions, trading or collaboration between business partners. They adopted a set of focused group interviews with managers that provided an opportunity to uncover such factors from their actions and intentions. Their analysis of the responses resulted in seven factors which were thought to influence sustainability of e-marketplaces. Their analysis showed that the factors operate at three inter-related levels namely the macroeconomic and regulatory level, the industry level and the individual firm level. At the highest (macroeconomic) level, certain factors were determined by the political and economic regime in which the market place and its constituent companies operated. At the next level were factors that were determined by the specific industry in which the marketplace operates. The factors identified were power of buyers and suppliers; characteristics of the product and the industry IT readiness.

Finally at the individual firm level, the factors identified were the strategic intent and the culture of the firm which were assumed to influence the willingness and the ability of individual firms to participate in e-marketplaces (Daniel et al).

The market development approach views sustainability in terms of long term availability of services in a particular business service market through unsubsidized, commercial channels (Miehlbradt & McVay, 2003). Providers may come and go, training courses may also come and go but the sustainability and development of increasing numbers of small enterprise clients can be enhanced by continued access to commercial services long after a program ends (Miehlbradt & McVay). According to CDAs (2001) BDS is sustainable if commercially-motivated revenues are at least as great as the full costs of service provision (direct and indirect costs, fixed and variable costs). Commercially-motivated revenues means that revenues received from the public sector (donors and governments) as well as revenues received as a result of charitable or political motivations are not included. In this definition, financial sustainability differs from organizational viability in the sense of the ability of the BDS institution or service to continue in existence by drawing on grants and other non-commercial revenues.

Performance Measurement Framework (PMF) developed by development experts to evaluate the performance of BDS intervention, (McVay & Miehlbradt, 2001) reflects three common objectives namely outreach (both scale and access), sustainability and cost-effectiveness and impact on SE clients. The framework proposes specific objectives that BDS programs try to achieve within each of the broad objectives. Sustainability and cost effectiveness aims to promote sustainable access to services and maximize program cost effectiveness (McVay & Miehlbradt). The PMF is a management tool that helps managers design

marketing strategies, monitor customer satisfaction, respond to changes in demand, develop new and better products, manage costs, and establish staff effectiveness. It gives a set of valid, practical and useful indicators to assess the performance of all BDS interventions (CDAs, 2001). de Ruijter-de Wildt (2003), noted that financial sustainability of the enterprises has been a problem, with many operating only while they had donor subsidies. This is particularly so in developing countries. For example, in Uganda institutions offering BDS are either still weak (Kyomugisha, 2001) or offering non-useful services to MSEs (Government of Uganda (GoU)/Ministry of Finance, Planning and Economic Development (MFPED), 2008).

### **2.3 BDS Transactions**

BDS transactions take various forms. Some types of BDS are supplied on a “stand alone” basis by specialized service providers. Sometimes, providers bundle BDS together with other services or products. For instance assistance in adopting new technologies could be combined with design and training services. BDS is also delivered as part of business-to-business relationships which include supplier/buyer, subcontracting, franchise and licensing relationships- particularly common for smaller firms. In each of these cases BDS are delivered as part of another transaction e.g. design assistance received by small scale enterprises who sell their products to larger firms or training could be received as part of the purchase of equipment. There are also different types of payment mechanisms for BDS (CDAs, 2001). For instance, there are fee for service transactions which are a minority of the transactions that take place in the BDS markets (McVay & Miehlsbradt, 2001). In this case the price of the service is charged as a direct fee.

The most common payment mechanisms however are transactions embedded in other commercial relationships where BDS is paid for by commercial third parties

(often interested in advertising to SEs) (McVay & Miehlebradt, 2001). BDS can also be paid as a component of the price of a bundled service (e.g. when small enterprises accept lower prices for their products in exchange for technology assistance from buyers or on a commission basis (e.g. when marketing service providers are paid upon successful sale of SE products (CDAs, 2001). As has already been discussed in chapter one, BDS is differentiated into operational and strategic services. The operational services are those needed for day-to-day operations while strategic services are used by enterprises to address medium- to long term issues aimed at improving the performance of an enterprise, its access to markets and its ability to compete (CDAs, 2001). Operational business services (OBS) are mainly private goods that have a direct and predictable effect on a firm's performance. These characteristics imply a relatively high degree of marketability. OBS were classified into three categories namely basic operational services, e.g. telephone, grid electricity; legally required operational services (which a firm requires to comply with laws and regulations such as legal and accounting services); and advanced operational services which even though may not be strictly necessary for the operation of an enterprise have direct and predictable outcome on its productivity, efficiency and ability to compete. Examples of these include contracting a specialist in product design, or introduction of an enterprise resource planning software (Altenburg & Stamm, 2004).

The main characteristics of private goods are that they have clearly identified owners and that they are rival and excludable, i.e. the owner can prevent others from using or consuming the good or service in question. A second characteristic of the three groups of OBS (namely basic operational services legally required operational services and advanced operational services) is that they are, in their majority, 'search goods' i.e. the contractor knows in advance what the concrete

result of his investment will be, even though he/she may not always be able to predict the effect on his/her enterprise's performance. Because of this the two parties may define clearly –prior to contracting the service –the terms of reference of the relationship as well as the criteria for client satisfaction (Altenburg & Stamm, 2004). Due to their private nature, these services can be provided on a commercial basis even for the lowest income segment of the entrepreneurial sector with appropriate product design, delivery and payment mechanisms (CDAs, 2001).

Strategic business services (SBS) on the other hand, are services that enhance the long term capacity of an enterprise to compete, mainly by enriching its knowledge base and/or by increasing its capacity to acquire process and apply information (Altenburg & Stamm, 2004). SBS is mainly composed of training, consultancy and advisory services, provision of information, research and development, and some forms of technology development and transfer (Altenburg & Stamm). Altenburg and Stamm (2004) noted that the outcome of SBS is indirect, long term, uncertain and in many cases unpredictable. These characteristics give rise to market failure for two reasons: First many SBS suffer from non-appropriability that is, the social return from investment is generally higher than the private return thus if relied exclusively on private decisions, investment in these services would be lower than socially desirable. This is true of R & D services, training and information provision, where private investments may even benefit competitors because of labour turnover and leakage of knowhow.

Second, some SBS such as consultancy and business advisory services have a highly uncertain and unpredictable outcome that cannot be assessed prior to the transaction. Because of this, the decision maker (in this case the SE client) not only faces risks –as he/she does in each and every investment decision – but that



he/she faces risks whose potential benefits or dangers he /she cannot assess. This means that the investor must rely on the service provider, believing that the expected outcome will actually be reached (trust goods) or he/she may be willing to contract for the service because of positive results in the past (experience goods) (Altenburg & Stamm, 2004).

The exchange of BDS products between BDS providers (sellers) and SE clients (buyers) takes place in a market (which may be formal or informal). In a general sense, markets are places where buyers and sellers interact, exchange goods and services and determine prices. The level or volume of exchange or transaction that occurs between sellers and buyers of a given good or service determines a market's effectiveness (Gibson et al., 2001). Markets are effective when transactions take place-that is where there is exchange between supply and demand at the market price. In the case of BDS market is effective when the consumer recognizes the causes of underperformance, concludes that a solution is required, and is willing to pay for a problem solving service while the provider has the abilities to present an attractive offer that the consumer wants and has the technical know-how to solve the problem with demonstrated positive impact on business performance (Gibson et al).

Demand describes behavior of buyers (in this case SE clients) (Gibson et al., 2001). Demand for BDS can be broken down into two elements. First SE clients must recognize that a solution to a problem is required (although they may not know what the solution could be). Second SE clients must be willing to pay for a solution. SE clients' willingness to pay is influenced by many factors including the service price, availability and price of alternatives, consumer income and tastes. Demand for BDS is effective when SE clients exhibit high level of recognition of need to solve a problem and high willingness to pay for a solution.

On the other hand, demand is non-existent if both recognition of a need to solve a problem and willingness to pay are very low or absent.

A weak demand exists when recognition of a need to solve a problem is well established but willingness to pay is low or vice versa (Gibson et. al., 2000); when entrepreneurs are unaware of available services or are unclear about the benefits of the available services or when SMEs do not recognize that the services can raise their productivity and growth (Gibson et. al, 2000). However, although many small scale entrepreneurs are not able to identify the complex constraints facing their businesses and have had little experience with purchasing BDS, when they gain access to a service that meets an articulated need so that they are able to solve a business problem, they start to see and want to address other business problems as well (Chen, 1996).

Supply describes the behavior of sellers (BDS providers in this case) (Gibson et al., 2001). Like demand, supply of BDS can also be broken down into two (i) the provider's capacity to solve business problems i.e. the degree to which service providers possess skills, knowledge and capacity (technology and resources) to solve SE clients' problems; and (ii) the provider's ability to develop an 'offer' that SE clients want i.e. the degree to which the provider has the ability to package skills into a product or 'offer' that SE clients value (and want to buy). Like demand, supply also depends on a number of factors namely price, cost of capacity, service image, and environmental factors (such as price of similar alternatives). When service providers have both the appropriate skills and the ability to package those skills into business solutions, supply is effective. If on the other hand, a service provider has appropriate skills but lacks the ability to sell those skills to customers or vice versa then supply is said to be weak. Additionally, supply may also be weak because suppliers are offering

inappropriate products or services that do not have features that are SE clients want (Gibson et. al., 2000).

In developing countries there are a number of factors that make it difficult for markets (particularly markets for small firms) to function effectively. First, small firms often suffer from lack of information. For instance, Hallberg (2000) argues that MSEs' demand for non-financial services such as training or consultancy may be low because they do not recognize that these services can raise their productivity and growth i.e. because of lack of information or because of the risk that these benefits will not occur. For these reasons, MSEs may use fewer external sources of advice than larger firms. Secondly, the absorptive capacity of small firms is small compared to large firms (Biggs, 2003; Gagel, 2006). Third, market failure may also be due to the existence of government agencies and /or NGOs providing free or subsidized services (Gibson, et. al., 1999), a factor that has been attributed to SE clients' unwillingness to pay for services.

The unwillingness to pay for training services has also been attributed to a symptomatic culture of self-deception which pervades the small enterprise sector. Although many MSEs recognize the importance of business skills, it appears that a great proportion perceive their own skills are adequate (Curran et al., 1996; Kitching et al., 2002; Carter et al., 2004). Beresford and Saunders (2005) argue that the gap between perception and reality is likely to be a key barrier to education and training providers engaging small (micro) firms sector. In addition this perception may be aided by owners/managers believing that they are too important to the business to take time away for any form of study. Time was identified as the key reason for non-engagement with education and training providers (Carter et al., 2004). Other barriers to engaging micro and small businesses in training include cost, lack of awareness, relevance and overly

bureaucratic application process (Devins et al., 2002; Forrester et al., 2004).

Gagel (2006) noted that most business consultants are targeting medium and large enterprises because of lack of capacity or willingness of micro and small enterprises to pay for management services which have medium and long term impact. He attributes this to the fact that micro and small enterprises do not have a diversified division of labour and management like medium and large enterprises. He argues that medium and large enterprises are organized in various divisions such as staff management, supply management, sales management, accounting management and top management, most of which have their own budget for short-term and long-term interventions. Thus while a sole business owner has to spend 'his own personal' money, a manager of a medium enterprise spends the "anonymous money" of his department. It is for the reasons that micro and small enterprises want to see immediate impact which is normally not the case with medium and long term impact of management and marketing trainings. He adds that micro and small enterprises are suspicious of foreigners and fear the direct and indirect costs to them at the start (Gagel).

#### **2.4 Firm Performance and its Antecedents**

Traditionally, performance has been measured by growth (turnover, number of employees, market share), profitability (e.g. profit, return on investment) and survival (Storey, 1994; Robinson et al., 1984; Dess & Robinson, 1984; Smith et al., 1988). However, the transformation from the industrial to the information age signaled by increasingly sophisticated customers and management practices, among other things (Kaplan & Norton, 1992), has led to "a focus on customers not products and relationships rather than lead times" (Atkinson, 2006).

Kaplan and Norton (1992) first devised the balanced scorecard (BSC) as a

measurement framework for strategic, operational and financial measures. BSC gives a holistic view of the organization by simultaneously looking at four important perspectives of the firm namely: financial, customer, internal process and innovation and learning perspectives. The financial perspective measures how well the business is doing in satisfying the owners or shareholders who are looking for the return on their investments. The customer perspective measures how well the business is satisfying the needs of customers while the internal process perspective measures how efficiently and effectively the business meets the customer's needs hence allowing the business to achieve the twin objectives of satisfying customers and making profit. Finally the innovation and learning perspective measures the innovation and development of the business in a competitive environment.

Unlike Kaplan and Norton (1992), Fitzgerald et al., (1991) classified performance measures (PM) in for-profit services within two broad categories as end results and means or determinants. End results were subdivided into competitiveness and financial measures while means or determinants were subdivided into four broad categories namely quality of service, flexibility, resource utilization and innovation. There are a number of factors that are posited to influence performance: characteristics of the business itself (size, location, legal form and the number of owners), and the specific strategies that a business adopts (Pearce & Robinson, 1985; Storey, 1994; Kotey & Meredith, 1997).

Using two key top management team (TMT) demographic characteristics namely education level and functional background diversity, Goll et.al., (2007) developed a model to examine the relationship between the knowledge capability of top management, strategic change and firm performance with the environment moderating the relationship between the variables. Their results supported the

influence of existing knowledge capability of top managers on strategic change as well as the moderating effect of the environment on the strategic change-firm performance relationship. The study showed that the current stock of top management knowledge, measured as the level of formal education and functional diversity, influences the ability of a firm to innovate and change its strategy. Their study indicated that observable managerial demographic variables can serve as powerful proxies for underlying traits, cognitions, and capabilities. These findings are in line with a number of prior studies following Hambrick and Mason's (1984) upper echelon perspective.

Hambrick and Mason's (1984) upper echelon model provides a framework within which the ways managers influence organizational outcomes can be interpreted. In a classic study these authors developed a model to explain the link between managerial characteristics and strategy. They described the process of strategic choice as a perceptual one that occurs in a series of sequential steps. Their model suggests that managerial choices reflect the attributes of the managers. Thus when faced with the same objective environment, different managers will make different decisions (including strategy decisions) based on their individual characteristics. The upper echelon model also supported the findings of Miller et al.'s (1982) that established that firms led by confident and aggressive CEOs adopted riskier and more innovative strategies.

Keats and Bracker (1988) proposed a theoretical model in which characteristics of the owner were assumed to exert a disproportionate influence on the conduct of the small business and the associated performance related outcomes. The characteristics were (i) the degree of entrepreneurship or entrepreneurial intensity of the owner, (ii) his or her level of task motivation and (iii) the degree to which the individual perceives that he/she has the ability to influence critical elements of

the operating environment. The proposed relationship was assumed to be moderated by both the cognitive strategic sophistication of the owner and the nature of the task (or operating) environment.

Miller and Toulouse (1986) strongly argue that research findings often differ systematically across different groups of firms and under different business environments. In a study to establish the impact of strategy, structure, decision-making style and chief executive personality on performance in small firms; they showed that the personality of the CEO had a strong influence on the strategies and the structure of the firm. Among the personality dimensions studied, CEO flexibility had the most positive consequences for firm performance. They argued that smaller firms have fewer levels of management, more centralized and have less power vis-à-vis customers and competitors compared to their larger counterparts. Secondly, they posited that performance in small firms will be correlated with the use of structured features that (i) must support a strategy of innovation; or (ii) help avoid problems of one-man management and CEO rigidity.

Thirdly Miller and Toulouse, (1986) argued that small organizations tend to have inexplicit, intuitive strategies that reside mainly in the mind of the CEO. Finally, they argued that the CEO's background and personality are likely to have an important impact on corporate success. They noted that strategic failure in centralized organizations is often due to the CEOs almost neurotic rigidity which prevents them from changing their view of the organization, its mission and its environment. These findings are consistent with the findings of Analoui and Karami (2002) which revealed that successful SMEs do analyze environmental factors in formulating business strategies; that strategic awareness of the CEOs

played an important role in the firm's performance; and that where the CEOs exhibit distinct lack of strategic awareness, firm performance was low.

Historically researchers have also examined the individual traits of entrepreneurs including the need for achievement (McClelland, 1961); autonomy (Hornaday & Abound, 1971), tolerance for ambiguity (Sexton & Bowman, 1984), and risk taking propensity (Begley & Boyd, 1986). Several behaviors have been found to influence small firm performance (Kickul & Gundry, 2002). One of these behaviors is opportunity recognition. Other behaviors that impact firm performance include strategic planning, harnessing resources, and innovation (Stearns & Hills, 1996). Other empirical studies on performance have focused on the following variables: organizational variables namely size e.g. Chen and Hambrick (1995); organization structure e.g. Hill (1985); planning system e.g. Pearce, Robbins and Robinson (1987); international strategies e.g. Daniels and Bracker (1989); research and development strategies e.g. Franko (1989); acquisition e.g. Markides (1994); ownership e.g. Shapiro (1980) and environmental variables namely industry e.g. Powell (1996); Wernerfelt and Montgomery (1988) and environment e.g. Prescott (1986).

Overall, although the impact of various variables on performance has been extensively studied, majority of the empirical studies have reported different and contradicting findings (Bonn, 2000). Furthermore, most studies have focused on company performance instead of company survival and have often assumed implicitly that companies with good performance are more likely to survive than companies with poor performance (Bonn, 2000) which is not necessarily the case. Aldrich (1979) and Hannan and Freeman (1989) criticized the performance based approach arguing that results from performance comparisons are misleading if one wants to learn the process that creates long term success and survival in the



market place because all companies under investigation are survivors. According to this argument, good performers might have certain features which differentiate them from poor performers but these features might not be responsible for survival of an organization.

### **2.5 Firm Strategy and its influence on Growth and Survival**

Johnson and Scholes (1993) define strategy as the direction and scope of an organization over the long term which matches a firm's resources to its changing environment and in particular its markets, customers or clients so as to meet stakeholder expectations. Wright et al., (1992) on the other hand, defines strategy as top management's plans to attain outcomes consistent with the organization's missions and goals. One of the earliest frameworks for developing firm strategy – SWOT analysis is geared toward identifying internal strengths and weaknesses as well as external opportunities and threats (Learned et al., 1965). The central tenet in strategic management is that a match between environmental conditions and organizational capabilities and resources is critical to performance, and that a strategist's job is to find or create this match (Bourgeois, 1985). Strategic management therefore requires explicit attention to both the internal and the external environments, to production and demand, to resources and products (Priem & Butler, 2001). A common thread binding these two concepts namely strategy and sustainability of BDS is the belief that a firm's strategic response may offer a useful insight for understanding why some BDSPs are able to build sustainable business and hence are able to survive in the market place while others are unable to do so.

Strategic management draws its theories of the firm from both economics and organization theory, with the primary goal of explaining firm performance and determinant of strategic choice (Grant, 1996). The resource-based view (RBV) of

the firm which can be traced to Marshall (1890), Coase (1937) and Penrose (1959) among others, is less a theory of firm structure and behavior as an attempt to explain and predict why some firms are able to establish positions of sustainable competitive advantage and in so doing earn superior returns (Barney, 1991). Barney (1991) examined the link between firm resources and sustained competitive advantage. His organizing framework is that organizational resources that are valuable, rare, difficult to imitate and non-substitutable can yield sustained competitive advantage. He argues that firm resources can only be a source of competitive advantage when they are valuable and that resources are valuable when they enable a firm to conceive of or implement strategies that improve its efficiency or effectiveness. RBV has attracted a lot of interest especially the empirical implications of the theory on how a firm's resources and capabilities can affect its performance (Godfrey & Hill, 1995).

As an emerging theory of firm performance, Kaplan and Norton (2002) argues that in order to evaluate which firms will grow successfully, there is need to focus on the internal factors which are the real source of competitive advantage. The central premise is that firms compete on the basis of their resources and capabilities (Peteraf & Bergen, 2003). Following Penrose (1959)'s contribution it is now well understood that capabilities are critical to a firm's ability to mobilize its resources to grow and compete successfully in rapidly changing environment and market (Grant, 2002; Chandler, 1990). One of the criticisms of the RBV is its neglect of the firm's environment in its entirety and its over-emphasis of the uniqueness of resources and strategies (Porter, 1994). Calcagno (1996) also argues that RBV takes into account resources and competencies without considering industrial factors which might influence strategy.

According to Rodriquez et al. (2002), the purpose of all business strategies is to reveal how a business can persistently create more value. They argue that achieving this goal largely depends on industry attractiveness and individual business positioning. They posit further that a successful business position depends on the persistence of its supporting and competitive advantages (Rodriquez et al). They combined Barney's (1991) resource based theory and Porter's (1996) activity-based business theory and called it dynamic business view theory. They noted that resources, capabilities and activities enable the creation of persistent competitive advantages in so far as they are difficult to imitate and substitute by current or potential competitors (Rodriquez et al).

Porter (1980) focuses on competitive environment that confronts firms in a particular industry. His work provides five environmental influences on organizations barriers to entry, rivalry among existing competitors, pressure from substitute products, bargaining power of buyers, and bargaining power of suppliers. He classified the competitive advantage sources into two principal categories: cost leadership and differentiation. Differentiation strategy means product development with 'added' advantages or those which are perceived to be unique or different in the industry and offer a greater benefit to consumers. This can be accomplished through various means, such as brand image, technology, services or product properties. The effects of differentiation are basically external, that is they attempt to realign the firm's demand curve. Differentiation attempts to create a distinctive competence by offering products that are perceived to be unique by customers because of innovativeness, style or quality (Porter, 1980).

Differentiation creates brand loyalty that renders customers less sensitive to price and allows larger profit margins (Miller, 1986). However, to be successful, differentiation strategies require that a company distinguishes itself from its

competitors along a dimension which is valued by customers (Porter, 1985). This requires an in-depth understanding of the nature of the organization's clientele and their preferences (Porter). The cost strategy, without compromising quality, service or other aspects, on the other hand, attempts to achieve lower costs than the competitors. That is to say that this strategy intends to render internal efficiency into lower costs or more reduced prices for the purchasers. It is based on economies of scale, value and scope. This brings about reduction in product costs, research and development, services, sales personnel or communication (Porter, 1980).

Miles and Snow (1978) developed a typology of business-level strategies that have been found to be valid in a variety of firms and industries. It is a comprehensive framework that addresses the alternative ways organizations define and approach their product-market domains and construct structures and processes to achieve success in those domains. The typology classifies firms as pursuing one of the following four strategies namely defender (narrow focus and efficiency), prospector (innovativeness), analyzers (operating in multiple environments), or reactor (no consistent strategy). Defenders attempt to seal off a portion of the total market to create a stable set of products and customers. Thus they devote primary attention to improving efficiency of their existing operations.

Prospectors seek to locate and exploit new product and market opportunities. Analyzers occupy two extremes of product-market domains, one relatively stable, the other changing. In the stable areas, these organizations operate routinely and efficiently through use of formalized structures and processes. In the more turbulent areas, top managers watch their competitors closely for new ideas, and then they rapidly adopt those that appear to be most promising. Finally reactors are organizations in which top managers frequently perceive change and

uncertainty occurring in their organizational environments but are unable to respond effectively. This type of organization lacks a consistent strategy-structure relationship, hence seldom makes adjustment of any sort until forced to do so by environmental pressures (Miles & Snow, 1978).

Rugman and Verbeke (1987) argue against the use of Porter's (1980) model of competitive strategy in the context of small firms and advocated for the adoption of Miles and Snow's (1978) model. They argue that small firms can only adopt a focus strategy and that the choice between overall cost leadership, overall differentiation, and focus as proposed by Porter (1980) is not an issue in a small enterprise. In their study of Canadian electrical distribution industry, they found out that the most dominant strategy in the industry was the prospector type. Many firms were identified as reactors and few as defenders while no firm was classified as an analyzer (Rugman & Verbeke, 1987).

According to Porter (1991) management will always have some influence on strategy. Porter explained that over time, managers can create and sustain competitive advantage by the continuous innovation, improvement and upgrading of resources. In his view managers have considerable discretion in relaxing internal and external constraints affecting their businesses. Porter's views are supported by Beaver et al. (1998) who explain that competitive advantage is fashioned by the actions and abilities of the principal role players and owe much to their personal perception of satisfactory performance and business direction. However, they argue that competitive advantage in small businesses is an elusive concept. Bamberger (1983) also argues that business strategies are products of the managers' visions which in turn originate from their personalities. Owner/managers are powerful enough to override obstacles to the successful realization of their business strategies. Managers have even greater influence on

business strategy in small firms where the manager is also the owner of the firm than in large firms (Bamberger). Miller and Toulouse (1986) adds that Owner/managers have enormous impact on their enterprises through their power of ownership and face-to-face contact with employees.

According to McGovern (2006), strategic decision making within small enterprises is a necessary element for business growth. Small enterprises must adapt and become more efficient and dynamic within current business paths as well as in finding new paths. He argues that inter firm collaboration enables networks to develop solutions to common problems, gain knowledge to achieve economies of scale, acquire technologies/ resources and extend their markets to reach those that would otherwise be beyond their reach. He established that the main motivator for joining a network was inter organizational collaboration, reducing cycle time, decreasing transaction costs, and managing uncertainty through lobbying (McGovern). Ulrich and Smallwood (2004) also noted that a new organizational capability that is critical to success is the ability of a firm to understand and learn from organizational performance. They argue that with growing complexity in the business environment, the focus on capability building in small firm is based on their relationships with other organizations and the complementary assets of those organizations. In addition firms must specialize and learn to combine their capabilities with other firms in order to optimize performance and customer satisfaction.

## **2.6 Literature Search**

The literature search included both printed and electronic sources. The following print materials were used namely; books, reports, dissertations, periodicals mainly journals, statistics, conference proceedings and dictionaries. Online databases were used to search electronic materials. The databases were: (1). EBSCOhost

databases, (2). Emerald Library, (3). Wiley Interscience, (4) JSTOR. A number of e-books were used namely; World Bank e-library, OECDiLibrary, World Bank data Catalog and relevant web sites such as the World Bank, USAID, Kenya BDS; and ILO.

## **2.7 Chapter Summary**

Literature review looked at a number of areas that were deemed to be relevant to the study objectives. The following areas were discussed; sustainability of BDS business and performance, BDS transactions; firm performance and its antecedents; and firm strategy and its influence on growth and survival. Although these discussions helped to shed some light on the debate; it was established sustainability is a multi-dimensional concept, there was no single theory or theories that could adequately explain sustainability of BDS business a priori. There was no basis on which hypotheses to explain sustainability of BDS business could be formed. Consequently grounded theory methodology was chosen for the study. In grounded theory, the literature review is not conclusive. As noted by Goulding (2005) in grounded theory, the literature is not exhausted prior to the research; rather it is consulted as part of an iterative, inductive and interactional process of data collection, simultaneous analysis and emergent interpretation. Instead, the emerging theory directs the researcher to appropriate extant theories and literature that have relevance to the emerging, data grounded concepts.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

In this chapter the methodology used in the study is presented. The chapter is divided into four sections: The first section describes the research process. The second section discusses research philosophy. The third section discusses qualitative and quantitative research approaches followed by a description of how grounded theory methodology was applied in the study. The chapter ends with a brief discussion on ethical considerations.

#### **3.2 Research Process**

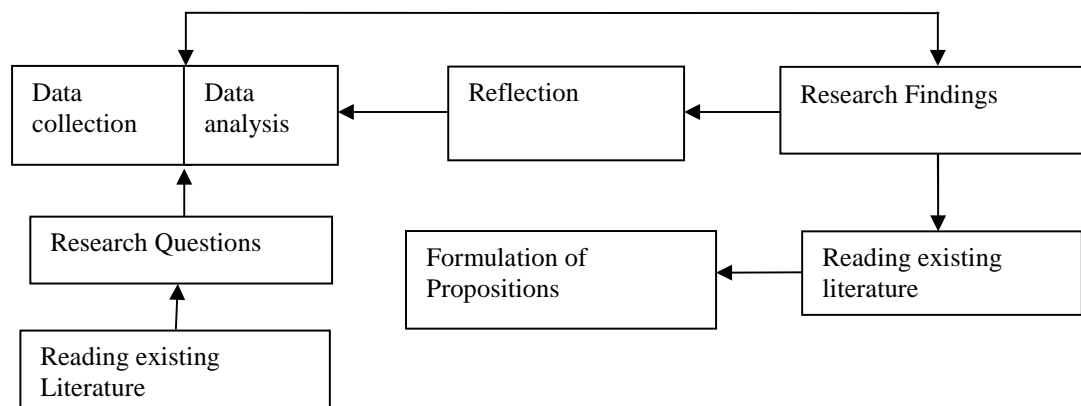
The research process was as follows: First, the researcher read the existing literature surrounding the research issue (i.e. sustainability of BDS business). Three research questions were specified at the beginning of the study, in chapter one. The questions were; (i) what motives people to venture into BDS business in Kenya? (ii) How and why do some BDS providers succeed in building sustainable BDS in Kenya while others are not able to do so? (iii) What do they do differently (if any) from those whose businesses are not sustainable?

It was not possible to determine a priori which theory (or theories) could explain adequately sustainability of BDS, hence there was no basis for formulating a conceptual framework to be tested. A grounded theory methodology was, therefore, chosen to tackle the research questions. While it was considered that grounded theory should be based exclusively on data collected from the research (Glaser & Strauss, 1967), in later years Strauss and Corbin (1998) acknowledge that the researcher brings considerable background in professional and disciplinary knowledge into the inquiry. Prior understanding of the literature can



be used effectively in developing theory in a number of ways: (i) Concepts derived from the literature may provide a source for comparing data at dimensional level; (ii) Familiarity with relevant literature enables an enhanced sensitivity to subtle nuances of data and increases the awareness of the researcher as to what to look for including which questions to ask; (iii) Before commencing a research project, the researcher is able to turn to literature questions which act as starting point during initial interviews and observations, and (iv) The literature can be used to confirm findings and determine situations where the literature may be incorrect, over simplistic and only partially explaining the phenomenon (Strauss & Corbin, 1998).

Because the researcher wanted to give freedom to the interviews to bring out the issues that were important to them, the researcher only posed the first question to the respondents and allowed the other questions to emerge. The process of data collection and analysis which occurred concurrently and throughout was punctuated with periods of reflection which allowed the researcher to give meaning to the emerging issues. Based on the emerging issues further literature review was done. It gave new insights and new directions to the study. It also necessitated going back to the interviewees as well as interviewing new respondents. On the basis of the emerging theory, propositions were made. Figure 3.1 shows the flow of the research process.



**Figure 3.1: The Research Process**

### **3.3 Research Philosophy**

A research philosophy is a belief about the way in which data about a phenomenon should be gathered, analyzed and used (Levin, 1988). Two major research philosophies namely interpretivist and positivist have been identified by the Western tradition of science (Galliers, 1991). Positivists believe that reality is stable and so can be observed and described from an objective viewpoint (Levin, 1988). Positivism is based on the ontological basis of realism; that reality exists independent of the observer (Landry & Banville, 1992; Myers & Avison, 2002). Positivists view reality as independent of the perception or mental state of the observer. According to this school of thought, reality is external in form and objective; that is reality is 'out there'. Thus based on its realist ontology, positivism subscribes to an empiricist epistemology which contends that true statements about reality can be deduced from impartial observation and experience. The aim of positivist research therefore is to find such true statements that objectively describe reality as it is. On the basis of these, positive research is usually grounded on hypotheses concerning cause and effect laws about objective reality.

There has been much debate on the issue of whether or not positivist paradigm is entirely suitable for social science (Hirschheim, 1985). Although the positivist school is a powerful tradition and has been a major contributor to knowledge in the social sciences, it does have many limitations and constraints. Hughes (1980) criticizes the positivist school on the following three bases. Firstly, positivist approaches generally rely on the need to abstract data which can misconstrue the nature of social actions. Secondly, there is lack of acknowledgement of the

subjective status of meanings. Thirdly, positivism assumes that social reality can be discovered in each society independently. Cuba and Lincoln (1994) argue that positivistic methods strip contexts from meanings in the process of developing quantified measures of phenomena. According to Easterby-Smith, Thorpe and Lowe, (1991) the job of social scientists should not be to gather facts and measure how often certain patterns occur, but to appreciate the different constructions and meanings that people place upon their experience.

Interpretivist, on the other hand, is fundamentally concerned with meaning and seeks to understand social members' definition of a situation (Schwandt, 1994). Interpretivists assume that knowledge and meaning are acts of interpretation hence there is no objective knowledge which is independent of thinking, reasoning humans (Schwandt). Interpretivists contend that only through the subjective interpretation of and intervention in reality can that reality be fully understood. The key to the interpretivist philosophy is the study of phenomena in their natural environment together with the acknowledgement that scientists cannot avoid affecting those phenomena which they study. Interpretivists admit that there may be many interpretations of reality, but maintain that these interpretations are in themselves a part of the scientific knowledge they are pursuing.

The study followed an interpretivist research philosophy. The ontology and epistemology adopted in this study rests on the assumption that knowledge is not static but is always emerging and transforming and is interpreted by both the observer and the observed; and in the context of the current study, that the how and the why of building sustainable BDS business is not entirely objective and exterior but are also socially constructed and given meaning by the actors. Positivistic and interpretivistic research philosophies give rise to two dominant

research methodologies namely quantitative and qualitative research methodologies. Table 3.1 gives a brief summary of key distinguishing features between interpretivist and positivist research philosophies.

Table 3.1: Positivist vs Interpretivist Research Philosophies

<b>Area</b>	<b>Positivism</b>	<b>Interpretivism</b>
Assumptions	Objective world which science can 'mirror' with privileged knowledge	Inter-subjective world which science can represent with concepts of actors; social construction of reality
Key Focus	Search for contextual and organizational variables which cause organizational actions	Search for patterns of meanings
Goal of paradigm	Uncover truths and facts as quantitatively specified relations among variables	Describe meanings, understand members' definitions of the situation, examine how objective realities are produced
Nature of knowledge or form of theory	Verified hypotheses involving valid, reliable and precisely measured variables	Abstract descriptions of meanings and members' definitions of situations produced in natural contexts
Criteria for assessing research	Prediction= Explanation Rigour; internal & external validity; reliability	Trustworthiness; Authenticity
Unit of analysis	The variable	Meaning; symbolic act
Research methods	Experiments; questionnaires; secondary data analysis; quantitatively coded documents;	Ethnography; respondent observation; interviews; conversational analysis; grounded theory development
Type(s) of analysis	Quantitative: regression; Likert scaling; structural equation modeling Qualitative: grounded theory testing	Case studies; conversational and textual analysis; expansion analysis
Key Figures	Lorsch and Lawrence; Hannan and Freeman; Oliver Williamson	Goffman, Schutz; Van Maanen; David Silverman

Source: Gephart (1999).

### 3.4 Qualitative and Quantitative Research Approaches

Qualitative research method has no precise meaning in any of the social sciences. It is at best an umbrella term covering an array of interpretive techniques which

seek to describe, decode, translate, and otherwise come to terms with the meaning, not the frequency of certain more or less naturally occurring phenomena in the social world (Van Maanen, 1979). Strauss and Corbin (1990) define qualitative research as any kind of research that produces findings not arrived at by means of statistical procedures or other means of quantification. They claim that qualitative methods are applicable to research that attempts to understand any phenomenon about which little is yet known. Miles and Huberman (1994) prefer not to specifically define qualitative research but instead focus their understanding of qualitative research on data in the form of words, such as observations, interviews or documents. Many qualitative studies are described as inductive or theory generating research. This means that the purpose of a qualitative study is to develop theory not test it. As Ryan et al, (2007) explains, the researcher does not use an existing or known theory to direct the study. The design in qualitative research incorporates a range of approaches within what is often referred to as naturalistic, interpretive or constructivist world view. Qualitative research therefore, comprises of a set of characteristics that reflect this world view (see Table 3.2). Such a view of the world incorporates a set of beliefs about how this knowledge is developed (Ryan et al).

The goals of qualitative research involves understanding a phenomenon from the points of view of the respondents and in its particular social and institutional context all of which are lost when textual data are quantified (Kaplan and Maxwell, 1994). Qualitative investigators also tend to describe the unfolding of social processes rather than the social structures that are often the focus of quantitative researchers. The raw materials of qualitative study are therefore generated *in vivo*, close to the point of origin.

Qualitative data are attractive for many reasons: they are rich, full, earthy, holistic, and “real”; their face validity seemed unimpeachable; they preserve chronological flow where that is important, and suffer minimally from retrospective distortion. In principle they offer a far more precise way to assess causality in organizational affairs. Furthermore, their collection requires minimal front-end instrumentation (Miles, 1979). Qualitative data have attractive qualities for their producers as well as their consumers; they tend to reduce a researcher's trained incapacity, bias, narrowness, and arrogance (Miles).

Table 3.2: Characteristics of Qualitative Research

Truth	There are multiple truths- generalization is not sought
Purpose	Concerned with discovery and description although verification is also possible
Context	There is attention to social context in which events occur and have meaning.
Emphasis	There is an emphasis on understanding the social world from the point of view of the participants in the study.
Approach	The approach is primarily inductive.
Relationship between researcher and participant	There is integration between researcher and participant- interaction is valued.
Sample	Usually small in number but consists of those who are willing and able to describe the experience.
Data	Elicits 'soft data' i.e. words.
Data collection	The major data collection techniques include interviewing, participant observation, examination of personal documents and other printed materials.
Analysis	Analysis is presented for the most part in a narrative rather numerical form, but inclusion of some qualitative measures and numerical expressions is not precluded in qualitative research.
Rigour	Credibility, transferability (fittingness), dependability, conformability, goodness.

Source: Ryan et al, 2007, 740.

Qualitative method also enables the researcher to ask the “how” and “why” questions and assess causality as it actually plays out in a particular setting (Miles & Huberman, 1994; Kiraka, 2003). In addition, qualitative method allows for

exploration, discovery building and enhancement of theory on how the variables under study influence each other (Kiraka, 2003). Qualitative methods are also able to analyze data in a way which enables the retention of their contextual nature, (Kaplan & Maxwell, 1994) where that is important.

However, it is important to note that the qualitative approaches do differ in their disciplinary or philosophical origins (Ryan et al, 2007). The methods used by qualitative researchers include Grounded Theory, Case Study, Ethnography, Phenomenology (Jones et al., 2005) and Generic qualitative research (Ryan, et al., 2007). Empirical information for qualitative method is acquired from numerous sources but usually they are confined to observation, interviews, questionnaires, documents, historical interaction and researcher's impressions and reactions (Meyers, 1997; Denzin & Lincoln, 2000). In a qualitative study, the activities of sampling, collecting and analyzing data, developing and modifying theory, elaborating and refocusing the research question and identifying and dealing with validity questions go on more or less simultaneously, each influencing the others (Maxwell, 1998; Janesik, 1994).

Qualitative data have the following limitations: Collecting and analyzing the data is a highly labour intensive operation, often generating much stress even for top-qualified research staff (Miles, 1979). Qualitative fieldwork is traditionally demanding even for the lone fieldworker, accountable only to the data and his or her discipline, and when several fieldworkers' efforts must be coordinated much energy is required to make data systematically "comparable". Qualitative data also tend to overload the researcher at almost every point, the sheer range of the phenomena to be observed, the recorded volumes of notes, the time required for write up, coding, and analysis can become overwhelming (Miles, 1979).

Quantitative methods on the other hand, derived from positivist and post positivist research paradigms were developed to study through means of quantification, natural phenomena in the natural world (Jones, Kriflik & Zanko, 2005). Creswell (2003) states that quantitative methods are most suitable when problem outcomes need to be identified or when a theory needs to be tested. In quantitative methods, knowledge is gained through several analytical techniques including: cause and effect thinking, reduction using variables and hypotheses, measurement and observation. The various methods adopted by quantitative researchers include: surveys, experiments, statistical analysis and numerical modeling (Meyers, 1997; Creswell, 2003).

Laughlin (1995) argues that quantitative research limits the relevance of much of the theoretical foundations and denies the researcher the opportunity to significantly explore the attributes of the subject under study. Van Maanen (1979) however, notes that qualitative methodology and quantitative methodology are not mutually exclusive. Differences between qualitative and quantitative approaches are located in the overall form, focus and emphasis of study. Additionally, Meyers (1997) and Creswell (2003) argue that no matter what the topic of study, qualitative researchers in contrast to the quantitative researchers claim forcefully to know relatively little about what a given piece of observed behaviour means until they have developed the context in which the behaviour takes place and attempted to see that behaviour from the position of its originator.

### **3.4.1 Choice of Research Strategy**

While it has been acknowledged that no single research methodology is intrinsically better than the other, with some authors (e.g. Kaplan & Duchon, 1988) calling for a combination of research methods in order to improve the quality of research, it is not uncommon to find researchers choosing one approach



over the other. According to Morse (1994) the choice of a specific research strategy depends on the purpose of the study, the nature of research questions and availability to the researcher of intellectual as well as financial resources.

Based on Morse (1994) argument, the study employed Grounded Theory methodology for the four reasons. First, as has already been discussed, there is no consensus on the meaning of sustainability; the concept is ambiguous, multidimensional and contingent and so no single theory can adequately explain the concept. Second, it was difficult to determine a priori which theories adequately explain sustainability of BDS business. Grounded theory methodology was therefore deemed appropriate for the study because it is not influenced by explicit expectations about what the researcher might find; instead it allows the researcher to make discoveries without a priori knowledge (Jones, Kriflik & Zanko, 2005). Grounded theory approach allows the actors to define situations and the definitions to be produced in their natural contexts. The researcher wanted to know the meaning that BDSPs attach to their businesses. Weaving together different definitions and interpretations can aid in producing a viable, multidimensional meaning of sustainability of BDS.

Third, as an emerging market many issues are still evolving in the BDS market. The use of grounded theory was therefore deemed appropriate as it allows for use of respondent observation, interviews, conversational and contextual analyses thereby bringing discovery and interpretation to some of these issues. Finally, academic research in developing countries on the genesis, sustainability and performance of BDS organizations are insufficient with agenda being driven mostly by donors without a clear theoretical basis. The use of grounded theory was therefore deemed appropriate in developing a sound theoretical basis for this discussion.

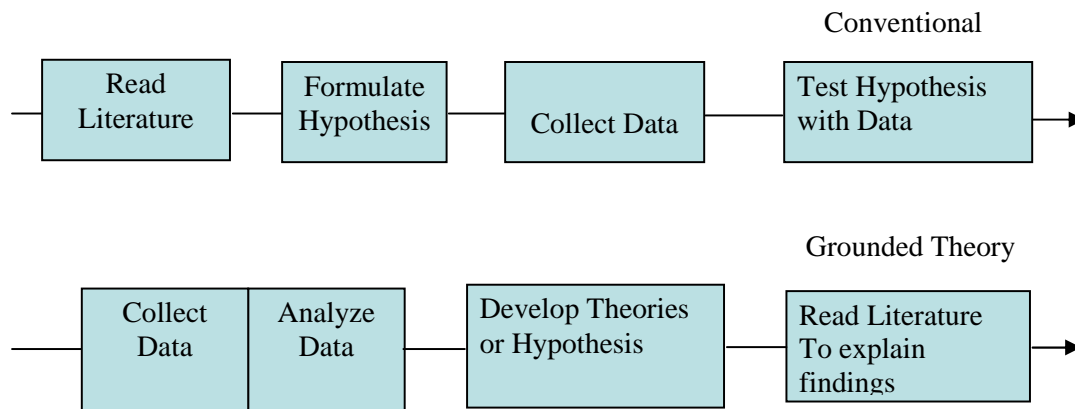
### **3.4.2 Grounded Theory Approach**

Grounded Theory is an interpretive qualitative research methodology originally conceived by Glaser and Strauss in their seminal book, 'The Discovery of Grounded Theory' (1967). However, after the launch of their book, the two researchers went separate ways. Glaser took a more traditional positivist perspective that emphasizes on supposition of an objective and external reality with the researcher being a neutral observer. He believed that the researcher should allow theory to emerge from conceptualization of data (Glaser, 1992). Strauss and Corbin (1990, 1998) took a more prescriptive approach and introduced a new coding process with emphasis on conditions, context, interaction strategies and consequences. Strauss's later work is based on the assumption of having an unbiased position in collecting data and applying certain technical procedures by letting the participants have their own voice (Moghaddam, 2006). The divergent views of the two authors are contained in the separate works (Strauss & Corbin, 1998; Glaser, 1992).

Grounded Theory differs from other qualitative methods for two major reasons. First, it is not influenced by explicit expectations about what the researcher might find, or by personal beliefs and philosophies (Pole & Lampard, 2002); therefore it allows the researcher to make discoveries without a priori knowledge (Jones et al., 2005). Second, it is an approach that leaves itself open to charges of relativism (Pole & Lampard, 2002), which means that the findings and theoretical assumptions are not uniquely valid (Jones et al., 2005). Under grounded theory, other researchers using the same method are equally likely to derive empirically grounded explanations for other social processes which have equal substance in any given field of investigation (Jones, 2005). These two distinguishing principles of grounded theory render it an excellent tool of analysis of social phenomena,

particularly when there is little known about the situation under investigation (Glaser & Strauss, 1967).

Grounded theory takes a research approach which is contrary to most of the more conventional research models. Jones, (2005) summarizes the difference between grounded theory and conventional research models (Figure 3.2).



**Figure 3.2: Comparison of conventional research method to grounded theory**

Grounded theory provides the researcher with the opportunity of having the data inform the research and consequently discovering the theoretical principles that are relevant to the situation under investigation (Jones et al., 2005). Grounded theorists want to know what is going on (Yee, 2001). Under grounded theory the researcher usually starts with a general subject or problem conceived only in terms of a general ‘disciplinary perspective’. From this general opening the study becomes continually focused towards an area of social concern (Dey, 1999). In grounded theory, all is data. Glaser (2001) advises that “all is data”- exactly what is going on in the research scene is data, whatever the source, whether interviews, observations or documents. It is not just what is being, how it is being and the conditions of it being told, but all the data surrounding what is being told”.

**(i) Data Collection and Analysis**

In grounded theory, data collection, coding and analysis occur immediately, concurrently throughout the study (Glaser & Strauss, 1967). The process of data collection is not impeded by the development of research problems, theoretical understanding or literature review. Instead, the researcher is granted the freedom to enter the field and discover the main concerns of respondents and analyze ways they resolve these problems (Jones et al., 2005).

Coding consists of naming and categorizing data. It is an analytical process through which “data are fractured, conceptualized and integrated to form theory” (Strauss & Corbin, 1998). Its aim is to recognize, develop and relate the concepts that are the building blocks of theory. Grounded theory coding is a kind of content analysis to find and conceptualize the core issues from within the huge pile of the data.

Glaser and Strauss (1967) originally described two levels of coding, first into as many categories as possible and then integration of categories. The coding stages are not meant to be distinct and linear in their use (Heath and Cowley, 2004). As has already been discussed, the two researchers later went separate ways after the launch of their book. Strauss and Corbin (1990) added a third level of coding. Strauss and Corbin (1990) describe the first level of coding as open coding while Glaser (1978) refers to substantive coding. Procedural descriptions are similar. This has led some researchers like Kendell (1999) to suggest that the difference is only in the emphasis on emergence. In their original text emergence remains the key throughout theory development: it must be emphasized that integration of the theory is best when it emerges, like concepts. “The theory should never just be put together” (Glaser & Strauss, 1967, pp.. 41). Strauss and Corbin’s last coding procedure of selective coding is also similar to Glaser’s (1978) theoretical coding.

For instance, Kendell (1999) says they are similar but paradoxically continues to say that that they are used differently to generate different types of theories. Table 3.3 summarizes major analytical differences between these two grounded theory analysts and methods.

Table 3.3: Comparison of Glaser and Strauss and Corbin Method

	Strauss and Corbin	Glaser
Initial coding	Open coding Use of analytical technique	Substantive coding Data dependent
Intermediate phase	Axial coding Reduction and clustering of categories (paradigm model)	Continuous with previous phase, comparisons, with focus on data, become more abstract, categories refitted, emerging frameworks
Final development	Selective coding Detailed development of categories, selection of core, integration of categories	Theoretical Refitting and refinement of categories which integrate around emerging core
Theory	Detailed and dense process fully described	Parsimony, scope and modifiability

(Source: Heath and Cowley, 2004, pp. 146)

### (ii) Open Coding

Open coding is the first phase of grounded theory analysis (Glaser & Strauss, 1967; Strauss & Corbin, 1990). It is a process that is tasked with discovery of categories and their properties, groups or classifies them into themes or categories while at the same time looking for a trend in the data (Glaser & Strauss, 1967, Glaser, 1992). Open coding is a stage where raw data are initially examined and are coded through a process which fractures the interview into discrete threads of datum. During open coding, data are broken down into discrete parts, closely examined and compared for similarities and differences. Events, happenings, objects and actions/ interactions that are found to be conceptually similar in nature or related in nature or in meaning are grouped under more abstract concepts termed as “categories” (Strauss & Corbin, 1998). Glaser (1992) urges researchers

to constantly check the category or property of a category that the incident indicates. The process of eliciting categories or their properties must be based on sound, unbiased judgments and a neutral view to the data.

There are several ways of open coding, namely; (i) Line by line analysis. This involves close examination of data, phrase by phrase and sometimes word by word. (ii) The analyst may also code by analyzing a whole sentence or paragraph in order to determine the major idea brought out in the sentence or paragraph. (iii) Coding by perusing the entire document. Here, the researcher asks “what is going on here? What makes this document the same or different from the previous one coded?”

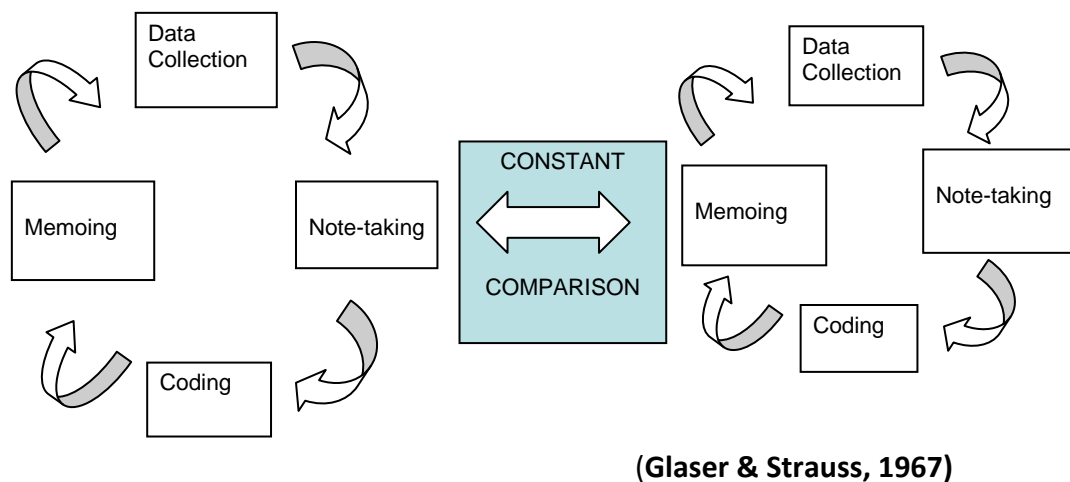
The process of open coding examines data without any limitations in its scope, and without the application of any filters thus all data are accepted and none is excluded. This allows the researcher to look for patterns which may lead to social processes which may be of eventual interest. As the categories begin to fill, those that are most dense become known as core categories (Glaser, 2001). Open coding uses constant comparative data analysis.

### **(iii) Constant Comparative Method**

Goulding (2005) notes that despite the open and flexible nature of the data that may be used in a grounded theory study; there exists a set of specific principles for analyzing and abstracting information. Grounded theory is founded on the conceptualization of data through coding using a method of constant comparison and theoretical sampling. Constant comparison is a method of data joint coding and analysis (Partington, 1990). “The purpose of the constant comparative method of joint coding and analysis is to generate theory more systematically-----by using explicit coding and analytic procedures” (Glaser & Strauss, 1967, pp. 102). “The

constant comparative method is designed to aid the analyst -----in generating a theory that is integrated, consistent, plausible and close to the data” (Glaser & Strauss, 1967, pp. 103). Figure 3.3 illustrates the process of constant comparison.

Under constant comparative method interview texts are analyzed line by line (or paragraph by paragraph), provisional themes noted, and subsequently compared with other transcripts in order to ensure consistency and also to identify negative cases (Goulding, 2005). During this process the researcher constantly compares incident with incident and then incident with concept (Mavetera & and Kroeze, 2009). As data is being coded, and accumulated to form categories, a process of sampling known as theoretical sampling takes place.



**Figure 3.3: Constant Comparison**

**(iv) Theoretical Sampling**

Theoretical sampling works to systematically select new participants or data which will guide the researcher to select data samples which are most salient for the research being undertaken. Under theoretical sampling, the process of data

collection is controlled by emerging theory (Partington, 1990). New targets for data collection are directed by the results collected from the preceding sample and as theory emerges and investigation focuses, so too does the selective sampling. Theoretical sampling works by selecting subsequent subjects based on the information which emerges from the data already coded (Sarantos, 2005) This process ensures that new data contribute to theory development and that they work with the concepts already compiled through a measure of fit and relevance (Glaser, 1978).

There are two main stages involved with theoretical sampling. In the first stage, the researcher targets participants who share minimal differences with regard to the subject under examination. After data from this set has passed the scrutiny of constant comparison, the sampling moves into the second stage which ensures an enlargement of the sample differences between participants are maximized. By initially minimizing differences the researcher is able to quickly develop categories and determine their properties, subsequent treatments provide the benefit of ensuring that categories have been fully developed and that data saturation is actually occurring (Glaser, 1978).

#### **(v) Axial Coding**

Gasson (2003) describes axial coding as a constant search for relationships that exist among coded elements. Categories, sub-categories and their properties as elicited during open coding should be scrutinized to check for similarities and dissimilarities (Mavetera & Kroeze, 2009). The purpose of axial coding is to begin the process of reassembling data that were fractured during open coding. As the coding procedure before this phase works to fracture the data and cluster them according to abstract similarity, theoretical coding, along with sorting, knits the



fractured pieces back together again to conceptualize relationships between the hypotheses derived through open coding (Jones et al., 2005). Axial coding is the process of relating codes (categories and properties) to each other, via a combination of inductive and deductive thinking (Strauss & Corbin, 1998). As categories start to accumulate and gain depth, constant comparison compels the researcher to begin to reflect on the data, and to commence conceptualization, usually through ‘memos’, eventually leading to hypothesis and theory. Memos are short documents that one writes to oneself as one proceeds through the analysis of a corpus of data (Strauss & Corbin, 1990). Memos may be descriptions of locations, behaviours, researcher’s experience or theoretical insights which occur throughout the process. Memos encourage researchers to reflect on and describe patterns in the data, relationships between categories and emergent conceptualizations.

In axial coding, categories are related to their sub- categories to form more precise and complete explanations about a phenomenon. Procedurally, axial coding involves several basic tasks (Strauss, 1987). These include the following: (i) Laying out the properties of a category and their dimensions; a task that begins during open coding. (ii) Identifying the variety of conditions, actions/interactions and consequences associated with a phenomenon. (iii) Relating a category to its sub-categories through statements denoting how they are related to each other. (iv) Looking for clues in the data that denote how major categories might relate to each other. Axial coding is achieved by specifying relationships and delineating a core category or construct around which the other concepts revolve (Goulding, 2005).

(vi) **Selective Coding**

Selective coding is the process of integrating and refining categories (Strauss &

Corbin, 1998). It is the stage of grounded theory method that includes an increased depth of focus (Shannak & Aldhmour, 2009). The first step in integration is deciding on a central category (also known as the core category) which is the main theme of the research. It consists of all the products of analysis condensed into a few words that seem to explain what ‘the research is all about’ (Strauss & Corbin, 1998). The selective coding stage is reached when the core categories become apparent. A core category is a category that has developed through densification and that explains most of the variation which represents the participants’ major concern. The core category should be an issue upon which the basic social concern is centered. Strauss and Corbin (1990) explain that all other categories derived from the axial coding process must be related in some way to this core category either directly or indirectly.

The central category has analytical power-through its ability to pull the other categories together to form an explanatory story. It should also be able to account for a considerable variation within categories. A central category may evolve out of the existing categories or the researcher may study the categories and determine that although each tells part of the story, none captures it completely and so another more abstract term or phrase is needed, a conceptual idea under which all other categories can be subsumed (Strauss & Corbin, 1998). This means working through notes, diagrams, and categories, searching for the central phenomenon and the central category. The attributes and dimensions of possible core categories are related to those of other categories, looking for regularities, generalizations, levels of abstraction etc. that are outstanding and have high explanation power.

Choosing and situating a core category is important. Strauss (1987) gives the following criteria that can be applied to a category to determine whether it qualifies to be a core category:

- (a) It must be central; that is, all other major categories can be related to it.
- (b) It must appear frequently in the data. This means that within all or almost all cases there are indicators pointing to that concept.
- (c) The explanation that evolves by relating the categories is logical and consistent. There is no forcing of data.
- (d) The name or phrase used to describe the central category should be sufficiently abstract that it can be used to do research in other substantive areas leading to the development of a more general theory.
- (e) As the concept is refined analytically through the integration with other concepts, the theory grows in depth and explanatory power.
- (f) And the concept is able to explain variation as well as the main point made by the data; that is, when conditions vary, the explanations still hold, although the way in which a phenomenon is expressed might look somewhat different. One should also be able to explain contradictory or alternative cases in terms of that central idea (Strauss).

Selective coding allows the researcher to filter and code data which are determined to be more relevant to the emerging concepts. The essential idea is to develop a single storyline around which all everything else is draped. Thus, only the most pertinent passages of a transcript are used and coded. To facilitate this, the interview questions are continuously reformulated to encompass the new and more focused direction of the research (Jones et al., 2005) because there is a belief that such a core concept always exists.

(vii) **Theoretical Coding**

Grounded theory builds analytical case by constantly seeking new categories of evidence. Theoretical coding occurs when core categories have become saturated. Saturation is both a peculiarity and strength of grounded theory (Jones et al., 2005). Unlike other methods of qualitative analysis which acquire rigour through multiple levels of confirmation or triangulation (Mertens, 1998), grounded theory builds an analytical case by constantly seeking new categories of evidence. Eventually after a period of data collection, a point is reached where no new data result from additional data collection; this is point of saturation (Jones et al., 2005). And as Selden (2005, pp.124) puts it; “one keeps on collecting data until one receives only already known statements”. Theoretical coding examines these saturated categories and provides the researcher with analytical criteria for the development of conceptual relationships between categories and their relevance to the literature (Glaser, 1992).

### **3.5 How Grounded Theory Methodology was applied in this Research**

#### **3.5.1 Design of the Research Questions**

Data collection was done between May 2008 and August, 2010. In the beginning, the researcher adopted an unstructured approach to the interviews because nothing was certain. The original strategy was to let the research open to enable the respondents to talk about issues that were of importance to them. The researcher started with the general question posed to the BDSPs: “what motivated you to venture into this business?” to the respondents. The answers to this question, directed subsequent questions. The issues that were generated from this question formed the initial research boundary and directed further research questions. The questions were used as guidelines. The structures of the interviews were not decided in advance i.e. subsequent questions were not formulated in advance and neither were different interviewees asked the same questions nor did different interviews take the same time or follow the same sequence (see Assad, 2001). The

questions that were asked to each interviewee were used as guidelines.

Glaser (1978) cautions, that researchers using grounded theory must have a degree of theoretical sensitivity. In addition, the researcher must be able to maintain an open mind with analytical distance which is not clouded by predetermined ideas or a priori hypotheses. Table 3.4 gives a summary of the design of the research questions.

Table 3.4: The Design of the Research Questions

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The initial open ended question that was posed to the initial interviewees was:

1. 'Why did you venture into this business?' This was a broad question that tried to capture the interviewees' start-up motives for venturing into BDS business. Some of the answers to this question touched on the personal attributes and the work background of the interviewees and on start-up strategy. This generated the second part of the question which sought to establish whether and how the personal and work background of BDSPs had any influence in their motives to venture into the current business. Thus the question:
  - 1b. Where were you working before you started this business?
  - 1c. How did your previous work background influence your decision to venture into this business?
  - 1d. How did you venture into the business?
2. What challenges are you encountering in the conduct of your business? How are you countering these challenges?

The answer to this question touched on the nature of competition, on the role of the government and the regulatory framework, the influence of donors, the nature of the BDS products and on the attitudes of the SE clients and the relationship between BDSPs and their clients and on the relationship among the BDSPs themselves. Subsequently, questions were formulated to capture each of the emerging issues.
3. How would you describe this business in terms of potential?
4. Are you happy doing this business? Please explain how?
5. What motivates you to stay in this business?
6. Have you ever benefited from donor subsidy?
7. How do you feel about provision of BDS being subsidized?

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Initially the research was unfocused because the researcher was not aware of the issues and so only posed a general question that acted as an introduction to the

interview process (see Patton, 1990). As the respondents answered the initial questions, a system started to emerge; the researcher reformulated the subsequent questions, focused and refocused the interviews into issues that were emerging as relevant to the study. The study began to take a more systematic approach thereafter. A systematic approach was also preferred because it would enable the researcher to show how she arrived at the conclusions using propositions generated from data analysis.

### **3.5.2 Initial Interviews**

The guiding principle in the selection of a sample in a qualitative study is that it has to be information rich (Patton, 1990; Yin, 1998). The researcher chooses any groups that will help generate to the fullest extent as many properties of a category and to relate to each other and to their properties (Glaser & Strauss, 1967). In grounded theory, sampling cannot be planned in detail before the start of the field study. It is directed by the emerging theory. It is not persons or organizations that are being sampled but rather incidents and events (Goulding, 1999). Triangulation method was employed in the process of data collection and analysis. Data was obtained using several sources namely; interview from BDSPs, four MSEs entrepreneurs and BDS facilitators. In addition to the interviews, the researcher made observations during the field interviews. The BDSPs interviewed were based in Nairobi City two of whom were running affiliate businesses outside Nairobi City; one in Mbere District and the other in Kakamega District. The BDS facilitators were all located in Nairobi while the MSE entrepreneurs were from Kakamega District.

Data collection was divided into two phases. Data collection in phase one concentrated on the BDSPs while phase two concentrated on the SE clients and the BDS facilitators. Sampling of the respondents was done as follows: First, the

researcher got a directory of service providers from the website of the Ministry of Trade. This directory proved to be futile; the telephone calls made did not go through indicating that either the addresses were non-existent or they had moved. The researcher resorted to use a snowballing method in the identification of the respondents. Through a friend, the researcher identified a managing director of one of the local micro-finance organizations who gave her telephone contacts of some BDS providers. The first few people who were contacted provided information that was fuzzy and disconnected. These interviews were used as a pilot study. From these contacts, one information rich BDS provider who was willing to participate in the interview process was identified.

To this first information rich respondent, the following question was posed: “what motivated you to venture into this business?” She was allowed to tell her story. The researcher voice taped the interview using a digital voice recorder and wrote down field notes as well. After the field interview, the voice tape was transferred to the PC and later transcribed. These transcriptions together with the field notes formed the initial basis of the later interviews. The interview lasted for two hours. This respondent was requested to give contacts of other BDS providers. She gave the researcher contacts of four other BDS providers who were contacted and requested to participate in the interview process. These four respondents were also asked the same question: “what motivated you to venture into this business?” The researcher also voice taped and wrote down field notes during the interviews and after each field interview, the voice tapes were transferred to the PC and later the tapes were transcribed. All the interviews were allowed to flow naturally in order to give the interviewees freedom to talk about the issues that were important to them. However, as the respondents told their stories, the researcher focused, refocused the interview process and probed based on the issues that emerged from the first information rich interview.

In grounded theory, the process of data collection is not impeded by the development of research problems, theoretical understanding or literature review. Instead, the researcher is granted the freedom to enter the field and discover the main concerns of respondents and analyze ways they resolve these problems (Jones et al., (2005). These interviews were followed by two months of reflection. Data analyses from these initial interviews were reflected upon to try to organize the data around themes that were deemed to be important for the research issue. This resulted in four major themes that formed the research boundary. This was followed further data collection and analysis.

One of the recurring grounded theory debates is the extent to which it is desirable or possible to pin down and formalize the approach to a general procedure (Partington, 1990). In setting out and illustrating the grounded theory approach Glaser and Strauss (1967) emphasized that their principal aim was to stimulate others to codify and publish their own methods for generating theory. They were aware of the dilemma of describing in the linear format a practically applicable research monograph, iterative procedure. This awareness is evident in their repeated statements of the need for intangible qualities such as insight and theoretical sensitivity (Glaser & Strauss, 1967; Partington, 1990). However, as has already been discussed since the launch of their book, Glaser and Strauss have taken grounded theory in somewhat different directions (Charmaz, 2000). This study followed a Straussian. The details of how coding was done are explained below.

### **3.5.3 Subsequent Interviews**

As the process of open coding and analysis continued, new issues emerged and this necessitated going back to the same respondents several times to collect more



data. This necessitated identifying and selecting new respondents. The researcher got telephone and email contacts of BDS providers who had attended a training organized by International Labour Organization (ILO). The researcher sent emails to these people requesting them to participate in the research process. Six of these people responded positively. The researcher followed with telephone calls and arranged for interviews with them. The interviews followed the same procedure i.e. they were voice taped, and during the interviews the researcher probed in order to clarify issues and refocused the interview process and wrote down field notes as well. These interviews generated new issues that necessitated interviewing consumers of BDS products and BDS facilitators. This formed phase two of the interviews.

**(i) How Open Coding was done**

Although data collection, analysis and coding for the study were done concurrently and throughout as explained by Glaser and Strauss (1967), Assad (2001) noted that separation of the process is sometimes made to allow a presentation of data collection techniques that were employed. The coding process followed a paragraph by paragraph method. This basically involved looking at the transcribed tapes paragraph by paragraph together with the field notes that the researcher had written down and asking the questions “what does each phrase mean, how is it different from or similar to the ones that had been coded; what insights can I draw from it with regard to the issues under discussion? As the researcher developed the codes, she wrote memos as well. In addition, the researcher made use of the important words and phrases that she wrote during the interview process.

The initial open coding process generated a large number of incidents (*Appendix 2*). Through constant comparison, the researcher reduced the number of incidents

to relatively fewer concepts. By grouping concepts into categories, the number of units that the researcher works with is reduced. The process of constant comparison and theoretical sampling reduced the concepts to 18 higher level concepts known as categories (*Table 4.1a and b*).

### **(ii) How Axial Coding was done**

The researcher analyzed and compared the emerging issues (that were generated during the open coding) together with the new insights from the additional data collection to see if similar codes occurred and grouped them under related concepts. As the process continued, further constant comparison and theoretical sampling resulted in a reduced number of seven categories now called main categories. During axial coding, some categories were changed as new data were collected and analyzed. Some of the names of the sub-categories were also changed while some categories were combined with others to form new categories. In addition, new categories also emerged during the axial coding process.

### **(iii) How Selective Coding was done**

Selective coding is a process of integrating and refining categories (Strauss & Corbin, 1998). Selective coding requires selection of the central or core category (a central phenomenon which has emerged from the axial coding process) (Strauss & Corbin, 1990). The researcher chose one core category (*BDSPs' strategic response*) and positioned it at the centre of the process being explored, and then related all the other six categories to it. This category was chosen as the core category because it seemed to be linked to all the other categories either directly or indirectly (Strauss & Corbin, 1990). Based on the emerging relationships, the researcher developed a model of interrelationships between these categories.

### 3.5.4 The Structure of the Fieldwork

#### (i) Phase 1 Field Interviews

The field interviews work took a total of twelve months which were spread out between May 2008 and August, 2010. It was done in two phases. In phase one, a total of eleven respondents (BDSPs) identified as RSP1 to RSP11 were interviewed and 27 interviews conducted. The longest interview took two and half hours while the shortest took one hour. Table 3.5 gives a summary of phase 1 of the field interviews showing the number of times each respondent was interviewed and the total number of interviews.

Table 3.5: : Phase 1 Field Interviews

<b>Interviewee</b>	<b>No. of Interviews</b>
RSP1	4
RSP2	4
RSP3	4
RSP4	4
RSP5	2
RSP6	2
RSP7	2
RSP8	2
RSP9	1
RSP10	1
RSP11	1
<b>Total</b>	<b>27</b>

#### (ii) Phase 2 Field Interviews

The researcher was given names and telephone contacts of some small-scale entrepreneurs and BDS facilitators by the BDS Providers. The researcher made telephone calls arranged for interviews with them. Four SE clients and two facilitators responded positively. Theoretical sampling works by selecting subsequent subjects based on the information which emerges from the data already coded (Sarantos, 2005; Jones et al., 2005). The researcher reformulated specific sets of questions to each set of these respondents.

In phase two, a total of four MSE entrepreneurs and two BDS facilitators were interviewed. The four entrepreneurs were identified as RSC1 to RSC4 while the two BDS facilitators were identified as RF1 and RF2. The separation of the two phases of the interview process was necessary because of the differences in the focus and depth of the analysis between these two phases of the research process. Table 3.6 gives a summary of the interviews showing the number of times each respondent was interviewed and the total number of interviews.

Table 3.6: Phase 2 Field Interviews

<b>Interviewee</b>	<b>No. of Interviews</b>
RF1	2
RF2	2
RSC1	1
RSC2	1
RSC3	1
RSC4	1
<b>Total</b>	<b>8</b>

In total eleven BDS Providers, four MSE entrepreneurs and two BDS facilitators were interviewed. All the respondents could communicate in English so there was no need for translation. Besides the formal interviews, the researcher also talked to several colleagues in management and in education, practitioners in the micro-finance industry whose views were not recorded and coded but which helped in the reflection and conceptualization of some of the emerging issues.

### **3.6 Ethical Considerations**

For the pilot and the first phase of the interviews, the respondents were contacted informally through telephone. The researcher explained to the respondents the purpose of the call and how she had obtained their contacts. After the telephone

call, the researcher arranged for a face-to-face meeting with each potential respondent where she explained to them the purpose of the research. The researcher asked their willingness to participate in the research process. She explained to them that the research process would require several interviews (probably three or four interviews). The researcher also sought the consent of the respondents to allow her use the digital voice recorder. She explained the reason for voice taping the interviews.

In addition, the respondents were assured of confidentiality and anonymity and that the data collected and the transcriptions would be used for academic purposes only(*see Appendix 1 for Letter of Introduction*). This assurance was necessary in order to maximize information from the respondents. There were three sets of respondents namely BDS providers, BDS facilitators, and MSE entrepreneurs. To ensure confidentiality and anonymity of the respondents, the names of the respondents and their organizations were disguised. The names of the respondents were replaced with code numbers as follows: *RSP1*, *RSP2*, and *RSP3* etc. to denote BDS provider1, BDS provider 2, and BDS provider 3 respectively. Facilitators were coded as *RF1* and *RF2*, to denote facilitator 1 and 2 respectively. The MSE entrepreneurs were coded as *RSC1*, *RSC2*, etc. to denote entrepreneur 1, 2, and 3 respectively. The organizations of these respondents were also disguised for the same reasons.

## **CHAPTER FOUR**

### **EMERGENT THEORETICAL PERSPECTIVES**

#### **4.1 Introduction**

In this chapter, the initial analysis of data and the outcomes of the initial data analysis are presented. It starts with merging inferences from the issues identified from the data with the results of the initial reflection over what were identified as important to the actors (BDSPs). The chapter describes the first phase of data analysis. It shows a list of emergent themes from the analyses that were deemed to be of importance to the discussion. These emergent themes were arrived as a result of constant reflection and comparison. They include the following: Start-up Motives, BDSPs' Background Characteristic, Start-up Strategy, and BDSPs' perception of the Business. These research themes formed the boundaries for the research process. Open coding was done within these research themes and these helped to generate initial concepts and later theoretical categories. These themes resulted from the initial research question, "What motivated you to venture into this business?" which was posed to the initial respondents.

#### **4.2 The Emergent Themes**

Data from the initial interviews were reflected upon to try to organize the data around themes that was deemed to be important in explaining BDS performance and sustainability. The following are four major themes that emerged from the data and the narratives for each:

- i. Start-up motives ,
- ii. BDSPs' background characteristic,
- iii. Start-up strategy,
- iv. BDSPs' perception of their business

### **4.2.1 Start- up Motives**

BDSPs gave several reasons for venturing into business. The following statements capture some of the motives for venturing into provision of BDS. For instance, RSP1 explained that they (she and her partners) noticed that many business people in Western Province (the western part of the country) were in dire need of BDS. They were also moved by the high poverty levels in the region. She goes further to say that she had an inner motivation to make a difference in the society: “we realized that there was a lot of poverty in Western Province and so we wanted to make a contribution to make a difference in these people’s lives”.

For example, RSP3 explained: “I ventured into small business consulting because I wanted to make a social contribution. I have a big social heart; I get boost and energy by impacting on someone. In addition, I realized I had a lot of potential that I could not fulfill in a structured organization like ABC Motors Ltd. Third, I wanted to give service to the small-scale entrepreneurs but also to gain financial independence”.

RSP4 on the other hand, explained that he was motivated by the desire to put into practice the skills which he had learnt. “I wanted to put into practice the group dynamic skills I had learnt while working at micro-finance institution to see whether it would work for a different clientele -the farmers”.

### **4.2.2 BDSPs’ Background Characteristics**

BDSPs came from diverse backgrounds. The previous work experience seemed to have influenced their desire to venture into business. For example, RSP3 explained: “I was working under a very democratic boss who allowed me to make certain decisions whenever he was away and supported whatever decisions I made. In addition, he allowed me to attend many capacity building trainings that

exposed me to all management functions. Through these trainings, I also met and interacted with people. These opportunities opened my eyes. I came to realize I had a lot of potential that I could not fulfill in a structured organization like ABC Motors Ltd”. This seems to suggest that working under a democratic boss allows one to recognize his/her potential and/or ability. Attending workshops and capacity building opens people’s eyes to range of possible opportunities.

Furthermore, previous work experience enables people to acquire knowledge and skills. As RSP4 explained; “I decided to put into practice the group dynamic skills that I had learnt at a micro-finance organization to see whether it could work for small farmers or not”. Previous work environment also gave RSP4 and his partner an opportunity to get market information that other people did not have. “He explained we were lucky because having worked with the donor agency, we had insider information. “So we won the contract”. The importance of experience is also implied by RSP2 when he explained: “I wanted to use BDS as stepping stone to learn the skills of doing business”. Thus through experience people gain skills. Previous work environment give people insider information about the market which other people may not have.

In addition, it also appeared that people develop certain mindset and assumptions from their work experience. For example, RSP3 explained: “Having come from the corporate world, I entered business with a corporate mentality. Initially, I would go out and make contact with clients but I never made follow ups because I believed they (clients) were the ones who needed my services and so should look for me”. RSP5 also explained; “micro-entrepreneurs are notorious for not paying for services. They think that someone is responsible for their existence”. In this sense it can be said that previous work experience had a negative impact on the



market because it made one develop unfavourable mindset and attitudes about the market.

### **4.2.3 Start-up Strategy**

Different BDSPs used different strategies to enter into the market. The start-up strategies seemed to be somehow linked to BDSPs' view of the market. BDSPs seemed to be of the view that many entrepreneurs were not fully aware of the benefits of BDS, a factor they partly attributed to the fact that BDS market was still emerging. In addition, as an emerging market, the risks and uncertainties associated with business could probably be higher than in other markets. Some of the BDSPs mentioned they were not sure how the market was going to respond. Thus most seem to start small. The reasons for starting small appeared to differ from one individual provider to another but seemed to be a risk reduction strategy against the possible risks of failure of the business. For example, RSP1 explained: “we decided to start small because when we started BDS was a new concept; many entrepreneurs had not experienced BDS then”. “So we wanted to give entrepreneurs time to develop interest first before we could roll the services out in large scale”. “Second, we decided to leverage on donor support as a temporary penetration strategy to enable us to charge lower prices until the entrepreneurs develop interest in the products”.

RSP1 further explained: “when we started, we were not sure we would succeed because BDS was a new concept especially in the region”. She mentioned that their organization was the first to take the concept of BDS to Western Kenya.

RSP4 also explained: “When we started, we were not sure whether we would succeed or not. So I told my partner ‘let us try and see’; if we succeed we move on if not we move to something else”.

*Offering all services- as a package: RSP2 explained;* “for SE clients you have to be a jack of all trades. You see many SE clients have many issues; they have tax, marketing, personal problems and they want you to sort all these issues and then they pay you one fee. Actually, for SE clients if you specialize, you lose because if you specialize, it will be too expensive for them”.

It was therefore of theoretical importance to establish whether or not the changes in the approach had any influence on the long-term continuity of the businesses.

#### **4.2.4 BDSPs’ Perception of their Businesses**

Different BDSPs seemed to perceive their businesses differently; while some seem to perceive the business positively (as having potential), others perceived it negatively (as having no potential). Thus, the question of “how BDSPs view their businesses” was added to the research questions.

The following are some of the views of the BDSPs regarding their businesses: For example, RSP3 explained: “I believe my business is going to succeed. I compare this business to a “bamboo tree” that once it takes root it spreads very quickly. I know I time is going to come when I will not have to work as hard but to reap the fruits of my efforts. But now is a time to sow the seeds. Again for me it is the success of my clients that gives me the most satisfaction”. It appears that the this respondent has a strong belief that the business is going to perform very well in the future and it is this belief that seems to give the motivation to push on.

RSP4 explained that they are making a positive impact on the farmers who are now assured not only of a steady market but also higher prices than they would get outside the market linkage. He believes that the business has a lot of potential

sees the business as a fulfilling career and as such does all it takes to make it succeed.

RSP1 explained: “We reached the lowest height in our business so we had to stop normal operations. Now we only do business when one arises. However, we did not want to lose touch with their clients so we have retained an office which we use to keep in touch with their former clients”. It seemed that although RSP1’s business is doing very badly she still nurses the hope that in future they will be able to resume normal business operations. RSP2 on the contrary does not see any potential in the business. He says “I have never seen BDS grow unless when one is dealing with large organizations”. For RSP2, this business is a stepping stone to do ‘a serious business’ in the future. He says: “I started this business to learn the skills of running a business”. This probably explained RSP2’s attitude towards his clients who are doing well. “When I see a client making so much money yet I know I can do much better than him/her it makes me wonder what I am doing in this business”. His action confirms that he had no intention of sustaining the business; by the time of the fourth interview, he had already quit the consultancy and had had joined salaried employment. All these insights were noted in order to be followed to establish how if at all they had any relationship with how BDSPs succeed in building sustainable business.

### **4.3 Open Coding**

As already mentioned, emergent research themes suggest the research boundaries during data collection. Open coding is a stage where the raw data are initially examined and are coded through a process which fractures the interview into discrete threads of datum. During open coding, data are broken down into discrete parts closely examined and compared for similarities and differences (Strauss & Corbin, 1998). Open coding involved identifying, naming, and describing

instances found within the interview transcripts and field notes. The main purposes of open coding are to conceptualize and label data. While naming concepts, grounded theory does not attempt to understand the world of the research respondents as they construct it (Glaser, 1998). Charmaz (2006) recommends that data be broken down into segments which are called incidents. An incident is found in a phrase, a sentence or two but infrequently in as many words as a paragraph (Glaser, 1978).

Open coding followed a paragraph by paragraph method to determine what each paragraph actually means in relation to the study objectives and at the end of it, a large number of concepts known as incidents/ open codes were generated (*Table 4.1a-b*). The researcher minimized these incidents by grouping and labeling them into initial categories through a continuous comparison analysis process to see similarities and differences between them. These incidents were compared with other incidents and other data to develop the codes. Through continuous comparison and theoretical sampling, the number of concepts was reduced.

The incidents were analyzed and those relating to a common theme were collected to give a higher commonality of concepts. These concepts were finally grouped to find yet higher commonalities called categories. By grouping concepts into categories, the number of units that the researcher works with reduced. For example, various concepts could be identified as relating to the reasons for venturing into the business. These were labeled as start-up motives. Others could be identified as relating to how BDSPs entered the market and these were labeled as start-up strategy. The categories reduced the number of concepts to be handled as well as provided conceptual basis to the themes to be discovered. At the end of this process, a total of 18 categories were generated, namely;

- (i) Start –up motives,

- (ii) Start-up strategy,
- (iii) Nature of BDS products,
- (iv) Types of clients,
- (v) Staying close to clients,
- (vi) The role of Trust,
- (vii) BDSPs' personal characteristics,
- (viii) Previous work experience,
- (ix) Presence of donors,
- (x) Value addition
- (xi) Government involvement,
- (xii) The role of experience,
- (xiii) Competition,
- (xiv) Change of business approach,
- (xv) Initiating and running partnerships,
- (xvi) Collaborations,
- (xvii) Intrinsic Satisfaction
- (xviii) BDSPs' perception of BDS business,

Table 4.1*a* and *b* gives a description of the concepts that were conceptualized and the sub-categories that were formed during the open coding process. The researcher made use of quotes from the respondents and for this reason there may be repetitions of the some of the quotes to illustrate different points.

Table 4.1a: Concepts and Categories 1-7

Concepts/Codes	Categories
<p>Desire for autonomy; need for status; desire for philanthropy; desire to explore; frustrations within the current work place; response to market opportunity; a stepping stone to doing businesses; desire to fulfill childhood dreams; desire to fulfill a divine call; I wanted to acquire the skills of running a business; I wanted to put into practice the group dynamic skills that I acquired while working at a micro-finance organization; I wanted to put my skills of several years of working into practice; having tasted administration work, I decided to start my own business,</p>	<p>Start- up Motives</p>
<p>Initially charged very low prices to allow clients to experience and develop interest in the product; Start small and use existing network of associates; focus strategy- focus on the niche market (the women); word of mouth by a the few clients who have experienced the services; Initially focused on the missing middle, on a particular sub-sector, concentrated on successful clients; entered into a market relationship with clients i.e. use group dynamics approach; use payment a precondition for the contract; leveraging e.g. on other businesses to cover overheads, on donor support to enter the market, leveraging on other business segments to offer BDS; diversification e.g. offer a wide range of services, have different category of clients</p>	<p>Start- up Strategy</p>
<p>BDS was a new concept; intangible nature of most BDS; statutory services are easier to sell compared to non statutory services; BDS is a long-term process and so success cannot come in the short- term; some BDS products are easier sold as a package; the returns of most BDS products are long term; the process of BDS products have to be nurtured.</p>	<p>Nature of BDS products</p>
<p>Unwillingness of many small entrepreneurs' to pay for services; many SE entrepreneurs they think they know; some SE clients do not appreciate of professionalism; some SE clients like to do things 'kienyeji'; SE clients are very sensitive to prices; lack of apperception of BDS by many SE entrepreneurs; inability of some SE entrepreneurs to pay for services; lack of awareness of many SE entrepreneurs lack awareness about the benefits of BDS; some SE clients think somebody is responsible for their existence; many entrepreneurs think BDS is for the elite"</p>	<p>Type clients</p>
<p>Having field officers living among the clients; constant touch with clients; Getting constant feedback from clients; regularly talking and/or visiting; frequent interaction with clients through workshops and seminars; interacting with clients through membership clubs; having an interactive web site; regular feedback from clients used to improve the services; feedback from clients; build mutual relationship with clients;</p>	<p>Staying close to clients</p>
<p>Level of trust; source of trust or lack of it thereof, consequence of lack of trust; how trust is built or eroded</p>	<p>The role of Trust</p>
<p>The impact of donors' presence in the market; how different BDSPs respond to the presence of donors; how some BDSPs have benefited from donors' presence; whether or not donors should continue in the market; donors are exiting the market</p>	<p>Presence of donors</p>

Table 4.1b: Concepts and Categories 8-18

Concepts/Codes	Categories
The nature of the previous work experience; opportunities presented by the previous work experience e.g. opportunity to meet potential clients, potential network of associates, learn new things; previous work experience enabled acquisition of knowledge and skills; opened one's eyes to a range of opportunities; enabled one to recognize potential/abilities; creates opportunity to learn new things; makes people develop certain attitudes and mentality; People may get insider information	Previous work environment
Degree of confidence or lack of it there of; alertness; perseverance; risk taking; patience; degree of passion; innovativeness; need to have the soft skills; proactiveness; commitment; empathy; flexible;	BDSPs' personal characteristics
I thought I had gained enough experience after working in ABC Motors Ltd for six years; I made many stupid mistakes because there was no one to learn from; the mistakes I made opened my eyes; through experience you gain the soft skills; experience enables one to acquire the skills group dynamic skills; having tasted administration work makes one develop interest in running their own business.	The Role of Experience
Employed qualified field officers who give practical solutions to the clients; clients must be able to see value; Satisfying customers is what keeps us going; having tailor made services; consistency in providing the services; giving quality products; clients are now assured of market; clients are getting higher prices for their produce; we demonstrated value by using those whom we had trained as show case;	Value addition
BDSPs' level of awareness about what the government is doing; need for government involvement in the sector; degree of government involvement; what the role of government should be in the sector;	Government involvement;
Degree of competition; nature of competition; cases of cheating and coning by some consultants; some consultants compromising standards; consequences of weak legislation on competition; consequences of unfair competition; how different BDSPs handle competition; presence of quack consultants; need for self-regulation to check unfair competition; How to check unfair competition in the industry.	Competition
Change of clientele; change of network of associates; redesigning the products; change use clients already trained as a show case; diversification into new markets and new products; Adopted a trial and error strategy; change of pricing strategy; changed the design of the programmes;	Change of business approach;
The basis of partnerships; challenges of running partnerships; sharing of roles within partnerships; making decisions in partnerships; commitment by partners;	Initiating and running the partnerships
Need for collaboration; need for some kind of professional body to guide self-regulation; benefits of collaboration; difficulties involved in initiating collaborations; memberships of collaborations; degree of members involvement in collaborations; BDSPs' level of awareness of existence and need for collaborations;	Collaborations
Level of personal satisfaction; source of personal satisfaction; reasons for personal satisfaction	Intrinsic satisfaction
Perception regarding potential of the business; perception regarding	BDSPs' perception

possibility of success; perception regarding how fast the returns of the business should be realized; perception how the business is doing; perception regarding the impact of the business.

### 4.3.1 Start-Up Motives

BDSPs mentioned a number of reasons for venturing into small business consulting. The motives varied from one individual provider to another. It also emerged that one provider had more than one start-up motive. The following motives were given by BDSPs as having influenced them to venture into business: autonomy/independence, desire to make a social contribution/impact, to use BDS as a stepping stone to do other businesses, to explore their skills/ potential, to realize a childhood dream, as a response to a market opportunity, to put skills learnt into practice, to learn the skills of doing business, to make money and frustration in formal employment. In addition, BDSPs had more than one motive for venturing into business. The motives are discussed below:

#### i. Desire for Autonomy

Desire for autonomy was expressed in different ways by different respondents. But overall it pointed to the desire to be in control of life; to be answerable to no one. The following are some of the ways in which respondents expressed this desire:

*To gain financial independence:* “I started the consultancy for independence. I wanted financial independence”.

*To fulfill childhood dreams:* “I had always had a desire to do my own business. So when I got tired of working at a Micro-finance Institution, I decided to start my own consultancy. I thought this was an opportunity for me to full fill my childhood dreams. I started doing business when I was a child, selling fruits,



vegetables in the local market. I have always been inspired to start my own consultancy firm. In our family, people like doing business”.

*Desire to be one's own boss and make independent decisions:* “After working at ABC Motors Ltd. under a very democratic boss who allowed me to make certain decisions and supported my decisions, I realized that I needed to be my own boss where I could make independent decisions without having to consult anybody”. RSP6 also explained that: “I motivated by the desire to be ones' own boss and make independent decisions”.

### **Memo**

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The desire for autonomy seemed to point to strong internal locus of control. It seemed that the people who have this desire do not want to be directed or controlled by others. Such people want to chart their own course of life, thus starting their own business gives them freedom so that they feel they are not restricted by anybody or structure.

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#### **ii. Desire for Philanthropy**

Desire for philanthropy or to make social contribution was expressed in different ways by different respondents. The degree of social concern seemed to differ from one BDSP to another. In addition, the desire seemed to be influenced by different factors and was expressed in different ways by different providers. The following are some of the ways in which respondents expressed this desire:

For example, RSP1 explained that they (RSP1 and her partners) noticed that many business people in Western Kenya were in dire need of BDS. They were also moved by the high poverty levels in the region. She went further to say that she had an inner motivation to make a difference in the society: “we realized that there was a lot of poverty in Western Province, yet many BDS providers concentrated in Nairobi. We wanted to provide BDS services to many

entrepreneurs in the province because we believed this could help contribute to employment creation and hence reduce the level of poverty”.

*To give back something to the community; as a social contribution giving some kind of support to SMEs:* The desire to make social contribution is also expressed by RSP3 who explained: “I was involved in a lot of CSR activities at ABC Motors Ltd. and so when I started my own business, I thought I could continue doing the same. You see I have a big social heart; I get boost and energy by impacting on someone. I get a lot of satisfaction from CSR issues”.

RSP5, on the other hand explained: “We wanted to make a difference in these peoples (SMEs) lives. But we realized that many SMEs could not pay the kind of fees our consultants for the main consulting firm were charging. So we started the organization as an offshoot of the main consulting firm as part of its CSR activity”.

*To give service to SMEs:* “I wanted to help entrepreneurs come up with feasible solutions to the business challenge”.

*Divine call:*”I have always been moved by poverty levels; why these small-scale entrepreneurs remain perpetually poor? And I have been thinking about what God thinks of poverty? So I thought I got an opportunity to offer a contribution to the world using God’s/ Christian approach”.

## **Memo**

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The desire to make a social contribution points to the need to give service others. It means giving something to others without expecting something back from them. The desire for philanthropy seemed to transcend the intrinsic needs of the individual BDSP. Therefore though this desire is internally motivated it seemed to go beyond the individual person who is giving services. The desire for philanthropy is expressed by people doing business that do seem to generate a lot financial rewards. These people have professional qualifications that could enable them get jobs that could give them more money.

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### **iii. Desire to Explore**

Desire to explore was expressed in different ways by different respondents, but overall it pointed to the desire to do something new; desire to break away from doing routine work. The following are some of the ways in which respondents expressed this desire:

*To realize my potential:* “I wanted to exploit my potential because I thought I had much more to offer than could be given in a structured organization like ABC Motors Ltd. So I needed to start my own business where I could explore my potential”. RSP3 explained how her boss allowed her to attend many capacity building trainings through which she met and interacted with many people. She explained: “These opportunities opened my eyes. I realized that after working for six years at ABC Motors Ltd. I thought I had a lot of potential that I could not fulfill in a structured organization like ABC Motors Ltd. I found the structured organization too restricting”. When RSP3 explained that she realized that she had a lot of potential that could not be fulfilled in a structured organization, she seemed to suggest that the current job was not fulfilling, it was limiting her in some way.

*To use my experience:* ”After working at ABC Motors Ltd for six years I thought I had gained enough experience that could enable run my business”.

The same sentiments were expressed by RSP8 who explained that having worked in the banking industry for a long time, they wanted a change. For example, RSP8 explained: “After working in the bank for several years, I decided to venture into business consulting for a change and also to explore”.

*To put into practice skills learnt; to test the skills learnt:* RSP4 explained that he wanted to start a consultancy in order to put into practice skills acquired to see

whether it could work. “Part of the motivation to start Organization 4 was to test the skills (the group dynamic skills) I had learnt while working at a micro-finance organization to see whether it would work for farmers. So we decided to give it a trial. I told my partner let us try and see if the group dynamics skills which we learnt could work with the farmers”. Giving it a trial suggests an element of doubt, that they were not sure whether they would succeed; it suggests that they were taking a risk.

*I wanted to do something new:* For example, RSP8 explained that after working in the banking industry for several years: “I decided to venture out because I wanted to do something different”. This seemed to suggest a desire to do BDS *for a change; it points to a desire to start a career path.*

### **Memo**

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Desire to explore requires a spirit of adventure and risk taking. Desire to explore means that one is ready to undertake something new, the outcome of which may be favourable or otherwise. Therefore exploring means being ready to take the risks associated with the unexpected outcomes. But to be willing to take the risks requires people who are aware of their potential; something in them which they would want to explore and exploit. Thus it seemed that awareness of one’s potential is a driving force that pushes people to seek self fulfillment- through own venture creation.

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#### **iv. Frustration within the workplace**

Some BDSPs cited frustration in their former work place as a factor that pushed them out of their previous jobs into consultancy. For example, RSP5 explained that because of frustration at his workplace he decided to quit his job to start his own consultancy although he did not start consulting for SMEs immediately. “I started the business consultancy much later because of the positive feedback from my former clients: whenever I met my former clients they would tell me; 'you really used to help us; why don't you start something similar'. And so I thought to myself I can do it”. Frustration was also implied by RSP3 when she explained: “I

realized that I had risen so quickly to the post of an administrative assistant at ABC Motors Ltd. and that I could not rise any further”. In this case frustration appeared to be a hidden motive that worked to reinforce the other motives to push RSP3 to venture into business.

Frustration within the workplace was expressed in different ways by different respondents. The following are some of the ways in which respondents expressed this:

*Disagreement with the boss:* “I did not like the way things were being managed where I was working”.

*Unhappy with the way things are managed in the work place:* “I was not getting satisfaction in my work place”.

*Lack of career growth/prospects:* For example, RSP3 explained: I realize that having risen so quickly to the rank of an administrative assistant at ABC Motors Ltd. I could not rise any further”. This seemed to suggest some kind of hidden frustration; the realization that one cannot move further along the career ladder. That is the realization that one cannot rise further along the career path may be seen as a negative factor that pushes one to look for alternative paths of career opportunities.

## **Memo**

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It seems like people who have worked for several years in an organization develop a certain mindset and expectations about how the organization should be run. It is also possible that after working in an organization for several years, people develop a sense of ownership; which if not recognized and encouraged may frustrate people and so push them to look for alternative forms of employment. Thus frustration can be a push factor either directly or indirectly making people to start their own business. However, frustration within the workplace may not fully explain why someone would venture into his/her own business since one can look for an alternative job. It suggests that those who are frustrated in their current jobs require a strong will (willing to take the risks and uncertainties associated with a new business venture) for them to start their own business.

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#### **v. Response to market opportunity**

Some BDSPs ventured into the BDS market because they saw a market opportunity and so they responded to it. The motive to venture into BDS as a response to market opportunity was expressed in different ways by different respondents. But overall it pointed to the recognition of the opportunity and the belief that one has at least what it takes to fill it. The following are some of the ways in which BDSPs expressed this desire: *Response to market opportunity*. RSP4 explained; “I would say that we saw a market opportunity and we acted upon it. While doing consultancy for a Donor Agency, we had insider information about what was required and so we decided to register a consultancy firm, bid for the job and we got it”. To RSP1 it was a response to a felt need in the market as she explained; “we realized that there was business opportunity in Western Kenya. There was hardly any BDS provider in the region yet there were many SMEs who needed the services. So we decided to go to Western Kenya and give support services to the small-scale entrepreneurs”.

*Request from former clients:* RSP5 explained; “After I left the micro-finance institution where I was working, I started a consultancy firm which was basically dealing with large organizations, but anytime I met my former clients, they would tell me; you really used to help us; why don’t you start something similar’? (i.e. *offer the same services as before*). So we conducted a study and through this we realized that SMEs needed many more services than we were already offering. And so I thought since it does not require a lot of space, I would start and see how it goes. So we started a wing to offer consultancy services to small-scale entrepreneurs”.

## **Memo**

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For one to respond to market opportunity, they must first recognize the existence of the market opportunity in the first place. This requires people who are alert. Furthermore, being alert also means constantly looking for the opportunity. Even then, it is possible that people may see a market opportunity and not respond to it for a number of reasons: e.g. they may lack the necessary skills or physical resources required; they may lack the will and the confidence to take risks involved. Taking risk requires confidence or belief that one can actually do it and at the same time perceiving the venture that it is worth the risk. Thus response to market opportunity requires one to harness the appropriate resources as well as the willingness to take the risks.

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### **vi. A stepping stone to do other business**

Desire to use BDS as a stepping stone pointed to the fact that the respondent had no desire to do BDS on a permanent basis. For example, RSP2 explained that he explained that he ventured into consultancy to give services to the SMEs but with a motive to learn the ‘tricks of doing a business’. He explained: “I wanted to learn the ‘tricks of doing a business’. I wanted to use BDS as a stepping stone to doing other businesses as well as to make money because I want to become a serious businessman in the future”. Although RSP2 mentioned that he wanted to give services to small-scale entrepreneurs (philanthropy), it seems that his desire to venture into BDS was primarily externality motivated; giving something to the community with the motive of taking something from them.

The following are some of the ways in which this desire was expressed:

*Learn business skills of running a business:* “I wanted to help entrepreneurs find solutions to the challenges they were facing but at the same time learn from their experiences because I want to be a serious businessman in the future. In short I wanted to give service and learn at the same time. To tell you the truth, for me BDS business is a bridge”.

*Make money and move on to start business:* “I want to make money quickly and move on to a serious business. That is why I am saving a big chunk of the revenue that I am generating to enable me start another business in the near future”.

### **Memo**

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The stepping stone motive suggests that venturing into business as a temporary and a stop gap and not a permanent career. The BDSP seemed to venture into the business to acquire seed capital and practical skills in order to start ‘serious business. This suggests that venturing into a business as stepping stone to doing other things may inhibit one’s motivation to work hard or to persevere when things are hard. Furthermore, it suggests that as soon as the objectives are achieved, there would be no motivation to continue doing the business.

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#### **vii. Desire for status**

Desire for status was expressed in different ways by different respondents. But overall it pointed to the desire for recognition in the society. The following are some of the ways in which BDSPs expressed this desire:

*The desire to make money;* “I realized that I was making a lot of money for my employer through consultancies so I thought to myself; why don’t I make that money for myself”.

*The desire to manage a big business;* “I wanted to make money which I could use to start a serious business that my children can inherit”.

*The desire for recognition:* “I was working in a large organization where I could not be noticed so I decided to start my own small company”. Table 4.2 summarizes BDSPs’ start-up motives.



Table 4.2: Start- up Motives

Incidents	The concept
To gain financial independence; desire to be one’s own boss and make independent decisions; to start my own business; I wanted to start my own business where I do not have to consult anybody	Desire for autonomy
Desire to build one’s own company; desire to make money; desire to manage a big business; to start a business that my children can inherit; desire to start a small company where I can be noticed: for recognition	Need for status
To give service to the people; As a CSR by giving some kind of support to SMEs; desire to make social contributions; to give back something to the community; Desire to make a difference in the society; we thought we could give BDS to the small-scale entrepreneurs in order to contribute to poverty reduction, so we wanted to give service to these people.	Desire for philanthropy
To explore my potential; desire to start a career path; to use ones experience; to put into practice skills learnt; to do something new; do BDS for a change; to do something different; trial and error to put to test the skills learnt.	Desire to explore
Disagreement with the boss; lack of opportunity for career progression; unhappy with the way things are managed in the work place;	Frustrations within the current workplace
Having insider knowledge of existing market opportunity; do BDS as a diversification strategy; request from former clients; we saw that there was a market opportunity in Western Kenya.	Response to market opportunity
To learn business skills of running a business; to make money and move on to start business	A stepping stone to doing things
In my family all my siblings including myself have always engaged in business; when I was young I used to sell small things in the local market; to fulfill my childhood dream of running own business;	Fulfill childhood dreams
I ventured into this business a divine call, that this is what God wanted me to do. use BDS to reduce poverty levels; to have a holistic approach to business; not just to make money but also fulfill God’s call to reduce poverty	Fulfill a divine call

### 4.3.2 Start-Up Strategy

Different providers used different entry strategies or approaches to venture into the market. The properties were identified as the type of strategy (*as diversified vs. focus; small-scale. Large-scale, and systematic vs. ad hoc*); reasons for the choice of strategy (*as risk reduction and/or fear of competition*) and donor supported or not. It seemed that most BDSPs started small. The reasons for starting small differed from one individual provider to another. For example,

RSP1 explained: “We decided to start small because BDS was a new concept; at that time; many entrepreneurs had not experienced it then. We wanted to give entrepreneurs time to develop interest first before we could roll the services out. We found a donor agency which was willing to support our programme so we decided to leverage on the donor support as a penetration strategy to allow us charge lower prices until we established ourselves. We intended to use this as a temporary strategy to make entrepreneurs develop interest in the products”. Thus use of donor funding was seen as a temporary penetration strategy to enable providers charge lower prices to give entrepreneurs time to develop interest in BDS.

RSP5 on the other hand explained; “we decided to concentrate on the missing middle; we did not want to carry everybody along because micro-entrepreneurs are notorious for not paying for services”. This was like a focus strategy- focusing on the upper segment of the SME sector; the choice of the strategy being influenced by small-scale entrepreneurs’ unwillingness to pay for services.

RSP3’s entry strategy was to focus on providing HR services such as recruitment and training which she said was her strength. “My initial strategy was to focus on HR which I thought was my strength. I did not want to compete where I knew I would not succeed. Furthermore, I thought I could use the network of associates which I had built while working at ABC Motors Ltd. once I stepped out of employment”. It seemed that RSP3 was very much aware of her strengths and limitations. She wanted to focus on her area of strength while acknowledging her weaknesses as she explained: “I did not want to compete where I knew I would not succeed”. Furthermore, it seemed that RSP3’s initial approach was influenced by her previous work experience.

RSP4 explained that they ventured into the business as a trial and error. “We decided to try out and see; if it succeeds we go ahead; if not we move to something else. RSP4 explained; “we were not sure whether the group dynamics approach would work for farmers or not”. This suggests that RSP4 and his partner started small for fear of risk of failure. In this case starting small could be seen as a risk reduction strategy.

On the other hand, RSP2 ventured into business consulting as a stepping stone to learn the skills of running a business. He explained that: “I wanted to give services to SMEs but at the same time learn the skills of running a business because I want to be a serious businessman myself”. His entry strategy of giving services to the entrepreneurs had an external motive to it: to learn the skills of doing business. Furthermore, because he wanted to make money quickly so as to venture into a ‘serious business’, it does not seem surprising that RSP2 decided to concentrate on successful entrepreneurs; “because these are the ones who can pay for my services”. His choice of strategy, therefore, seems to be influenced by his reward orientation. It is possible that he concentrated on successful entrepreneurs because he needed to make money quickly. Also, because he wanted to learn the skills of running a serious business, it is possible that he wanted to associate with successful business people because these are the ones he could learn from.

Overall most BDSPs seemed to start small. Although there were various reasons for starting small but it was mostly linked to risk reduction. BDSPs interviewed were cautious about the risks involved in venturing into BDS hence they tried to minimize the risks of failure by starting small. For example, RSP4 explained that they ventured into the business as trial and error. He explained “we decided to try out and see; if it succeeds we go ahead; if not we move to something else. We were not sure whether the group dynamics approach would work for farmers or

not”. RSP1 also explained that when they started BDS was a new concept and so they were not sure how the market would respond. It also appeared that BDSPs were not sure of their own strengths and so starting small was a precaution against their own weaknesses.

### **4.3.3 Nature of BDS Products**

The nature of BDS product was conceptualized into a dichotomy as relatively easier to sell and relatively more difficult to sell. The product exhibited the following dichotomies: intangible vs. tangible; statutory vs. non statutory; single service vs. package; and those having immediate returns vs. long-term returns. These features seemed to have *implications on clients' willingness to pay*. For example, RSP3 explained: “the greatest challenge in selling BDS is that it is intangible yet clients need to see value for them to be willing to pay for the services”. RSP2 added that many SE clients are *more willing to pay* for statutory services like compiling tax returns because these are required but are not willing to pay for non- statutory services. Furthermore, BDSPs concurred that those services that have immediate returns and tangible returns were easier to sell. RSP2 added that the clients’ willingness to pay for the services also depends on whether BDS is provided as a single product only or as a package. RSP2 explained that; “many providers are forced to offer BDS as a package because many small enterprise entrepreneurs cannot afford to pay for single services”. RSP3 also explained; “I have come to realize that most entrepreneurs want practical solutions to the problems they are facing”. Table 4.3 shows the dichotomy of the BDS products offered.

Table 4.3: Dichotomy of BDS Products Offered

<b>Relatively difficult to sell</b>	<b>Relatively easy to sell</b>
Intangible returns	Tangible returns
Long Term Returns	Short term (immediate) returns
Non Statutory	Required (statutory)
Single service only	Package
Indirect benefits	Direct benefits

#### **4.3.4 Type of Clients**

The category ‘nature of clientele’ reflects BDSPs’ perception of the clients they were dealing with. The properties of this category as viewed by BDSPs were; attitude of the clients; their ability to pay; their willingness to pay for services and their level of awareness. The following features describe the SE clients from the interviewees’ perspectives. The BDSPs mentioned that the general public (SE clients) was largely unaware and ignorant about the benefits of and/or quality of BDS because many have not experienced it.

With regard to attitude, BDSPs explained that many SE clients were dependent on free things because they have been spoiled by the donors. As RSP3 explained; “In an attempt to encourage SE clients to use BDS, donors paid everything for them to access and this culture has stuck with entrepreneurs”. As such, they are unwilling to pay for services and instead want to access services for free. This attitude of dependency was identified as a culture that has stuck with SE clients but one which must be discouraged. Other properties were self - deception i.e. that many SE clients think they know; and lack of appreciation for professionalism. Because many SE clients do business with serious resource constraints; their priority is making quick cash hence are not willing to purchase BDS with long-term returns.

The following statements from BDSPs illustrate these properties: RSP5 explained: “the culture of free things is so deeply rooted in these people’s minds particularly micro entrepreneurs. Micro- entrepreneurs are notorious for their unwillingness to pay for services. They think others are responsible for their existence. The culture is partly African. We have not developed a culture of taking charge of our own existence even when we can afford it”. Furthermore, RSP3 added: “because these entrepreneurs can still get some of these services free or at a subsidized rate from donor agencies, they do not understand where you are coming from if you are asking them to pay for training. The challenge is even bigger if you are dealing with women entrepreneurs”.

RSP2 explained: “many small enterprises entrepreneurs do not appreciate professionalism; they want to do business 'kienyeji'<sup>1</sup>. The types of clients we are dealing with are very sensitive to price and so if they find somebody who can give them the 'same' service at a lower price they will not hesitate to move because for such clients the cheaper the better. Furthermore, many small-scale entrepreneurs cannot differentiate low quality from high quality services”. RSP3 also explained that; “Some SE clients even tell you ‘I have been doing this business for a long time so what are you coming to tell’”; a statement which RSP2 concurs with when he explained: “Many of these SE clients think they know”. RSP7 also explained: “many SE clients want training where they will get certificates which unfortunately many BDSPs do not provide”.

However, there are some clients who were informed as RSP4 explained; “our organization was dealing with informed clientele- the farmers had already trained

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Kienyeji is a Swahili word for local; traditional or unprofessional.

by the donor before they entered into the market relationship with us; they know about the benefits of the market relationship: they know what to expect from it i.e. they can recognize value addition in the services being given to them. This put a psychological pressure on us to deliver the services as specified in the contract. Our organization entered into a yearly supplier contract meaning that any one party may decide not to renew the contract if it is not satisfied”. RSP4 and his partner were well aware of this fact and so were forced to deliver the services to keep the relationship going.

MSE entrepreneurs’ unwillingness to pay for services seemed to stem from the entrepreneurs’ culture of dependency (i.e. wanting to access services for free) which appears to be deeply rooted and from their self- deception. Therefore, self-deception prevents these entrepreneurs from benefiting from the services because they ‘think they know’ how to run business while in actual fact they do not know. Although it is true that after doing business for a long time people gain experience, but such experience may be limited and so entrepreneurs who do not go through training may not be able to take their business to the next level.

It also emerged that many SE clients operate with serious resource constraints. For this reason, sometimes these entrepreneurs are simply unable to pay for the services. The BDSPs interviewed concur that the culture of ‘free things’ must be dismantled if the provision of BDS is to become sustainable. It was, therefore, important to establish how BDPs dismantle the culture of dependency.

#### **4.3.5 Staying close to Clients**

Staying close to clients was a category conceptualized as an important factor that influenced the strategy to the conduct of their business. Its properties were

identified as importance of staying close to clients; ways of initiating and maintaining close contact with clients; the strength of the relationship; and the benefits of staying close to clients.

BDSPs use several ways to stay close to their clients:

- (i) Living among clients;
- (ii) Getting constant feedback from clients;
- (iii) Regularly talking and/or visiting;
- (iv) Frequent interaction with clients through workshops and seminars;
- (v) Through membership clubs;
- (vi) Having an interactive web site.

It emerged that establishing close relationship with clients enabled BDSPs to know what their clients really want and value. For example, RSP4 explained: “we have a system that ensures that we are in constant touch with our client. We have employed extension officers who live among the farmers; therefore, the officers share the experience of the farmers; they know the farmers’ problems and such are able to empathize with them (farmers). Because of this farmers are able to identify with the officers and so feel they have a stake in the relationship. It has made them own the process. Staying close to customers ensures customer satisfaction”. This seemed to suggest that when providers are close to their clients, they come to know what their clients want. And when clients get what they want, they will be happy and satisfied and when customers are happy they stay with you. Thus staying close to clients may be one way in which BDSPs are able to build sustainable business. As RSP6 explained; “many providers fail to make it because they are trying to sell what they have and not what clients want”.



Other ways of staying close to clients were identified as getting constant feedback from clients. For instance, RSP2 explained that: “I am able to stay in constant touch with my clients by visiting them regularly and by getting feedback from them after every assignment. It is the relationship that you have built with your clients that keep the business moving most of the times”. It is however, worth noting that this view seemed to contradict with RSP2’s style of handling competition. He explained that: “When I find my clients have been taken by competitors, I look for other clients”. RSP2’s style of handling competition seemed to suggest lack of commitment or lasting relationship with clients.

RSP3 on the other hand, explained that she maintained close contact by regularly talking to her clients. “Talking to my clients regularly has enabled me to appreciate what they want”. She added: “I decided to create awareness by attending many workshops and also by building networks with women organizations and facilitating some of the workshops. Through these events I have come into contact with some of my clients and potential clients”. Another way in which BDSPs were able to be in touch with their clients was through membership clubs: RSP5 explained: “through the membership club, “we are in touch with our clients all the time”.

### **Memo**

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It seems that staying close to clients enables providers to know what their clients value and/or want. But staying close to clients requires providers to build long-term relationship with clients. Thus it appeared that knowledge of clients enables providers to go after the needs of the market rather than their own (supplier’s) perceived needs. This means that sustaining a business requires BDSPs who know their clients real and wants.

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### **4.3.6 The Role of Trust**

Trust emerged as an important concept in the process of initiating and maintaining relationships. Its properties were identified as the basis of trust, the level of trust;

how BDSPs build trust and its impact on the business. The basis of trust seemed to be prior past experiences. It appeared that trust was eroded by negative past experiences and strengthened by positive past experiences. For example, RSP3 explained: “I have been conned before by some consultants who lured me to bid for a job with them only to realize that they had gone behind my back and got the job”. RSP2 also explained how he had been cheated by clients and associates: “I have been conned before by clients and associates and so am very hesitant to enter into any kind of contract”. RSP3 also explained: Some clients have been conned in the past by ‘fake’ consultants and because of this they shy away from buying the services”.

The consequence of cheating and coning is loss of trust. When clients do not trust providers they become suspicious. This may raise the cost of transactions because these have to be factored in. Likewise if providers do not trust one another it compromises the possibility of building any kind of collaborations. As RSP3 explained; there was low level of trust in the industry; a factor she attributed to the fact that many clients and even consultants had been cheated by ‘fake consultants’. She explained: “some entrepreneurs have lost trust because they have been cheated by ‘quack’ consultants. Also some providers have been conned by fellow consultants. Yet because BDS is intangible, clients need to have faith in the provider; they must trust that the services being sold to them will work”. RSP2 explained that because he had been cheated before by associates and clients, he is very cautious whenever he is getting into any kind of contracts. “If I have to enter into any kind of contract it is only for a short-term basis”.

Trust was also located along personal level e.g. between a provider and a client; between one provider and another or at the industry level. BDSPs also mentioned certain words and used certain expressions that portrayed lack of trust for one

another. BDSPs mentioned that because BDS is intangible, clients take a risk whenever they purchased the service. They explained that entrepreneurs can only buy the services if they have trust in the provider; that the services being sold to them would work. This seemed to suggest that there is a relationship between staying close to clients and building trust. RSP4 explained that they have earned client loyalty by making them own the process. “We have employed field officers who stay close to the clients; this enables them to live the experiences of the entrepreneurs. This mutual relationship has made it possible for entrepreneurs to develop trust in us”.

### **Memo**

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It appears that trust is an important factor that defines the kind of relationship between the BDSP and his or her clients and amongst the BDSPs themselves. In some instances there seems to be low trust between BDSPs and their clients and also amongst the BDSPs themselves. When trust is lacking one needs to build it and when it is lost, there is need to restore it. However, building trust is a process that takes time and effort. It requires patience. This may suggest building sustainable business may require those who are aware of the trust gap and who move to close the gap.

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### **4.3.7 Presence of Donors**

'Presence of donors' as a category captured the views of BDSPs about how it had affected the conduct of their business. BDSPs' views seemed to suggest that donor agencies should already have exited the market. The properties of the category were identified as: the current level of involvement; the impact on the business and how the providers respond to the presence of donors. Presence of donors was identified as negatively impacting on the sector. For example, RSP3 explained: “the entrepreneurs do not see why they should pay anything for the services when they know they can get the same services for free”. The interviewees mentioned that although the donors are beginning to exit the market, they are doing so at a very slow pace. Most interviewees felt that in the meantime

they must find a way to leverage on donor funding (whenever they have the opportunity) as strategy to minimize the negative impact. They seem to suggest that in the absence of donors SE clients would have no problem buying the products from the private providers.

The following are some of the concerns of the BDSPs with regard to the presence of donors. RSP3 explained: “in order to encourage entrepreneurs to use BDS donors paid everything for the entrepreneurs to access the services (donors paid for accommodation, transport and even paid them for attending training); as such the entrepreneurs got used to free things and this culture has just stuck with them”. RSP5 also added that: “These entrepreneurs do not think they should pay because of their previous experiences; they have been spoilt by the donors who paid everything for them to attend the course”. Most BDSPs mentioned that the presence of donors is a big threat to them because entrepreneurs especially small-scale entrepreneurs are not willing to pay for training when they can get the same free of charge or at a subsidized rate elsewhere.

It also emerged that some BDSPs had benefited from donors in different ways. Some had been trained by the donors. For example, RSP3 explained: “I really owe a lot of gratitude to International Labour Organization (ILO)”. “I attended a Business Plan training that was funded by ILO and through that I learned a lot of practical business skills which I had assumed until then”. “I also met women entrepreneurs –whom I am now working hard to capture”. Furthermore, she met many potential associates and clients. RSP2 also explained he had been a beneficiary of donor funded trainings.

It also emerged that donors had not exited the market completely. The interviewees mentioned that the donor agencies were slowly beginning to exit the

market. For example, RSP3 explained: “I know that one donor agency that is still giving subsidy but it is weaning people from the culture”. “The private service providers must find some way of leveraging on donor support if they are to survive”. “This is what I have discovered that many successful providers do and this is what I intend to do”. RSP3 explained that this is however a very short-term strategy and that when donors gave support, they always had conditions attached.

### **Memo**

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On the one hand, BDSPs seems to attribute SE clients’ unwillingness to pay for services continued presence of donor agencies. Thus the presence of donors appears as a threat to their business; which they find ways and means of overcoming. One way in which they this was to get donor subsidy. Thus getting donor support may or may not have anything do with financial sustainability of the business. On the other hand, some BDSPs use donor support to launch their businesses. Some BDSPs launched their businesses with of donor support. when they assist them (the BDSPs), Thus there seem to be a paradox regarding g donor subsidy: that some service providers have benefited (while some still benefiting) from donor agencies by attending trainings that were donor subsidized but a threat when donor subsidized trainings for the entrepreneurs.

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### **4.3.8 Previous Work Experience**

The category previous work experience was conceptualized along the following properties; nature of the previous work experience (favourable or unfavourable); its impact on personality attributes (built and reinforced or otherwise); possible creation and recognition of market opportunity and opportunity to meet potential clients and/or associates. The nature of work experience was defined in terms of the type of leadership and management described as democratic (for positive) and autocratic (implied) for (negative). Furthermore, through previous work experience, BDSPs acquired relevant skills (positive) but also developed certain mindsets from which they developed wrong assumptions about the market (negative).

For example, RSP3 explained: “my boss allowed me to attend many capacity building trainings through which I met and interacted with many people. These opportunities opened my eyes. I realized I had a lot of potential that I could not fulfill in a structured organization like ABC Motors Ltd”. Through working at ABC Motors Ltd, RSP3 was able to recognize her potential. She explained: “I was working under a very democratic boss who allowed me to make certain decisions and supported whatever decisions I made and because of this I developed confidence in myself. I realized that I had a lot potential which I could not fulfill in a structured organization like ABC Motors. I found the structured organization too restricting. Furthermore, after working for six years at ABC Motors Ltd., I thought I had built a network of associates whom I would rely on to get business once I stepped out of employment”. RSP4 also explained: “I learnt the group dynamic approach at a microfinance organization. I decided to start the consultancy to put into practice the skills acquired to see whether it could work. Furthermore, while at microfinance organization; we worked with a donor agency which gave us insider information”. For RSP5, it was actually his former clients who motivated him to start the consultancy: “whenever I met my former clients, they would tell me, you used to help us, why don’t you start something similar”. It seems that previous work environment created an opportunity for BDSPs to interact with other providers and potential clients. It also created an opportunity to build loyal customers. In addition, working in the industry created an opportunity for BDSPs to recognize their potential.

It emerged that previous work experience also made people develop certain mindsets and attitudes. For example, RSP3 explained that: “I ventured into the market with corporate mentality. I would go out there looking for clients, but I never made any follow ups because I thought it the entrepreneurs who needed my services so they were the ones to look for me. However, I soon realized that

the market does not work that way”. Previous work experience was also identified as frustrating. For example, RSP1 explained; “I was not happy with the way things were being managed so I decided to venture out”. RSP5 also quit his job due to frustration in the work place: “I did not like the way things were being managed so I decided to quit”.

### **Memo**

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It seems that the work experience can have both positive and negative impact on an individual attitude. Work experience is seen to have positive impact if it enables an individual to acquire relevant knowledge and skills of running a successful business. It also gives people the opportunity to build a network of loyal customers as well as meet potential clients and associates. On the other hand, work experience is seen to impact negatively on an individual if it makes him/her acquire negative attitudes and assumptions (unrealistic or wrong assumptions or expectations) about the market. In a corporate one can ignore certain things which cannot happen when one is running ones’ own business. To survive in running own business requires hard work and total dedication, e.g. looking for clients and finding a way to retain them. This suggests that people who run their own business need to work harder than in order to succeed than those who work in a corporation. Thus moving from a corporation into self employment requires a change of mind set.

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#### **4.3.9 BDSPs’ Personal Characteristics**

A number of personality attributes of the providers emerged, namely; social concern, risk taking, commitment, flexibility, proactive, perseverance, passion, empathy, patience and self-confidence. The source of personality characteristics seemed to be experience i.e. learnt (external) or internally acquired (innate). BDSPs’ personal characteristics seemed to be an important factor influencing the direction of the business. Its properties were identified as the type of attribute; the source of the attribute and the strength of the attribute and how the attribute influences the conduct of the business. The attributes appeared to vary from one provider to another and to be changing over time. The following statements from the respondents illustrate some of these attributes:

### **Self-Confidence**

BDSPs seemed to have been acquired confidence through their previous work experience. For example, explained: “having run a successful leadership training programme while in the university, I realized I had a potential- leadership skill. Therefore as soon as I left the university, I decided to start my own business”. RSP2 seemed to imply that he developed confidence after ‘having run a successful leadership training programme’. RSP3 on the other hand, seemed to express confidence which was both innate and externally acquired. For instance when she explained: “I was working under a very democratic boss who allowed me to make certain decisions and supported whatever decisions I made and because of this I developed confidence in myself”; she seemed to be expressing confidence that she acquired from the workplace. When asked whether she was going to succeed in the business or not, RSP3 seemed to express confidence that was internal that went beyond what was externally acquired. She explained; “I am very sure I was going to succeed in the business. For me this is planting time. Harvesting time is going to come”. Judging by the way the respondent carried herself; and by the way she was answering the questions’ one could tell that she was confident about what she was doing.

Thus, it seemed that belief in ones’ ability (self-confidence) was an important element sustaining a business. It seemed that self-confidence was a driving force that enabled people to overcome difficulties and challenges. For example, RSP3 encountered unexpected challenges in the course of doing business; her self-confidence did not seem to diminish. On the contrary, it seemed that the challenges or difficulties strengthened her and gave her opportunity to prove her abilities. This is summed in her statement that seemed to express her



determination: “I know the few clients who have experienced my services will market my products. I know the challenges are there but I am prepared. I have identified a niche market that I intend to develop nurture and serve”. This probably partly explained why she was spending her energy and time to develop a market what she called her niche market-‘the women entrepreneurs’ (whom she intended to mentor) from the scratch. Confidence is probably important when one has to decide on a new direction for the business e.g. designing new products, seeking new alternative markets or networks; it requires self- awareness, knowing ones’ potential, abilities as well as limitations.

Not all providers were confident at start-up. RSP4 explained how they did not know whether they would succeed or not; “When we started we were not sure whether we would succeed or not. So I told my partner ‘let us try and see’; if we succeed we move on, if not we move to something else”. RSP5 also explained that “we decided to start small because we were not sure whether we would succeed or not”. RSP1 also explained: “when we started, we were not sure we would succeed because BDS was a new concept especially in the region”. Lack of confidence seemed to be linked to uncertainty surrounding the market environment. For instance, (as was earlier indicated) RSP1 explained; “our business was the first organization to take BDS concept to Western Kenya suggesting that the organization had the first mover advantage.

### **Passion and Commitment**

Passion and commitment were expressed by BDSPs in different degrees. For example, RSP3 explained that she was very passionate about what she was doing. She explained: “This is where I get my energy from; my boost comes from giving service to people. I enjoy doing this. I get a lot of satisfaction when I make a contribution to people”. The body language of the respondent conveyed very

much the same. Commitment was also exhibited by RSP4 when he explained; “keeping our clients happy is what keeps us in business”. But what does it take to keep clients happy? Keeping clients happy demands total commitment and dedication to the business. It also calls for knowing what clients want and moving to satisfy it. In addition, because clients’ wants change all the time, keeping them happy means constantly looking for ways and means of fulfilling their new wants. It means constantly seeing new ways and means of being ahead of them. This calls for total commitment and dedication to the business which cannot be achieved unless someone has a passion for the business. In addition, keeping clients happy requires providers to be in constant contact with the clients; to know their wants. As RSP5 says; “I do not allow anything to come in between me and the business”.

Commitment was expressed by RSP6 in the following sentence: “Consultants should take their work very seriously as their main occupation. Personally, I have taken it as the main source of my livelihood and I give it the highest standard that I can be able to give and I do not let anything come in between”.

Lack of commitment was cited by RSP1 as a major reason for the problems they were experiencing in their business. She explained that their business was doing very well when all the principal directors were fully committed to the management process. However, things started going wrong the moment the directors started wavering in their commitment. She attributed the problems that they were experiencing in the business to lack of commitment by the other partners. She explained that; “each one of the directors was running their own businesses aside from the joint business. I was the only one who was actively involved in the day to day running of the business. So when I took leave of absence from the business; that made the business to suffer a great deal”. This

may suggest that success requires consistency in the provision of services. Clients need the assurance that the services will be available tomorrow. But for this to happen one has got to be committed to the business. This helps to build the image of the organization as well as customer loyalty.

RSP5 also explained that the reason why they were not doing so well as they could at the start –up was due to lack of commitment. He explained: “we did not find the right person to run the business. The person who was there was only part time coming at particular times of the week”. What does it mean to be a part timer? A part timer cannot give herself/himself fully to the business. It means partial commitment. Therefore, it means that the part timer consultant that was contracted by RSP5 was only partly committed to the organization. Second, because the consultant is there all the time, it means the business cannot realize its potential. Consequently, the inability of the business to realize its potential could be attributable to lack of commitment by the owners and/or employees. This suggests that the level of commitment to the business has important influence on the success of the business (*success being defined from the respondents’ points of view*).

In addition, these attributes seemed to differ in the degrees to which individual providers expressed them. For instance, RSP3 seemed to express a high degree of passionate for what she was doing when she explained: “this is where I get my energy from; my boost comes from giving service to people. I enjoy doing this. I if it were for money I would have closed shop long back. I get a lot of satisfaction when I make a contribution to people”. It seemed that it was the high degree of passion that gave RSP3 the stamina and the motivation to move on especially when things were hard. This suggests that passion is a driving force for direction, for commitment. Passion makes one persevere and look for alternative paths or

goals. What could explain the high degree of passion and/or commitment? These insights were followed in order to establish how if at all they have any relationship with ability and motive to sustain a business activity.

### **Flexibility**

It appeared that flexibility was driven by external factors. For example, RSP3 explained; “the moment I realized that my assumptions about the market were wrong, I decided to change not just my assumptions but also many of the products I had assumed would sell. I decided to change my network of associates as well. These hard lessons made me to adopt a flexible approach to business. I decided to redesign my whole approach to the market, design new products to suit the market, create new target market (the women entrepreneurs) as well as form new networks. In the process I made mistakes but I was ready to learn from the mistakes. In making mistakes my eyes were opened”. But this requires one to be proactive and innovative; to anticipate what the market wants.

This seemed to suggest that RSP3’s experiences taught her to flexible. She was constantly redesigning the product to suit the market. Being flexible makes it possible for one to be responsive to the needs of the market; willing to do anything and everything; trying anything and if it does not work, you redesign the product. In the process one learns and changes accordingly. RSP3 adopted a trial and error strategy. Her readiness to learn from her mistakes could also be attributed to her high level of passion; that is because of her passion for the business, she was ready to do anything and everything to sustain the business.

Other BDSPs also showed some level of flexibility in their approach to business, although not to the same degree. For instance, RSP5 explained that when they realized that they had carried ‘everybody’ they decided to change. They decided

to raise fees in order to cut off many of the micro entrepreneurs. In this sense, it could be said that RSP5 was exhibiting some flexibility.

## **Memo**

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But trying out new things requires an innovative mind. Being innovative means taking the ideas to market place. Innovation means responding to the needs of the market. It requires providers who are proactive; who are willing to change. It also requires knowing what the market wants and moving to fill the gap. But innovation also involves taking a risk because the new idea may or may not succeed. It means being ready to go for the unknown. But taking risks also requires self-confidence. Failure to respond to the needs of the market could be a common mistake that unsuccessful BDSPs make; such providers try to sell what they know/have and not what the clients want.

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## **Social Concern**

Another characteristic that was expressed by the BDSPs was social concern i.e. desire to make social contribution. For example, RSP1 explained: “we (RSP1 and her partners) noticed that many business people in Western Kenya were in dire need of BDS”. We realized that there was a lot of poverty in Western Kenya and so we wanted to make a contribution; we wanted to make a difference in these people’s lives. I have always had an inner motivation to make a difference in the society”.

RSP3 explained that her motive for venturing into consulting for small business entrepreneurs was to make a social contribution. RSP3’s social concern was expressed in the following statements: “It is something in me. At the individual level I would say I get more satisfaction when I’m impacting something to other people. That gives me a lot of satisfaction and maybe that is why I have a huge social responsibility because I get my boost from giving service to people, even ideas. I get a lot of energy out of the service that I give to people. And I have made sure that I have something to go back to in terms of my morale because when it comes to actual BDS, it takes a long time. I have a big social heart. I get

my boost and energy by impacting on someone. Going out there and seeing peoples' challenges and giving them ideas that help them solve their problems; that motivates me; that gives me a lot of satisfaction. I was involved in a lot of CSR activities at ABC Motors Ltd. and so while exiting I decided to continue doing the same". RSP5 also explained: "we wanted to make a contribution to the small-scale entrepreneurs".

For some BDSPPs social concern came from their spiritual conviction. For example, RSP11 explained: "I wanted to venture into business and give it a holistic approach. I have seen the rising level of poverty and been asking myself; what does God think of poverty? So I saw this business as a way to contribute to poverty using a Christian approach". It seemed that the desire to make social contribution came from different sources; some saw it as transcendental, a divine call while for others it was internal, and a deeply rooted value in them.

The level of social concern, however, differed among providers. Some BDSPPs were driven by the desire to help the small-scale entrepreneurs find solutions to some of the challenges facing them (small-scale entrepreneurs); others by the desire to change the lives of many small-scale entrepreneurs yet others were moved by the status of these entrepreneurs. However, all seemed to express different levels of social concern. For instance, RSP3 expressed how she derived high level of satisfaction when she was impacting on someone. For her the desire to make a positive contribution to the community; to small-scale entrepreneurs was so great that even though she might not have been getting a lot of financial rewards, she still got satisfaction from what she was doing. As she explained: "If it were for money I would have closed shop long back".

It seemed that for RSP3, monetary reward was secondary. On the contrary, RSP2 expressed a low degree of social concern when he explained that his intention of venturing into business was; “to give services to the SMEs but at the same time learn the ‘tricks of doing a business’. I want to become a serious businessman in the future”. This suggests that RSP2’s behaviour was more of a self-seeking one.

The degree of social concern somehow seemed to relate to the provider’s passion for the business which in turn appeared to influence the level commitment to the business. For instance it is possible that RSP3’s high level of passion and commitment to the business could have been derived from her high level of social concern. She seemed to give the business all her time and effort. Her statement of: “This is where I get my energy from; my boost comes from giving service to people. I enjoy doing this. I get a lot of satisfaction when I make a contribution to people”. Thus it could be argued that RSP3 was intrinsic satisfaction from the business. She was not just in business for financial gains.

On the contrary, those BDSs who start because of money were likely to give up or move to other types of businesses, making their businesses unsustainable. Such people may not have the passion for or commitment to the business. For example, RSP2 who ventured into consultancy to make quick money to make money and move to serious business might not have had the desire to grow and/or sustain the business. His action confirmed this; by the time of the third interview, RSP2 had already stopped running the consultancy formally and was now employed.

### **Risk- Taking**

Like any business BDS business was a risk taking venture. However, because BDS market is still emerging, it is possible that there are more risks associated with it than most conventional businesses; most BDSs indicated that the concept

was relatively new when they ventured into the market. They were not sure how the market was going to respond. For example, RSP1 explained: “When we started, we were not sure whether or not we would succeed because BDS was a new concept”. RSP4 also explained that when they started they were not sure whether they would succeed or not. In fact, their approach was a ‘let us try and see’. RSP5 also explained that “we decided to start small because we were not sure whether we would succeed or not”. Thus the risk of failure in BDS business was probably compared to other traditional business sectors.

### **Patience**

Another characteristic of BDSPs was patience or lack of it. Patience was expressed by BDSPs in terms of how soon they expected to realize the rewards and how long they were prepared to wait for the reward. The reward orientation was classified as long-term or short-term. For instance, RSP3 explained: “BDS is long-term and so you must be patient for you to succeed. When I started I knew it was going to take time. I compare this business to bamboo tree; its roots take long to mature, but once its roots are established, it spreads very quickly”. Thus RSP3 seemed to exhibit long-term focus of the business. Because of her long-term focus of BDS RSP3 was ready to spend time and resources to change the attitude of the entrepreneurs. She was ready to invest time and money to redesign new products and create new markets. She was ready to build a market niche from the scratch.

RSP1 shares the same view. She explained that when they started the business: “BDS was a new concept and entrepreneurs had not had an experience with it. “The process has to be nurtured; it requires patience”. According to RSP1, to succeed in running a BDS business “you need to keep at it’. This suggests commitment; it implies nurturing the process. On the contrary, RSP2 seemed to prefer a fast rewarding business. He was impatient. He wanted to make money



quickly in order to ‘move on to a serious business’. For him, BDS was a stepping stone to doing other businesses. He did not see himself doing this business in the next few years.

### **Empathizing with clients**

BDSPs concurred that service providers must establish close relationship with clients in order to serve them better. They need to stay close to clients. Different BDSPs used different means to stay close to their clients. RSP4 explained that they had a system that ensured that they were in constant touch with their clients. They employed extension officers who lived among the farmers; these officers shared the experiences of the farmers; knew their problems and so were able to empathize with them. According to RSP4 this arrangement made their clients (the farmers) to identify with them. It made them feel that they had a stake in the relationship: It created a sense of ownership in the process. RSP4 explained that: “Staying close to customers ensures customer satisfaction”.

RSP2 on the other hand, explained: “I am able to stay in contact with my clients by visiting them regularly and by getting feedback after every assignment”- RSP2: Clarity Resource Centre. He explained that this enabled him to know what the clients wanted. RSP3 achieved this by regularly talking to her clients. In fact, she says: “talking to my clients has enabled me to appreciate what they want. Talking to my clients regularly has also made to appreciate the fact that some of these entrepreneurs are really struggling. For this reason I sometimes charge them very low prices”.

The researcher conceptualized the attributes of BDSPs who were able to sustain their businesses into *ability, attitude and reward orientation*. Table 4.4 summarizes the classification of the attributes.

Table 4.4: BDSPs Personal Attributes

<b>Ability</b>	<b>Attitude</b>	<b>Reward Orientation</b>
Ability to build close relationship with clients Ability to form networks Ability to harness appropriate resources; Ability to build trust; Ability to design appropriate products; Ability to discern opportunities;	Social Concern; Empathy; Confidence; Proactive; Innovative; Perseverance/ patience; Flexible; Passionate about what they do; Committed; Risk- taking	Long-term focus; Non-monetary focus

Personal attributes were conceptualized as internally or externally driven. The following statements show how some BDSPs acquired certain attributes from their environment. For example, RSP3 explained the source of her social concern as: “It is something in me”; she seemed to be expressing attributes that were internal but when she explained that: “I developed confidence because of working under a supportive boss. Because my boss supported the decisions that I made, it made me develop confidence in myself”; she was exhibiting attributes that were externally acquired. RSP5 also explained the same: “the positive feedback from my former clients made me develop self- confidence”.

The degree of the personal attributes seemed to differ from one provider to another. As already discussed, while some providers exhibited high level of confidence about their business success, others appeared to have low level of confidence. Also while some providers seemed very passionate and committed to the business, others were not. Furthermore, it also appeared that certain BDSPs’ personal attributes influenced their approach to business. For example, RSP3 explained; “when I realized that my strategy could not work, I became flexible. I

decided to learn through my mistakes. But in making the mistakes, my eyes were opened”.

#### **4.3.10 The Role of Experience**

The category ‘the role of experience’ was conceptualized along the following properties: *source of experience; nature of experience; levels of experience; relevance of experience; and its implications to the conduct of the business.*

BDSPs interviewed had some work experience by the time they started the business although the length and the nature of work experience differed from one provider to another. In addition, the nature of experience seemed to be linked to their previous work background. BDSPs came from diverse business backgrounds. For example, RSP1, RSP2, and RSP5, RSP6, and RSP10 came from micro-finance industry. Work experience seemed to have enabled BDSPs to acquire practical skills that they found useful in running the business. For example, RSP2 cited acquisition of practical skills as one motivation for him to venture into BDS business. He explained that: “I wanted to venture into consultancy to learn the skills of doing business”. The role of experience could be inferred from the following statement from RSP2: “During the two years that I worked with a Briton company, I learned lessons which I later applied in running my consultancy firm”. RSP4’s statement summarizes the role of work experience. “I wanted to put into practice the group dynamic skills I had learnt while working in a micro-finance organization to see whether it would work or not”. The level of experience also seemed to depend on the number of years of work. As RSP3 explained; “After working for six years at ABC Motors Ltd I thought I had gained enough skills that could make me succeed out there”.

## **Memo**

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It seemed that that people who have gained work experience through several years of work have the confidence of running a successful consultancy. Second, it is possible that after several years of working in an organization, people may perceive that their current jobs do not meet their expectations in terms of career progression hence may be motivated to move out to start their own businesses.

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### **4.3.11 Value Addition**

The category ‘value addition’ was identified by BDSPs as an important factor that influenced SE clients’ willingness to pay for the services. Its properties were conceptualized as follows: *its definition (e.g. whether the services were able to give practical solutions to the client’s problems or not); whether providers were able to demonstrate value and whether clients were able to see the value addition.*

RSP3 explained: “BDS should add value to the entrepreneurs and providers must be able to make entrepreneurs recognize value in the services they (providers) are selling. For providers to do this; they need to have soft skills – they need to be knowledgeable in their fields”. She added that: “entrepreneurs can only be willing to buy the products if they see value in the product(s) being offered. As for me I know that the few clients who use my products will advertise my products. I am relying on the word of mouth advertising”. This suggests that when clients are happy, they not only stay with you- customer loyalty but they also talk to other people about your products. In addition, there is the demonstration effect- i.e. other people will see the improvement in their business performance and so develop interest in the services; that it works. RF2, a BDS facilitator added; “Providers cannot expect entrepreneurs to remove money from their pockets to pay for the services. The money they pay must be generated from the business. The services must be able to add value”.

RSP2 explained: “many of our clients are referrals; you do a good job to a client and they refer some other client to you”. “We have repeat purchase clients; these are clients who thought you gave them a good service; that you gave them something that helped them expand their business, so they come back to you. This suggests that when clients are happy, they not only stay with you (customer loyalty) but they also talk to other people about your products- the word of mouth effect. In addition, other people see their businesses doing better than before and inquire—‘the demonstration effect’. It emerged that many providers face the challenge not only about value addition because of the intangible nature of most BDS products but also how to make their clients recognize the value. RSP6 added: “the reason why many providers cannot make it is because they are trying to sell what they have not what entrepreneurs want”. RSP4 attributed part of their success to the fact that the farmers can see immediate returns from the market relationship; “farmers are able to see the increased sale volumes while at the same time enjoying export prices (which was higher than the local prices)”. This means that clients need something tangible in order for them to pay. Customers need to see the value of the services that are being offered to them for them to be willing to pay. If they don’t they will not pay and they will quit the relationship. This is important especially when dealing with an informed clientele.

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This would suggest that successful providers are those who are able to demonstrate value to clients. It appeared that value can be demonstrated in different ways by different providers but whatever the method used, clients must be convinced that the services are adding value to them. Furthermore, providers must have a way of making the clients recognize and appreciate the value addition.

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#### **4.3.12 Government Involvement**

Government involvement was conceptualized in terms of *level of involvement (measured by the existence of laws and regulations); the relevance of what the government was doing; and the consequences of government involvement in the industry* (i.e. negatively or positively). Political and legal environment defined the kinds of laws and regulation that were in place to guide the conduct of the actors in the industry. For example, RSP4 says: “In my view there was need for reasonable regulation to protect consumers and weak players from unfair practices. Regulation should not be used to protect people's business 'territory' to make it impossible for new players to get into the market. Also excessive regulation and government control normally hurts the industry; many times government regulation ends up limiting and inhibiting the volume of business rather than promoting business”. He added that the government was not doing much to support the sector: “because it does not even understand the sector. There is need for self-regulation”.

While some BDSPs were aware of government involving, other interviewees were not aware of anything specific that the government was doing. The absence of regulation was seen as impacting negatively on the sector. RSP3 explained; ‘the absence of regulation has seen so many ‘con’ consultants in the industry’. “These fake consultants spoil the image of consultancy and so make entrepreneurs shy away from BDS”. RSP2 also explained: “I do not see the government getting involved. The hand of the government is very far. The government has been very far even from the SMEs themselves, so unless something drastic happens that forces the government to want to put regulation around SME management, it will be very difficult to have the kind of regulation we are talking about”. He added; “I feel the government need to have policy

around SME management to encourage entrepreneurs, to motive growth oriented businesses”.

Furthermore, RSP1 explained: “because the government is not doing enough to promote the industry, there is need to create awareness”. BDSPs seemed to be of the opinion that the government is not doing much in the sector; that the government should put in place measures to create awareness in the sector because; “the costs of creating awareness cannot be included in the cost of the services”. RSP4 also expressed a similar view when he said: “someone needs to underwrite some of the costs of investing in this sector until such a time when the concept is understood”.

#### **4.3.13 Competition**

The category ‘Competition’ was conceptualized along the following properties: *nature of competition (described as fair or unfair); and level (high or low); its impact on the business conduct (negatively or positively) and BDSPs’ response towards it.*

Competition in the BDS industry was largely described competition as unfair. This was attributed to several reasons. RSP3 explained that: “the fact that anybody can venture into consultancy business poses unfair competition to genuine consultants. Sometimes these ‘con consultants’ quote very low prices and give substandard services. The problem is exacerbated by the fact that most entrepreneurs were not ignorant about the quality of the services”. In addition, it was difficult for service providers to make clients recognize quality in those BDS products whose benefits were long-term and indirect.

The nature of competition seemed to be closely linked to the regulatory framework. The absence of regulation in the BDS sector was seen as impacting negatively on the sector. RSP2 explained: “because there are no standards or regulations in the market, anybody can venture into the BDS market”. Lack of standards also made it difficult for SE clients’ to differentiate inferior from superior services. Some BDSPs were of the opinion that many SE clients were ‘ignorant’ and so could not differentiate between high and low quality products. Inability of clients to differentiate inferior from superior products reinforced unfair competition because it made clients easy target for unscrupulous service providers.

Unfair competition appeared to impact negatively on the industry. It gave undue advantage to the unscrupulous business people over the genuine ones. The presence of unscrupulous consultants is a disadvantage to those consultants who choose to uphold high integrity because they do not want to compromise standards. RSP3 explained; “The dilemma for some of us is that you may know what these unscrupulous consultants do but you do not want to do that. You want to protect and build your name because you are convinced it pays in the long run”.

BDSP’s perception of competition seems to be linked their experiences. While some BDSPs viewed competition in the industry as very stiff, others saw it as natural phenomenon of any business environment and one which they could influence. For example, RSP6 believed it depended on the way one did business. He explained: “For me I always give the entrepreneurs a detailed diagnostic of their business, showing how the training is going to directly affect the sales and profits; and I always have more on my plate than I can take”. Thus for RSP6 was unfair competition in the industry did not put a road block for him. Instead it



gives him opportunity to prove himself. He explains; “I must admit that many people who venture into this sector have messed the market to a point where clients believe they will not be given quality services. That is why I try to rise above everybody else by providing high quality service. I know where most consultants go wrong. They go out there selling the course instead of the benefits of the course. I do it differently and I always have more on my table than I can take”.

RSP1 also explained: “I believe really in terms of service delivery, it is not what you do but how you do it. I believe we had the potential to deliver quality services and that is part of business anyway. You get challenges. In any case, we cannot provide all the services. I would rather look at other consultants as complementing one another rather than competing because we have our particular competencies which may not be similar to what somebody else does”. On the contrary, RSP 2 viewed competition in the industry as very stiff. He explained: “I have trained SMEs through large organizations but such large organizations are very few and there are so many providers”.

Standardization was suggested a way to rid the sector of unscrupulous BDSPs. This would have double benefit: (i) it would make competition fair and so protect the entrepreneurs from unscrupulous business practices, and (ii) help build and maintain the image of the industry. Given that BDS is intangible and its benefits indirect; the challenge was for BDSPs to demonstrate value.

## **Memo**

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In the absence standards for measuring the quality of services, it seemed that each BDSP was using his/her own subjective measure of standards in their concern over consultants who were giving substandard products and services. In addition, the following issues seemed to distinguish genuine consultants from those who were not. Charging low price in order to undercut others but with intention of giving low quality services; failing to deliver services to clients as agreed; venturing into the industry without 'qualifications'.

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### **4.3.14 Change of Business Approach**

BDSPs providers seemed to change their approach to business in the course of doing business as situational forces changed. In addition, it seemed that some BDSPs entered the market with preconceived ideas and assumptions about what the market wanted (and this influenced their approach to business) and so were forced to change their approaches when they realized that their initial approaches could not work. Change of business approach as a category was conceptualized along the following properties; what caused BDSPs to change their approach; nature of the change (*systematic or ad hoc*); the types of approach and the consequences of the change of approach on the business.

BDSPs providers changed their approach to business in response to changes in the market environment and also whenever they realized that their approaches no longer worked. The following statements showed how different BDSPs changed their approaches to business (expressed in different ways). For example, RSP5 explained: "we wanted to start small because we were not sure whether we would succeed. However, when we started we realized that we had carried everybody. We realized that we had made a mistake by carrying all these micro entrepreneurs; so we had to change. We decided to cut off all these micro entrepreneurs. We did not want to take people who ventured into business for lack of alternatives. We decided to have fewer members but who are committed; we decided to pick

gainers from losers. We decided to form business club. We decided to raise our fees in order to reduce the numbers so that we could remain with serious entrepreneurs who know where they are going”.

As for RSP3: “When I realized that my original strategy did not work, I decided to look at other ways of reaching the market -I had to change my strategy. I decided to build my market from the scratch- I decided to focus on the women entrepreneurs. In addition, I decided to become very flexible- I decided to redesign my products. I was forced to re-look at my approach to business because I realized that in consultancy business there are procedures. I had to diversify and look at BDS in its totality in terms of what value addition I could give to entrepreneurs especially startups”. She added that: “that realization made me change my focus and strategy. Initially I would go out there to make contact with clients but I never followed up. I believed they (clients) were the ones who needed my services and so should look for me. I assumed that the market would buy the services I was offering”.

RSP1 also explained that when they started, they were running a fixed programme but the moment the donor withdrew the support, they realized that the approach would not work. So they had to change their approach for them to survive. This suggests that flexibility may be important strategies for long-term survival; that providers who recognize their mistakes and are ready to learn from their mistakes are able to develop innovative coping strategies which may enable them find new business directions. But flexibility requires an open- mind. It means that you try something and if it does not work you redesign it. It involves learning about what works and what does not work and changing accordingly.

Changing approach to business had the some consequences on the business. The following statements captured the respondents' self-evaluation of their new approach to business. RSP3 explained: "I have now identified a niche market- the women entrepreneurs whom I am working so hard to capture and retain". "I know the few clients who experience my products will advertise me". RSP5 also explained: "we are now making positive impact. Our members are in contact with one another and we meet regularly to exchange ideas". "And we intend to expand this in the near future". On the other hand, RSP3 explained that: "By shifting my networks to working with other consultants, I started to see things in a different perspective: that the services may be there but if they are not tailored to the specific needs of the entrepreneurs they will not buy. So I took the initiative to develop products that suit the market. That is the beauty of being your own boss".

Thus it seemed that action oriented BDSPs were able to recognize and respond to opportunities in their environments as well as learn from their mistakes. In addition, they changed their strategy or approach to business as the market environment changed. As RSP1 explained; "we realized that we have a large mass of young people who are not doing anything productive. It is this kind of need that motivated us to look at this category. We are already working with some of these youths. Our focus was to build competencies of some of them through training and the marketing clubs which would market their products".

It further emerged that providers used more than one approach to business and that a particular strategy was expressed in different ways by the provider(s). As later emerged, change of business approach seemed to have an impact on the conduct of the business and hence its sustainability. Furthermore, personal characteristics seemed to influence the kind of approach an individual adopted.

## **Memo**

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It appears changing business approach enables BDSPs to adapt to changes in the market environment. The small independent BDSPs may have advantage when it comes to initiating changes because they do not have to consult anybody. Second, it appears that BDSPs' strategy is evolving responding to opportunities, challenges and circumstances; that it is not pre-set: which requires people who are flexible. In addition, it suggests that BDSPs who respond appropriately to the market are action oriented, they are able to design appropriate strategies (i.e. by responding appropriately to the changes in the market environment) and seek to extend their capabilities and capacities through networking. This involves making mistakes; but through mistake, one discovers, innovates and even finds new directions or paths suggesting that to develop a sustainable business it may be necessary to change approach as circumstance may require.

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### **4.3.15 Initiating and Managing Partnerships**

The category 'initiating and managing partnerships' was conceptualized along the properties: how the partnership was formed; shared vision; level of commitment of the partners; the effectiveness of partnership relationship and how that affected the conduct of the business. Lack of commitment emerged as a problem in the running of a partnership. For example, RSP1 attributed part of the problems they were facing in their business to lack of commitment by the partners. She mentioned that she was the only one who was actively involved in the day- to - day running of the business. As such the business suffered a great deal when she decided to take some time off the business. It appeared that part of Organization 1's problem could be traced back to partnership. RSP1 explained how she ventured into business: "When I left the micro-finance institution where I was working, I was joined by three other colleagues who shared the same vision came together to start the consultancy".

It seemed that RSP2 had had a negative experience from running a partnership. He also explained: "before I started my own consultancy, we were running a partnership with a friend of mine. We started with nothing and things were going on very well. The moment money started coming in, we began to disagree with

my partner over the way money was to be handled. These disagreements persisted and so I eventually decided to quit the business”. Thus it is possible that the negative experience that RSP2 had could have made him to be very cautious and not to trust anyone. This later plays out as he explains his reluctance to enter into any kind of collaboration with anybody. This seemed to contrast with RSP4’s experience of partnership. RSP4 reported a smooth working partnership, where the roles were so clearly divided between him and his partner; each person knew what his role was. There was no conflict at all. It appeared they were managing the partnership very well. RSP4 explained that he was quite satisfied with the way the business was being run.

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It appears that the conflicts that some BDSPs experienced regarding the partnerships could be attributed to the specific partnership arrangements. While some BDSPs are happy with their partnerships other are not. Conflicts within the partnerships could be also be attributed to how they were formed and managed. The conflicts may suggest that initiating and managing partnerships could have important implications on performance of a business in terms of success or failure.

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#### **4.3.16 Initiating and maintaining Collaborations**

The category ‘initiating and maintaining collaborations’ was conceptualized along the following properties: *awareness of its existence (membership of the association); the need for being a member of any association; the benefits of being a member; and the level of involvement (described as active or otherwise) in the process of initiating and maintaining associations.*

The need to form associations arose from two sources: First, all the respondents mentioned that there was lack of appreciation of BDS by the general public. This suggests the need for awareness campaigns to bridge this information gap. BDSPs

further mentioned that one provider could not do it alone, hence the need to build synergies. RSP3 added another dimension that: “even the providers did not know one another. There was need to create some kind of alliance to make ourselves known to the public. I realized this when I left ABC Motors Ltd.; I was looked for any information about BDS in Kenya; who the providers are but I could not find any information”.

Second, the weak regulatory framework made it difficult to enforce contracts. As such some BDSPs saw membership of any association as a way of lobbying for government involvement in the industry and support. It was also a way of lobbying for self-regulation. RSP2 explained: “because of weak regulatory framework, I fear to get into long-term contracts with either associates or clients”. “I have done work on credit before for associates and also to clients but who failed to pay me. Because of weak regulatory framework, seeking legal redress was a costly and a time consuming affair. Therefore, there was need for some kind of self-regulation”. He added that: “I know there are some people who are trying to come up with an 'association of management consultants' who wanted to start some kind of regulation. I do feel there is need for regulation. Today anybody can start offering BDS. However, when asked his opinion regarding how regulation could be done; he explained; “As to how self -regulation can be done; that I really do not know. I have not thought about it”.

Other BDSPs echoed the similar concern regarding weak regulatory framework which made it easy for anybody to venture into the consulting business. RSP3 explained: “I have been conned before by ‘fake’ consultants, so I know there are in the industry. Because of these experiences I am very reluctant to enter into any kind of contracts with other consultants”. It also emerged that in some instances one may be forced to enter into an alliance with other consultants. As RSP3

explained; “I came to realize that the public does not appreciate the years one has worked in the industry. What they want and appreciate is your profile-how many assignments you have done”. Because of this she was forced to leverage on the shoulders of the established consultants to bid for a job. I decided to work with established consultants to enable me build my profile. Second, I decided to work with many organizations dealing with women entrepreneurs to enable me reach and change the attitude of the women entrepreneurs. I regard women entrepreneurs as my ‘niche’ market”. RSP3 added that: “I still work with an associate of existing consultants because working with people has opened for me new paths”. But for RSP2: “I only enter into temporary alliances because I had been conned before but at the same time I am not sure of the quality of the work of these consultants”.

The need to form alliances and collaborations arose from three factors: First, lack of appreciation of BDS by the general public necessitated creating awareness campaigns to bridge the information gap, but which some BDSPs felt they could not do alone. Second, lack of regulatory framework to guide the operations of the sector impacted negatively on the sector. However, because BDSPs felt the government was either doing nothing or doing too little; there was need for self-regulation to bridge this gap. For example, RSP4 mentioned that there is need for self-regulation; because “the government is doing very little but at the same time the government does not even understand the sector”. Third, the need to enter into an alliance was prompted by some BDSPs’ their realization of lack of capacity to undertake certain tasks on their own. RSP3 explained; “I realized that what the public needs is your profile. So I decided to leverage on existing consultants”.



#### **4.3.17 Intrinsic Satisfaction**

The category 'BDSPs' personal satisfaction' captured self- evaluation of the respondents regarding whether or not they were deriving satisfaction from the business activity. It appeared along the properties 'status' as 'happy' or 'not happy' and 'satisfied' or 'not satisfied' with doing the business.

RSP3 explained: "I get a lot of satisfaction from what I am doing". "I get a lot of satisfaction from CSR issues". "This is where my boost comes from". I get a lot of satisfaction when I am impacting on someone". To RSP3 the greatest motivation was her personal satisfaction. She explained that: "if it were for money I would have closed shop long back". RSP4 also seemed to derive similar satisfaction. He explained: "satisfying our customers is what drives us". As for RSP5: "we have made a positive impact on these entrepreneurs and we are very happy with the progress we are making and we intend to expand this in the near future". On the contrary, RSP2 did not seem to be satisfied or happy with the way the business was doing. He explained: "when I see a client making so much money yet I know I can run that business better than him or her, it makes me feel very bad. It makes me wonder what I am doing in this business".

Personal satisfaction also appeared to be linked to whether or not the motives for doing business were being fulfilled. For example, RSP3 explained: "I took the initiative to develop new products that suits the market. That is the beauty of being your own boss. I did not need to consult anybody. It was, therefore, necessary to establish whether or not personal satisfaction had any relationship with the respondents' perception of their business and hence the motive to sustain it.

#### **4.3.18 Perception of the Business**

It seemed that financially RSP2's business was doing very well. For example, he explained: "I am able to pay all my business expenses, meet my family expenses and make some savings". Yet he did not seem satisfied with the way the business was doing at all. He explained: "I have never seen BDS business grows unless when one is dealing with large organizations". RSP4 also seemed to have a lot of expectations of the business. When asked whether or not BDS is worthwhile doing he explained: "there is a lot of potential in this business". This contrasted with RSP3's perception of her business. RSP3 explained: "there are times when I am really struggling to meet my business expenses and even to put food on my table. However, I believe that a time is going to come when I will not struggle like this. For me this is planting time and harvesting time is going to come". Thus it seems that her positive perception pushed her to invest (her time, energy and money) into the business. On the contrary, RSP2's negative perception of the business prevented him from investing resources (both financial and time) into the business.

Through axial coding process, these categories were combined with others to form higher concepts known as main categories. The main categories are described in chapter five.

## **CHAPTER FIVE**

### **THE MAIN CATEGORIES**

#### **5.1 Introduction**

This chapter advances grounded theory analysis from the level of open code categories, as discrete aspects of the phenomena to a higher level analysis (axial coding) where the main categories emerge. The chapter is divided into eight sections. Section one explains how the main categories were generate. Sections two to eight explains the seven main categories.

#### **5.2 Generation of the main Categories**

Through breaking down of data, open coding enabled the identification of eighteen categories. Axial coding (also known as theoretical coding) is an advanced level of coding and aims to interconnect substantive codes and first order concepts to construct higher order codes. While opening coding 'opens' data to theoretical possibilities, the axial coding 'puts together' concepts and interrelates them to reach higher level of abstraction. Axial coding assembles the categories identified during open coding and seeks connections between them (Strauss & Corbin, 1990). It is a process of relating categories to their sub-categories, termed “axial” because coding occurs around the axis of a category (Strauss & Corbin) and specifies the properties and dimensions of a category (Charmaz, 2006).

The purpose of axial coding is to begin the process of reassembling data that were fractured during open coding. In axial coding, categories are related to their subcategories to form more precise and complete explanations about phenomena although the sense of how categories relate often begins to emerge during open coding (Strauss & Corbin, 1990). Procedurally, axial coding is an act of relating

categories to their subcategories along the lines of their properties and dimensions. It looks at how categories crosscut and link; the actual linking taking place not descriptively but rather at the conceptual level (Strauss & Corbin).

It is possible to think of the coding process as a form of pyramid at the base of which is open coding. Through systematic analysis and constant comparison of data, axial coding reduces the number of codes and collects them together in a way that shows a relationship among them (Moghaddam, 2006). The end result of axial coding is a collection of higher order categories also known as main categories. Brown et al, (2002), give four analytical processes during axial coding: (i) continually relating subcategories to categories; (ii) comparing categories with the collected data; (iii) expanding the density of the categories by detailing their properties and dimensions; and (iv) exploring variations in the phenomena. During axial coding, the initial open codes become sub-categories.

After the initial stage of open coding which resulted in 18 categories, the researcher revisited the data, collected more data, analyzed and compared the key points to see if similar codes occurred and grouped them together under related concepts. Axial coding resulted in a reduced number of *seven* categories called main categories. During axial coding, some categories were changed, some of the names of the sub-categories (categories during open coding) were changed while some others were combined with others to form new categories, as new data were collected and analyzed. In addition, new categories emerged. The following seven main categories emerged from axial coding:

- i. Start- up motives,
- ii. BDSPs' background characteristics,
- iii. Strategic response of BDSPs,
- iv. Ability to identify and close gaps in the market,

- v. Situational forces,
- vi. BDSPs' perception of the business, and
- vii. BDSPs' motive to sustain business

These categories are explained in detail below:

### **5.2.1 Start-Up Motives**

The category 'Start-up motives' from the initial open coding was maintained as the main category but with more incidents added to it. For example, it became clearer from the interviews that BSPs may have the same motivation for venturing into consultancy but their level of motivation may differ. It also emerged that even for the same provider; the level of motivation seemed to differ from one motive to the other. The sources of start-up motives were conceptualized as intrinsic, extrinsic and philanthropic. In addition, it became apparent that certain motives were dominant over others. For example, when RSP3 explained; "If it was for money I would have closed shop long back. I have a big social heart. This is where my boost comes from. I get my energy by impacting on others". It suggests that to her social objective overrides the motive to make money.

It also emerged that motives shifted over time. For example, when RSP4 ventured into business, his overriding objective was to make money as he explained: "We saw an opportunity to make money and so we decided to bid for the job". But over time his focus seemed to have changed to serving clients. His statement of: "keeping our clients happy is what drives us" seemed to suggest the change of from making money to satisfying clients.

In addition, some motives appeared interlinked. For example, people who venture into BDS market because they were unhappy with the management style in their

previous organization (as explained by RSP1 and RSP5) may suggest higher need for autonomy which if not met could have pushed them out to look for alternative forms of employment. But venturing to start one's own business gives an opportunity for people to realize other motives as well. For example, RSP1 explained that frustration in her workplace pushed to start her own business but this gave her an opportunity to realize her childhood dream, which she did not do until she saw a market opportunity. Also from RSP3, one can deduce frustration at workplace. She explained how she rose very quickly up the career ladder to become the HR Administrator in her organization but soon realized that she could not rise further. Talking to her one got the impression that she was a go getter who would settle for nothing less than what she set to achieve. Thus it was possible that the realization that she could not rise up the ladder within the organization could have frustrated her and pushed her out.

RSP5 also explained that because of frustration at his workplace he decided to quit his job to start his own consulting firm mainly for large organizations. He did not start consulting for SMEs immediately. It was only much later after meeting his former clients that the idea of consulting to small-scale entrepreneurs occurred to him. He explained: "whenever I met my former clients they used to tell me, you really used to help us why don't you start something similar. This gave me the confidence to start the consultancy". In this case, it is possible that frustration at workplace combined with the positive feedback from former clients worked jointly to make RSP5 start the business.

Another start-up motive was desire for independence. The desire for independence was expressed in different ways by different providers. First, there was the desire for financial independence. For example, RSP3 says she ventured into consultancy to give service to the small-scale entrepreneurs but also to gain

financial independence. But there was also the desire to be one's own boss. RSP3 explained that the beauty of running one's own business was that you did not have to consult any one. The desire to be one's own boss was also expressed by RSP1 indirectly when she explained: "my childhood dream had always been to start my own business".

The desire for independence seemed to be influenced by several factors. First, the desire seemed to come from the working environment. For example, RSP3 explained that working under a very democratic boss who allowed her to make certain decisions enabled her to develop self confidence. She explained: "My boss allowed me to make certain decisions whenever he was away and supported whatever decisions I made. In addition, he allowed me to attend many capacity building trainings that exposed me to all management functions. Through these trainings I also met and interacted with people. These opportunities opened my eyes. I came to realize that I had a lot of potential that I could not fulfill in a structured organization like ABC Motors Ltd. The interactions also enabled me to build a network of associates which I thought I could make use of later on when I stepped out of employment".

For RSP4 the start-up motive was to put into practice the skills learnt. He explained; "I wanted to test the skills that I had learnt". RSP2 also expressed the same when he says: "having run a successful leadership training programme while in the university, I realized I had a potential- leadership skill. Therefore, I decided to start my own business as soon as I left the university". As for RSP5, that awareness came through positive feedback from his former clients. He explained that "Whenever I met my former clients, they would tell me; you really used to help us; 'why don't you start something similar?' And so I thought to myself I can do it".

For some BDSPs, venturing into own consulting business could also be attributed to their desire to make money for themselves. RSP6 explained: “I realized that I was making a lot of money for my employer through consultancy jobs so I thought to myself, why not I make that much money for myself? So I decided to start my own consultancy in order to make money for myself”. RSP2 on his part ventured into BDS to make money which he could use later as seed capital to start what he calls a “serious business”. He explained that he was saving a large portion of the money that he was currently generating for that purpose. RSP2 explained that he wanted to run a big business in the future which his children could inherit.

Analysis of the start-up motives reveals that these motives could be categorized into three as *extrinsic, intrinsic and philanthropic*. Contrary to empirical findings on start -up motivation of small-scale entrepreneurs that show that most are motivated by economic necessity and survival (Olomi, 2001) the study did not find any BDSP was motivated to venture into consultancy for economic necessity and survival. They were mostly motivated by higher levels of (intrinsic and philanthropic) needs for example, the need to fulfill one’s potential, the need to explore, the need to give service to society as well as desire for autonomy among other things. The source of motives was classified as internal if it was intrinsically motivated, external if it was externally motivated and philanthropic if it was transcendental. Table 5.1 gives the classification of the start-up motives.



Table 5.1: Classifications of BDSPs' Start-Up Motives

<b>Extrinsic Motivators</b>	<b>Intrinsic Motivators</b>	<b>Philanthropic Motivators</b>
Frustration within the work place; Desire to make money; Using BDS as a stepping stone to do other businesses; Response to market opportunity; Desire to fulfill to family tradition; Desire to put skills learnt into practice	Desire for autonomy; Desire to explore; Desire to fulfill childhood dreams; Desire to realize ones' potential	To give service to others; Doing BDS as CSR by giving support to MSEs; Desire to make social contributions; To give back something to the community; Desire to make a difference in the society; Desire to contribute to poverty reduction Desire to fulfill a divine mission

### 5.2.2 BDSPs' Background Characteristics

The sub categories (i.e. categories in during open coding); *personal characteristics, previous work environment and the role of experience* were combined to form the main category 'BDSPs' background characteristics'. It emerged that these factors do singly or severally influence the knowledge and skills of the providers and hence their strategic response. As already mentioned, BDSPs came from diverse backgrounds. They came from different industry background; different work experience and different years of experience. An interesting finding is that all BDSPs interviewed had some involvement with a microfinance institution. Majority had worked in microfinance institutions before they ventured into their own consultancies. Even those who had not worked formality in a microfinance institution before mentioned they had attended some training sponsored by donor agencies linked in collaboration with some microfinance institution.

First, it appeared that the interest to venture into business consulting had been prompted by the industry experience. It emerged that experience in the industry

enables people to acquire skills. RSP4's statement summarizes it. "I wanted to put the skills I had learnt while working at a micro-finance organization into practice". RSP3 also explained: "I thought I had gained enough skills that could make me succeed out there". In addition, working in the industry creates an opportunity for the providers to build networks either of associates or of potential clients. For example, RSP3 explained: "I thought I had built a network of associates whom I would rely on to get business once I stepped out of employment". For RSP5, it was his former clients who motivated him to start the consultancy: "whenever I met my former clients, they would tell me, you used to help us, why don't you start something similar?" It emerged that most of these BDSPs have had previous contact with some donor agencies. Through these contacts their capacities and skills have been developed. The contact with the donor agency also brought them into contact with the small-scale entrepreneurs either directly or indirectly.

Work experience sometimes made BDSPs develop certain mindset or assumptions of the market. RSP3 explained that; "many providers venture into the market with wrong assumptions; they think they know what the market wants. I know this because, when I ventured into business, I had assumed that the market was going to buy the services I was offering. But later I realized that my assumptions about the market were wrong". RSP5 concurred with this when he explains; "the reason why many providers cannot make it is because they are trying to sell what they have, not what entrepreneurs want".

BDSPs also echoed the need to have soft skills, to be knowledgeable in their fields. RSP3 explained: "entrepreneurs can only be willing to buy the products if they see value in the product(s) being offered. But providers can only add value if they have the required soft skills; if they are knowledgeable in their fields. I

owe a lot of gratitude to ILO because through the Business Plan Training that I attended, I was able to acquire practical skills that I have found very useful”.

Third, different providers also exhibited different personality characteristics. For example, risk taking behaviour was shown by all of them even RSP3 who said she was very confident she was going to succeed. The others explained they started small because they were not sure whether they would succeed or not. RSP1 explained: “when we started, BDS was a new concept, so we decided to start small to give entrepreneurs time to experience the services”. RSP4 also mentioned: “we were not sure whether we would succeed but I told my partner ‘let us try and see’, if it succeeds we continue if not we move to something else”. Only one BDSP said she was sure of succeeding in the business. As explained other personality characteristics were proactive, commitment, patience, perseverance and confidence. The degree of personal attributes differed from one provider to another. For example, while RSP3 explained: “I am very passionate about what I am doing. This is where my boost and my energy come from”. RSP2 explained that sometimes he wondered what he was doing in the consulting business suggesting he was not passionate about the business. These insights were deemed to be relevant to the research issue and as such were followed to establish whether and how they influenced the development of sustainable BDS.

### **5.2.3 BDSPs’ Strategic Response**

BDSPs’ strategic response was conceptualized as relating to what BDSPs do and how they respond to changes in the market. *The sub-categories ‘start-up approach; change of business approach; building and managing partnerships; and building and managing associations were combined to form a main category*

*'BDSPs' strategic response'*. It was conceptualized 'strategic response' because of the following reasons; (i) it seemed to be prompted by BDSPs' recognition of the need to change the business approach; (ii) it seemed to be planned and closely related to the specific situational context; and (iii) it seemed to be directed to achieve some desired goals. Strategic response of the providers was identified as effective or ineffective depending on whether it achieved the desired outcome.

BDSPs' strategic response was identified as effective or ineffective depending on whether it enabled the provider to achieve the desired outcome. The following quotes from the respondents show how the incidents were identified and coded: Table 5.2 shows how these strategies were coded.

Table 5.2: How the Coding of BDS strategies were done

<b>Quotes from respondent</b>	<b>Coding</b>
<p>"I was forced to re-look at my approach to business because I realized that my initial strategy could not work-that realization made me change my focus and strategy.</p> <p>"I had to diversify and look at BDS in its totality in terms of what value addition I could give to entrepreneurs especially start ups. I had to do this in order to survive"-</p>	<p>Change of business approach;</p> <p>Diversification strategy.</p>
<p>"I also realized that the challenges I was facing were because of the assumptions I made.</p> <p>I had assumed that the market would buy the services I was offering"</p>	<p>Corporate mentality;</p> <p>Influence of previous work experience on provider attitude;</p>
<p>"Although we had intended to start small, we did not start small.</p> <p>We realized that we had carried 'everybody' and so we had to cut off some of these micro-entrepreneurs who are notorious for not paying. We raised our fees";</p>	<p>Change of business approach;</p> <p>Focus strategy;</p> <p>Change of business approach;</p> <p>Price strategy'</p>
<p>"We realized that we needed to have our field officers stay among the farmers in order to serve our clients better. It has made has to give services that are appreciated by our clients (farmers)"</p>	<p>Client strategy;</p> <p>Product strategy'.</p>

It also emerged that there were many challenges in the BDS market that providers could not overcome alone. This necessitated initiating and forming relationships (i.e. partnerships or associates). BDSPs needed to form synergies. The

relationships were initiated and maintained at two levels namely at individual level e.g. between a provider and another (like in the case of associates or partnerships) and/or at the industry level. Industry level collaborations brought providers together mainly to form lobby groups. However, while some BDSPs were members of these collaborations others were not. Still others were not even aware of any existence of any associations in the industry. It emerged that providers do use more than one approach to business and that a particular strategy was expressed in different ways by the provider(s). Table 5.3a and b summarizes the different types of strategies used by BDSPs.

Table5.3a: Business Strategies used by BDSPs

<b>Codes</b>	<b>Category/ Strategy</b>
Using already successful clients who had been trained as show case; Getting regular feedback from clients; Having interactive website where I communicate with clients; Constantly talking to clients; Focusing on specific clientele; Keeping constant touch with clients; Entering into service contract with clients; Working with successful clients only; Building mutual relationship with clients; Living among clients to make them develop a sense of ownership; Using of word of mouth from clients, Organizing annual events that bring clients together, Making follow ups with clients, Organizing regular get together for clients, Forming drama and health clubs which served as a business, health and an educational tool (for personal health in particular HIV/AIDS); Organizing SE entrepreneurs to form self-help savings and lending groups.	Client strategy; Empowering clients,
Designing tailor made products; Providing high quality products; Providing products that add value; Making follow up services, Forming marketing clubs to market the products of other clubs	Product strategy; Differentiation strategy

Table5.3b: Business Strategies used by BDSPs

<b>Codes</b>	<b>Category/ Strategy</b>
Charging very low price temporarily; Occasionally giving free services; Using payment as a precondition; Increase of fees to cut off micro clients, Leveraging on other businesses to cover costs;	Price strategy; Differentiation strategy; Cost strategy
Entering into service contract with existing consultants; networking with other organizations in the area and other developmental organizations; developed linkage with institutions of higher learning, Leveraging on existing associates to develop profile; use of donor subsidy to launch new products; Using a pool of existing associates to get business; Collaborating with other organizations in the environment; Forming network of associates to lobby for changes.	Strategic alliance strategy or collaboration
Focusing on specific clientele: e.g. youths; on the women; Dealing with successful clients only Reducing the number of clients and forming business clubs of only serious clients,	Focus strategy
Trying anything and if it does not work you change it e.g. designing new products and if it does not work you redesign it.	Trial and error strategy; Product strategy
Creating and running other businesses alongside the consultancy; Having different kinds of clientele; Offering variety of products; Doing other things alongside business consulting e.g. started working on part time basis to supplement the business incomes.	Diversification strategy,
Using donor subsidy to offer some services or to charge low prices (temporary); Attending some workshops sponsored by donors to learn the tricks, Launching some services in collaboration with donors.	Price strategy; Leveraging on donor support; Product strategy

#### **5.2.4 Ability to identify and close gaps in the Market**

*Ability to identify and close gaps in the market is a main category that resulted from combining three categories, namely; staying close to clients, value addition, and the role of trust.* The revealed that gaps do exist in the BDS market both in the demand and supply side and that BDSPs need to identify and close or fill these gaps for them to sustain their businesses.

#### **Gaps as Perceived by BDSPs**

A number of gaps as perceived by BDS were conceptualized. The gaps include awareness gap, value gap, trust gap, quality gap, capacity gap; willingness to pay gap, appreciation gap, and ability to pay gap, and perception gap. It was established that these gaps must be identified and closed if BDS is to be sustainable. Different respondents used ways to close these gaps. The gaps as discussed below:

**Awareness Gap:** As already explained, the interviewees mentioned that the general public was largely unaware of BDS and/or its benefits. At the same time, some BDSPs had wrong assumptions of the market. For example, RSP3 explained: “Many entrepreneurs are not aware of the benefits of BDS and/or the existence of BDS providers”. And she adds that: “even the providers themselves do not know one another”.

**Value Gap:** It emerged that many small-scale entrepreneurs were operating with serious resource constraints. They were only willing to pay for the services that added value to their businesses, i.e. for entrepreneurs to be willing to pay for the services they must see value in those services. Only those services that add value will be bought. RSP3 explained: “BDS should be able to add value and the providers must be able to make entrepreneurs see and recognize value in the services they are selling. However, the biggest challenge is that you cannot see it so how do you make someone see the value? The value can only be realized after experiencing it; you have to go through it and experience it in order to see the value”.

Another respondent explained: “satisfying our clients is what keeps us going”. This suggests that successful providers are those who are able to demonstrate value to their clients. It emerged that value is demonstrated in different ways by

different providers e.g. using successful clients who have been trained as show case; whatever the method used, clients must be convinced that the services are adding value to them. For example, some BDSPs make use of people whom they had trained to demonstrate value. Others give practical solutions to the problems that clients are facing.

**Trust Gap:** RSP3 explained: “some entrepreneurs had been cheated by ‘quack’ consultants. Consequently they had lost trust”. Also some consultants have been conned by fellow consultants. Second, BDS is intrinsic; entrepreneurs were taking a risk whenever they purchase the service. This requires trust. “Furthermore, because BDS is intangible, the clients needed to have faith in the provider; they must trust that the services being sold to them would work”. It emerged that some BDSPs lost trust through previous bad experiences. As RSP2 explained; “I do not want to get into long- term contract with any consultant because I do not know the quality of their work. Furthermore, I have done work for clients and for associates before who never paid me”. RSP2 also explained why she feared to get into contract with other consultants. She explained; “sometimes fellow consultants come to you with a proposal. You sit together to generate ideas only to realize that they went behind you and bid for the job without you. This has happened to me and so I know such malpractices exist”.

**Quality Gap:** It emerged that there was no standard measure of quality of services being provided. This implied that it was difficult to judge the quality of services. The gap arose from lack of regulation and standards in the industry. RSP3 explained: “because there are no standards, there are many ‘quack’ consultants who charge low prices but offer low quality services. The problem was exacerbated by the fact that many entrepreneurs cannot differentiate low quality from high quality services”. To fill this gap, some respondents explained



that they had undertaken to help their clients learn to recognize and appreciate quality. This they did through campaigns and awareness workshops. In addition, some BDSPs were lobbying for self- regulation so that they could set standards in the industry. Furthermore, lobbying for self- regulation could not be achieved by one individual provider.

**Capacity Gap:** It emerged that for BDSPs to add value, they must have the capacity; they must have the soft skills to do so. For example, RSP3 explained: “I came to realize that most entrepreneurs want practical solutions to the problems they are facing”. “Therefore providers must have the soft skills; they must be knowledgeable in their field”. Providers must have the capacity to offer the services required by clients. As RSP6 explained many providers are trying to sell what they have and not what clients want because they do not have the relevant skills.

**Willingness to Pay Gap:** BDSPs mentioned that many small-scale entrepreneurs were not willing to pay for the services. Willingness to pay for services was attributed to a number of factors: (i) the way the concept of BDS was developed; that the donors paid everything for entrepreneurs to access BDS. RSP3 explained: “In order to encourage entrepreneurs to use BDS, donor agencies paid everything for them to access the services. “The culture of ‘free things’ has stuck with the entrepreneurs hence their unwillingness to pay for services”. RSP5 adds that small-scale entrepreneurs are notorious for their culture of free things. He explained that: “the culture of free things is deeply rooted in the minds of the many entrepreneurs especially the micro entrepreneurs who think that someone is responsible for their existence”.

BDSPs explained that to change the ‘culture of free things’, required synergies; collaborative efforts of all providers because no individual provider had the capacity to do so. It appeared that the source of the dependency culture internal as well as external (i.e. acquired from the donor agencies). (ii) According to RSP small businesses need to grow for SE clients to buy BDS. He explained; “You see if the businesses are not growing, the entrepreneurs would not see the need for your services”. To him if businesses are growing they will need the services as they need to take their business to the next level. (iii) RSP6 explains; “You see entrepreneurs are only willing to pay for services that add value to them; when they are stuck or meet obstacles or getting into new areas that need new knowledge they will be willing to pay. Furthermore, if the business is doing well and he can directly associate the business success with the training or mentoring, they will be willing to pay”. RSP7 added that: “Another reason why SE clients are not willing to pay for BDS is that training is the least of priorities for them. What they are concerned about is quick cash”.

**Appreciation Gap:** For example, RSP2 explained: “Many small-scale entrepreneurs do not run their businesses professionally. They don’t appreciate professionalism and as such do not appreciate BDS. Many are used to doing things ‘kienyeji’. There is also the ‘self- deception’. Many small-scale entrepreneurs think they *know*; many think because they have been doing business so long, they do not see what somebody would come to tell them. You see you are given an assignment, it is a lot of work because for SE clients, everything is going wrong: their books of accounts, personnel, tax, marketing etc. and they want you to fix all these problems for them. It takes a lot of time. Then you look at what you are being paid. You realize that it is not worth your time”. To this respondent low pay was a sign of lack of appreciation of services on that part of entrepreneurs.

In addition it appeared that sometimes entrepreneurs might not value what BDSPs had to offer. For example, RSP3 explained: “I realized that the profile I had which was my personal CV which people do not seem to value very much. I had to look for ways of working with existing consultants to be able to build my profile”. It was mentioned that some providers fail because they try to sell what they have and not what the market wants.

**Ability to Pay Gap:** But BDSPs acknowledge that many small-scale entrepreneurs were operating with serious resource constraints and so some are unable to pay for the services. For example, RSP3 explained: “sometimes these small-scale entrepreneurs are simply unable to pay for the services”. This view is shared by other interviewees. Second, because RSP3 was deriving a lot of satisfaction from what she was doing she was ready to work with entrepreneurs from the low end of the market and nurture them to become her niche market. She was also willing to charge very low prices; sometimes even give free services to some entrepreneurs because she is confident that this will be able her niche market in the future. The challenge for the providers was, therefore, to design low priced products for the low end of the market. Filling this gap requires providers who take cognizance of this fact and who respond appropriately.

**Perception Gap:** It emerged that different BDSPs had different perception of their businesses. The perception of the BDSPs’ (i.e. frame of reference of the respondents) regarding how the business was performing appeared to be linked to whether the provider’s motive(s) for doing business was (were) being met or not. For example, those whose start-up motives were being met seemed to have a positive perception of the business and as such derived satisfaction from the business. Furthermore, it appeared that sometimes BDSPs’ perception of their

businesses were different from those of donor agencies. Although BDSPPs agreed in principle that provision of BDS should not be subsidized, they however, did not mind getting donor subsidy (for as long as donors were still in the market). In fact, they saw donor subsidy as a temporary strategy which they could leverage on (particularly to cover some of the overhead costs that they were unable to cover from the revenue generated) irrespective of whether the business was financially sustainable or not. On the contrary donor agencies saw the continued 'reliance' on donor subsidy as a sign non-sustainability of the business. Table 5.4 shows the gaps in the market, their consequences and how they are closed.

Table5.4: Gaps as perceived by BDSPs, consequences and how they are BDSPs close them

<b>Labeled codes</b>	<b>Causes</b>	<b>Consequences</b>	<b>How BDSPs close the gaps</b>
Awareness gap	BDSPs have not made themselves known; BDS concept is new	SE clients do not benefit from BDS	Run awareness campaigns
Willingness to pay gap	some SE clients accesses free services in the past paid by donors SE culture Culture is partly African; Some BDSPs sell services that are not valued by clients.	Some SE clients are not willing to pay for services hence cannot benefit from BDS; Deep rooted culture of dependency	Identify the real wants of clients and move to fulfill them; Change the 'culture of free things' through campaigns
Ability to pay gap	Some SE clients have serious resource constraints	Inability to access services	Design low priced products/ focusing on those who can pay
Trust gap	Some clients have been cheated; Some BDSPs have been cheated by fellow consultants.	Some SE clients are suspicious of providers; BDSPs are suspicious of each other	Build close contact with clients; form networks that enables BDPs to come together
Value gap	Some BDPs sell services which don't add value;	Clients are unwilling to buy	Demonstrate value by using entrepreneurs who have experienced services as show case; Use of word of mouth
Quality gap	Presence of quack constants; Weak regulatory frame work leading to lack of quality standards; Clients' inability to differentiate between products	Poor image of the sector; Low quality being sold; Unfair competition in the sector.	Lobby for regulations by the government; Lobby for self-regulation Give high quality standards
Appreciation gap	SE clients don't value BDS or professionalism; Some consultants use language that is above clients, others are theoretical	Many SE clients are not accessing services	Use those who have used the services as show case; demystify the concept of BDS
Capacity gap	Some BPDs don't have the soft skills and/ or the knowledge;	BDSPs sell products that are not valued or wanted by clients;	Form collaborations with other providers, government and donors; Lobbying with government.
Perception gap	Some BDSPs perceive things differently from the SE clients. The gap is conceptualized by	BDSPs offer products that are not valued by the market.	The gap may or may not be filled depending on the provider's perception

the researcher as based on  
the stories of the BDSPs and  
after talking to SE clients

of the market

### **Gaps as Perceived by Entrepreneurs**

The above gaps were captured and conceptualized from BDSPs' points of view. Their responses were triangulated and corroborated with those of the SE entrepreneurs. These were conceptualized as demand side gaps. The following quotes from SE clients show that in some cases, BDSPs' perception of the market may differ from entrepreneurs' perception of the market giving rise to perception gap. The gaps are summarized in Table 5.5a and b.

Table 5.5a: Demand Side Gaps 1-3

<b>Incidents</b>	<b>Concepts</b>
<p>I do not know who paid for us to be trained or how much was paid;            I did not know about the existence of this organization, I was introduced by a friend;            I came to realize after being trained that was the ‘enemy of my own business’;            Although I did not pay for the training that I attended and I do not know who paid;            We did not have information about these trainings</p>	Lack of awareness
<p>I do appreciate the training very much. Before I attended the training I did not know that I was the enemy of my business;            I value training because I know that even though you can do business without training, you cannot do it better than somebody who has been trained;            Actually doing business without training is like ‘walking without eyes’, like a blind person who does not know where he or she is going;            I like the way the training was conducted in phases; every time you were attending a particular module it was like a kind of refresher course;            I learnt many things that I did not know about the business;            I value professionalism; I would certainly recommend a friend to get these services; training is good, it broads people’ eyes and prepares you for what you can meet in the future;            Training prepares you for challenges which you can meet in the future;            I think BDS is important because even if your business is doing well, it will give you opportunity to expand your business;            New things are coming up every day and so you need to update your skills;</p>	High degree of appreciation
<p>I would have been willing to pay for the services if they were being sold in the market.            We were not paying for services ourselves,            Although the training was sponsored by some NGOs, I would have been willing to pay for them if they were being sold in the market.            Now am willing to pay for the services because I am making enough money; then I was not able to pay;            I would be willing to pay for the services but it depends on how reasonable the prices are.</p>	Client’s willingness to pay for services

Table5.5b: Demand Side Gaps 4-8

Incidents	Concepts
<p>Now I have no problem paying, I am now banking money in millions, before I was banking in thousands and I had difficulty paying for the services;</p> <p>I would have no problem paying because I know these services are very important;</p> <p>I had no problem paying then because the business was doing well</p>	<p>Ability to pay; BDS has added value to the business</p> <p>Ability to pay changes</p>
<p>Now I cannot pay for the services because my business is not doing as well as it was doing before;</p> <p>I had problems paying for the services then, the fees charged then was a bit too high and I was not making that kind of money.</p>	<p>Inability to pay for services;</p>
<p>I was very happy with the services I received and for that reason I can recommend someone;</p> <p>The services met my expectations;</p> <p>I was very happy with training especially because it came at intervals and that acted like a refresher course for me.</p>	<p>Satisfaction with the services</p> <p>High quality of services;</p> <p>Training did not meet expectation.</p>
<p>I went in with a broad expectation but the training was too focused;</p> <p>The training was too shallow for me, it would have been good for beginners;</p>	<p>Inappropriate to customer;</p> <p>Low quality of services</p>
<p>The training added value to my business; then I was making money in thousands now I am making money in millions; the training added a lot of value,</p> <p>The training moved my business from point A to point B, without it I would still be where I was;</p> <p>The training made a big improvement in my business, because I did not have any knowledge of finance,</p> <p>I did not know how to keep records now I am able to keep track of my business;</p> <p>I was wasting so much money without realizing; the training added value because I learnt new things;</p> <p>After attending the training I was able to expand my business;</p> <p>After the training I was able to save the proceeds which I was not doing before;</p> <p>The quality of life of my household has improved because my business started to do well.</p>	<p>Valuable services</p>
<p>This is Kenya where nobody trusts any one;</p> <p>I know about groups that have been conned;</p> <p>Our firm was a victim; we paid somebody to train our staff, he did not conduct the training and did not refund the money.</p> <p>Trust is a big issue in this industry;</p> <p>I trusted them because there was no day that we were cheated</p>	<p>How level of trust</p> <p>Clients have been cheating</p>



The quotes reveal that in some instances there are differences between BDSPs and SE clients' perceptions pointing to the existence of a possible perception gap in the market.

### **5.2.5 Situational Forces**

*The following sub-categories (categories in the open coding): the role of government, the nature of competition, presence of donor, type of clients and nature of products were combined and labeled 'Situational Forces'. They were labeled so because the forces seem to point to a particular set of circumstances, or situation in which the providers were operating. The category was labeled 'Situational Forces' because the providers' response to the above forces seemed to be located along situational context. The situational forces were identified as either favourable or unfavourable. These forces were not static but varied over time.*

For example, it emerged that weak regulatory framework was a big challenge affecting the BDS sector. Apart from RSP4 who said the government was doing too little to promote the BDS sector, other BDSPs mentioned they were not aware of anything specific that the government was doing to promote the BDS sector. The absence of regulation in the BDS sector impacted negatively on the businesses. For example, RSP2 explained: "because there are no standards or regulations in the market, anybody can venture into the BDS market". RSP3 adds that: "the fact that anybody can venture into consultancy business poses unfair competition to genuine consultant". She goes further to say: "sometimes these 'con consultants' quote very low prices but give sub-standard services. The problem is exacerbated by the fact that most entrepreneurs are not ignorant about the quality of the services".

Second, the weak regulatory framework made it difficult to enforce contracts. For example, RSP2 explained: “because of weak regulatory framework, I fear to get into long-term contracts with either associates or clients”. He cited instances when he did work on credit for associates and for clients who failed to pay him. Because of weak regulatory framework, seeking legal redress is a costly and a time-consuming affair. Other respondents echoed the similar concern. For example, RSP3 also cited instances when she was conned by fellow consultants. RSP3 goes on to say: “because of these experiences I am very reluctant to enter into any kind of contracts with other consultants”.

Another dimension of weak regulatory framework was lack of quality measure. RSP2 explained: “Because there are no standards I do not want to get into contract with other consultants because I do not know the quality of their work. But if I have to enter into any kind of contract it is only on a very short-term basis”. To overcome these regulatory weaknesses, RSP3 suggested the need to initiate a process for some kind of standardization and self-regulation in the sector. She argued that: “providers must drive the process themselves”. This view was also shared by RSP4 who said that the providers must drive the process of self regulation; that regulation could not come from the government because the government did not even understand the requirements of the sector.

Some BDSPs felt the government was not doing enough to promote the industry. RSP1 further that because the government was not doing enough, there was need to create that awareness themselves. But she argued that these costs could not be included in the cost of services. RSP4 expressed a similar view when he said: “someone needs to underwrite some of the costs of investing in this sector until such a time when the concept is understood”. Not all providers were actively

involved in the process of initiating and building collaboration. For instance, RSP3 explained how she has participated in a number of forums that is trying to bring BDSPs together. They formed an association that was laying the ground work for self-regulation and she was an active member. However, some BDSPs were hardly aware of anything such associations.

Third, it emerged that donor agencies had not exited the market completely. BDSPs mentioned that the presence of donors was a big threat to them because entrepreneurs especially small-scale entrepreneurs were not willing to pay for training when they could get the same free of charge or at a subsidized rate elsewhere. The intangible nature of BDS also posed another. RSP3 explained, “The greatest challenge in selling BDS is that it is intangible yet clients need to see value for them to be willing to pay for the services”. Other BDSPs concurred with this view. On the other hand, services that had immediate and tangible returns were easier to sell as opposed to those who are selling BDS with intangible and long-term returns. As RSP4 explained; “by negotiating higher prices for their clients as well as assuring them of steady markets, we are able to demonstrate value to our clients; because of this we have no problem selling their services”.

RSP2 added that many SE clients were more willing to pay for statutory services like compiling tax returns because these were required by law but were not willing to pay for non statutory services. Another important aspect of BDS that emerged was how providers packaged their products. According to RSP2, many providers were forced to offer BDS as a bundle because many small-scale entrepreneurs could not afford to pay for single services. But RSP3 explained: “that the challenge with this is that some providers are forced to provide services

in areas where they do not have skills”. Her strategy was to concentrate on areas where she had strength.

It also emerged that some BDSPs did not have a true knowledge of the market- some did not know what the market wants. For example, RSP3 explained that: “when I ventured into the market I assumed that the market was going to buy my products”. She added that: “many providers venture into the market with wrong assumptions; they try to sell what they think the market wants and not what the market really wants”. RSP6 added; “that the reason why many providers fail to make is because they are trying to sell what they have; and not what the market wants”. Table 5.6 summarizes the situational forces in the BDS market.

RSP11 added another dimension why some people failed to make it in business: “First, a business has a life of its own. But many people start to draw from the business even before they invest anything. I realized that when I ventured into this business. I had not saved enough money for my own personal use. I came to realize that the revenue the business was generating could not sustain me because I had not invested anything in the business. Second, consultancy is an elitist business yet the consultants are dealing with poor entrepreneurs who cannot afford their prices”. Table 5.6 shows the situational forces.

Table5.6: Situational Forces in the BDS Market

Incidents or quotes	Conceptualized codes
<p>The government is either doing very little or nothing at all in the sector or if the government is doing anything, they are hardly aware of it;                      The government hardly understands the sector;                      The government needs to form the legislative framework to guide the actors.                      There are no standards in the industry                      There is need to protect both SE clients and genuine providers from unscrupulous providers.</p>	<p>The role of government                       Weak regulatory framework</p>
<p>The absence of regulation and standards means that anybody can venture into the sector;                      There are some consultants who charge low prices but give substandard services;                      Ignorance of clients and lack of standards means that clients can easily be cheated by unscrupulous consultants;                      Genuine consultants have been conned by unscrupulous ones</p>	<p>unfair competition;                      Ignorant clients;                      Conning of clients and providers</p>
<p>The presence of donor agencies is largely reinforcing the culture of unwillingness to pay for services.                      Donor agencies are competing with private BDSPs rather than complementing their efforts;</p>	<p>The presence of donor agencies</p>
<p>SE clients as largely unaware of the benefits of BDS.                      Some SE clients do not appreciate professionalism;                      Many SE clients operate with serious resource constraints and as such are very sensitive to prices;                      Some SE clients are largely ignorant hence are easily cheated;                      The donor have encouraged clients by paying for them to access training as such they are not willing to pay for services;                      The culture of dependency is also partly African                      Many SE clients especially the micros think that somebody else is 'responsible for their existence';                      Some SE clients do not appreciate BDS,                      Some SE clients default on paying for the services given to them on credit.</p>	<p>The type of clients</p>
<p>BDS is generally intangible making it difficult to sell,                      Most BDS is long term                      Some BDS products are required by law (statutory) others are Required BDS products are much easier to sell</p>	<p>The nature of BDS products</p>
<p>Consultancy is an elitist business yet consultants are dealing with poor entrepreneurs who cannot afford their prices</p>	<p>Inappropriate approach by consultants</p>

### **5.2.6 BDSPs' Perception of their Business**

*The category 'BDSPs' perception of the business' captured the opinion of the respondents regarding the performance of the business, the potential of the business and its growth possibilities. Its indicators were: Whether the business had potential or not; whether the business was making impact or not; whether the business had potential for growth or not (expressed in terms success or otherwise and defined in different ways by different respondents); and finally the time factor attached to each of the above indicators.*

As already mentioned, different BDSPs had different motives for venturing into business. The perception of the BDSPs (i.e. frame of reference of the respondents) regarding how the business was performing appeared to be linked to whether their motives for doing business were being met or not. For example, RSP4 to whom the business had become a fulfilling career sees their organization as having a lot of potential. He explained: "Our clients are happy, we have made a real change in the life of the farmers who are now assured of a steady market and at the same time they are getting higher prices for their produce".

RSP5 also explained that they were making a positive impact on their clients. "We have managed to form business clubs; we now have fewer entrepreneurs who are members who are meeting and exchanging ideas and we are very happy with the progress that we have made so far". "These are clients whom you can say are going somewhere. We are happy we are moving in the right direction. We have managed to bring these entrepreneurs together and they now share ideas and at the same time they sell to each other". He adds that: "We felt that if BDS is targeted to the right group of people; not the survivors and the micro entrepreneurs, it would become sustainable with time. Entrepreneurs must be prepared to wait because there is a lot of waiting in successful businesses".

Apart from enacting laws and regulation that should guide activities in the sector, some BDSPs seemed to think that the government had a role in making BDS business sustainable or not. For example, RSP2 explained: “I do not think that provision of BDS should be donor funded. If the government were to create awareness for growth of different businesses then we do not need donor funding because entrepreneurs themselves can pay”. RSP 4 also added: “Somebody has to bear the costs of investments in the sector; but argues that the private sector cannot because they are interested in short-term profits”.

To RSP3, it seemed that the greatest motivation was not so much financial reward but her personal satisfaction. For example, she explained that even though she was not making as much as she should be making, she knew the future is going to be different. She summarizes it in the following statements: “I know I am going to succeed. BDS is a long-term process; success cannot come in the short- term. I know a time is going to come when I will not have to struggle like this, now is a time for sowing. For me it is not so much financial reward”. On the contrary, RSP2 whose motive is to make money quickly sees no potential in the business because probably he is not making as much money and as quickly as he thinks he should. His statement, “I have never seen it succeed unless one is dealing with large companies”, seems to echo his perception of about the business. It suffices to note that by the time the fourth interview was being conducted, RSP2 had already stopped running the consultancy.

Some BDSPs attributed financial returns of BDS business to the growth of SEs. For example, RSP 2 explained; “if SMEs were to grow—really flourishing, then BDS businesses would also grow. At the moment I do not know if there is any BDSP who can say their businesses are making 100 million in turnover a year, yet

some of the entrepreneurs whom we train are making this much. It makes you feel jealous. It makes me ask myself what I am m doing in this business”.

It also emerged that different respondents attached different time horizons to the success of their business. For example, while RSP2 wants to make money quickly to move on to a ‘serious business’, to RSP3 the returns of the business can only be realized in the long term. For example, she said: “when I started this business, I knew it was going to take long”. RSP3 explained how she believed that the business was going to succeed. In fact, she compared her business to a ‘bamboo tree’ that once it takes root it spreads very quickly”. RSP1 also has a long-term focus of the business. She explained; “BDS is long-term and so it must be nurtured if one is to realize the returns”.

Although different providers may have had the same motivation, the importance attached to the motivation differed. For example, while some BDSPs had same financial motives, their perceptions differed regarding how soon this could be realized. The study established that while some BDSPs had long-term focus with regard to getting financial returns, others had short-term focus. For example, RSP3 explained that BDS was long-term and the returns cannot be in the short-term. This probably explained why RSP3 seemed satisfied with the progress her business was making while RSP2 whose business seemed to be doing much better than RSP3’s was not. RSP3 was patient and confident that in the long-term the business was going to grow and be very successful. In fact she explained: “I can see light at the end of the tunnel. I know it is there and a time is coming when I will relax; when I will not have to struggle like this”. RSP2 on the other hand, is impatient and unhappy: “when I see a client making so much money; it makes me feel very bad because I know I can do better than that. It makes me wonder what I am doing in this business”. But to RSP1, “BDS was a new concept and so the



process had to be nurtured”. Thus, it seemed that for BDSPs who found the business fulfilling, were likely to continue doing the business while those who did not found it fulfilling would move to look for alternative forms of employment or business.

### **5.2.7 BDSPs’ Motivation to Sustain the Business**

As already mentioned, more categories emerged from further data collection and analysis. For example, the motive to sustain the business was added because it emerged that not all BDSPs had intention of continuing doing business even though the business might be financially sustainable. It also emerged that for some respondents, financial sustainability was not an overriding motive that kept them in business, at least not in the short run.

For example, RSP2 explained; “for me doing business consultancy was to enable me gain skills and at the same time save money to start a serious business. That is why I am saving a big chunk of the income that I am generating”. It appeared that RSP2 did not have the intentions of sustaining the business. Ability to sustain business was added because it emerged that even though some BDS wanted to continue doing the business, they were unable to do so hence were forced to temporarily close down. For example, RSP1 explained that: “We reached the lowest level in our business. So we were forced to stop normal operations. We have retained one office because we did not want to lose contact with our clients”. Apparently even though RSP1 and the partners wanted to continue doing business, they were unable to do so.

The category ‘motivation to sustain the business’; therefore captured the respondents’ intentions (explicitly expressed or implicitly) to continue doing the

business. Its properties were: source of the motive; ways in which the motive was expressed, actions of BDSPs (what they do) and the consequences of their actions.

The motive to sustain the business was expressed in different ways by different providers. For example, belief in the business, that it (business) could succeed, that it had potential seemed to give the provider the motivation to look for ways and means of sustaining the business; to do whatever it took to ensure that the business succeeds. The motive seemed to be linked to the time horizon. Different BDSPs attached to getting the returns; while some BDSPs had a short-term focus, others had long-term focus. For example, while RSP2 wants to make money quickly to move on to a 'serious business'; for RSP3, success can only come in the long term. She explained; "BDS is long-term and the returns cannot be in the short- term. I am prepared to wait". RSP3 believes the business is going to succeed. In fact, she compared her business to a 'bamboo tree' that once it takes root it spreads very quickly". RSP5 also expressed similar focus when he explained: "we are determined to succeed, even if it takes five years". She said: "when I started this business, I knew it was going to take long".

RSP4 who believed that the business had a lot of potential saw the business as a fulfilling career and as such was prepared to do whatever it took to make it succeed. Therefore, it is possible that the belief that the business can succeed acts as a driving force that pushes one to act; to look for alternative ways and means of sustaining the business. This probably explained the difference in BDSPs' outlook of their businesses. On the contrary, to RSP2 BDS business had no potential. For him, the greatest desire was to make money and acquire the skills as quickly so as to move on to other "serious business". He explained that: "when I see a client making so much money yet I know I have better skills to run such a business, it makes me wonder what I am doing in this business". This may suggest a low level

of motivation to sustain the business activity. His statement of: “I have never seen BDS businesses grow unless where one is dealing with large organizations” suggests that he does not believe in the growth potential of BDS business. The properties of this degree are summarized in table 5.7.

Table5.7: Degree of Motivation to Sustain the Business

<b>Incident</b>	<b>Degree</b>
Inferring from the statement by RSP2 that, “When I see a client making so much money and yet I know I can do that business better, it makes me wonder what I am doing in this business” one would infer lack or low level of motivation to do the business.	Low degree of motivation
RSP3: “I know I am going to succeed”. “I know a time is going to come when I will not have to struggle like this”.	High degree of motivation
RSP3: “Am willing to do everything and anything to make the business succeed”. RSP4: “We an extension officer who is living among our clients”.	High level of commitment
RSP5: explained: “the greatest challenge we are facing is lack of commitment. We have a part-timer who comes to the business only twice a week”.	Low level of commitment

Selective coding process seeks interrelationships between these categories. The interrelationships between the categories are described in chapter six.

## **CHAPTER SIX**

### **INTERRELATIONSHIPS BETWEEN THE CATEGORIES**

#### **6.1 Introduction**

In the beginning the researcher's aim was to generate a large number of categories related to the occurrence of the event being studied (to explain sustainability of BDS) to keep things as open as possible to discover what is relevant. Selective coding requires selection of the focal core code i.e. the central phenomenon which has emerged from the axial coding process (Strauss & Corbin, 1990). All other codes derived from the axial coding process must be related in some way to this focal core either directly or indirectly (Strauss & Corbin, 1990; Glaser, 1978).

After choosing one core category and positioning it at the centre of the process being explored, a grounded theorist relates other categories to it. These other categories are the “casual conditions, strategies, contextual conditions and consequences” (Creswell, 2002). In the next sections, the relationship between the different categories, namely; motive to venture into business, BDSPs’ background characteristics, BDSPs’ ability to identify and close gaps, Situational Forces, and BDSPs’ motive to sustain the business are described.

#### **6.2 BDSPs’ Background Characteristics and Start-Up Motives**

As already discussed, BDSPs venture into business for a number of reasons and some of these reasons seem to be linked to their background characteristics. The background characteristics of BDSPs were made up of two variables; their personal attributes and their work experience. For example, through previous work, people gain experience. Apparently, people who have gained experience are confident of running a successful consultancy business (because through their previous jobs, they have made contacts with potential clients and potential

associates) but also through previous work, people acquire skills which they may want to put into practice. Second, it is possible that after several years of working in an organization, some people may realize that their current jobs don't meet their expectations in terms of career progression hence may be motivated to move out to start their own businesses. It is also possible that after working in an organization for several years, people begin to develop a sense of ownership which if not promoted by management may frustrate them hence push them out to look for an alternative form of employment.

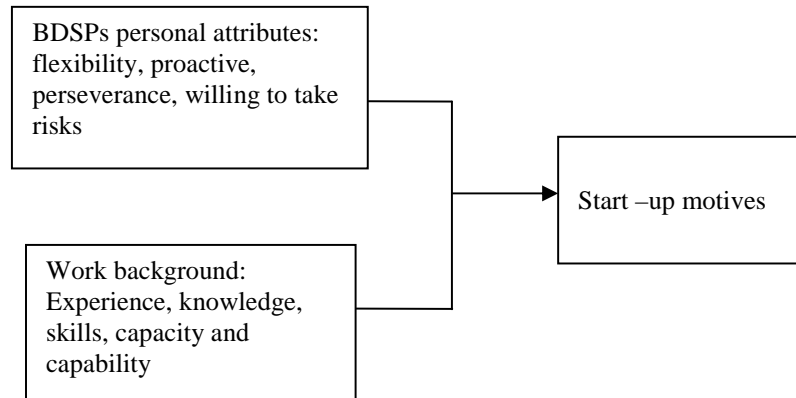
The motive to venture into business seems to be driven by inner forces as well. For example, people who venture into BDS market because they are unhappy with the management style in their organizations may be an indicator of their sense of internal control. Such people may have a higher need for autonomy which if not met can push them out of their current jobs to look for alternative forms of employment. The desire for independence is expressed in different ways by different providers. First, there is the desire for financial independence. Having financial independence gives one economic power to be in control. Second, there is the desire to be ones' own boss and make independent decisions. People who seek autonomy or independence want to be their own bosses, to chart their own destiny and not to be under someone else's control. For example, RSP3 was expressing the need for autonomy when she explained; "the beauty of running one's own business is that you do not have to consult anyone".

The desire for independence seemed to be influenced by several factors. First, the desire seemed to come from the previous work experience. For example, RSP3 explained: "I was working under a very democratic boss who allowed me to make certain decisions". "Furthermore, he supported whatever decisions I made". Thus it seemed that through previous work experience people realize their potential- the

'aha I can do it' experience. RSP2 also explained: "having organized a successful leadership workshop, I realized that I had leadership abilities that I needed to explore". RSP3 adds; "My boss also allowed me to attend many capacity building trainings that exposed me to all management functions. Through these trainings I also met and interacted with people. These opportunities opened my eyes. I realized I had a lot of potential that I could not fulfill in a structured organization like ABC Motors Ltd".

It is possible that people develop self-confidence through work experience. But self-confidence requires self-awareness; one has to be aware of his/her potential if she/he is to move to exploit it. This awareness comes in different ways. In RSP5's case, it came through positive feedback from his former clients. He explained; "Whenever I met my former clients they would tell me: you really used to help us; why don't you start something similar. And so I thought to myself I can do it". Thus it seems like awareness of one's potential is a force that drives people to seek self-fulfillment which can be achieved through own venture creation. In addition, to explore one's potential requires a spirit of adventure, a spirit of risk-taking.

The attribute of social concern seems to come from both the work experience and from within an individual BDSP. For example, RSP1 explained: "We noticed that there was a lot of poverty in Western Province and we wanted to make a difference, to reduce the poverty levels". On the other hand, RSP3 explained: "I used to deal with a lot of CSR issues and so while exiting ABC Motors Ltd, I thought I could continue doing the same". And she added: "I get a lot of satisfaction when I am giving service to people". Figure 6.1 shows the relationship between BDSPs' background characteristics and start-up motives.



**Figure 6.1: BDSPs' Background Characteristics and Start-Up Motives**

### **6.3 Start-up Motives and BDSPs' Strategic Response**

The start-up motives of the providers seemed to influence their strategic response though indirectly via BDSPs' perception of the business. For example, because RSP2 did not see any potential in BDS business, his motive was, therefore, to use BDS as a short-term stepping stone to doing serious business. His focus of the business was therefore short-term, quick monetary gains. This focus seemed to influence his choice of clients as well as his relationship with them. For example, RSP2 explained, "whenever I find that my clients have been taken over by my competitors, I look for other clients". This suggests that RSP2 he does not get into long-term relationship with his clients.

Apparently BDSPs who venture into BDS business to make a social contribution seem to have long-term focus; their reward orientation also seems to be more non-monetary as opposed to monetary rewards. In addition, they seem to perceive the business as having potential and so are willing to create long-term relationship with clients. The value each provider places on monetary or non-monetary rewards appears to differ from one provider to another. For example, RSP2

seemed to place a very high value on monetary rewards. Because he had ventured into BDS market not as a career but as stepping stone to doing serious business, his emphasis was on financial reward. His motive to make quick money to enable him move to a serious business seems to influence his choice of clients. He explained, “I only deal with successful entrepreneurs because these are the ones who can pay for my services”. Also RSP2 did not seem to get into long-term relationships with his clients. He explained how he handled competition: “when I find that my client has been taken by a competitor, I move on to look for others”.

On the contrary, RSP3 who seemed to place more emphasis on non-financial rewards and so sometimes charged very low prices and even occasionally gave free services to some of her clients whenever they were unable to pay. Although part of her motivation to venture into the BDS market was the desire to achieve financial independence; this did not appear to be the overriding motivation. As she explained; “if it was because of money, I would have closed shop long back”. RSP3 gives another reason why she is willing to charge very low prices; “so that the entrepreneurs can see the value of BDS. I believe that entrepreneurs can only be willing to pay for the services after they have experienced the services- once they see value. However, it takes entrepreneurs time and so providers must be ready to wait. It calls for patience”. This could be a common mistake that service providers who fail to make it do-failing to make entrepreneurs to see value in the services they are selling to them.

It also seemed that the motive to venture into business influences the providers’ perception of the business which in turn seemed to influence their strategic response. For example, RSP2 who ventured into the business as a stepping stone to do other businesses seemed to have a very short-term focus on his business and this seemed to influence his choice of clients as well as his relationship with them.



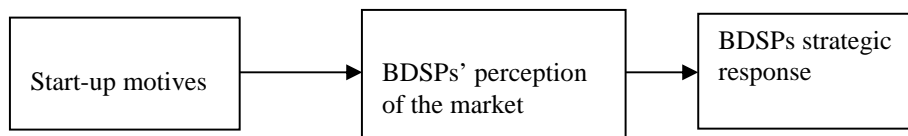
He says, “I only work with those clients who are doing well because they are the ones who can pay for my services”. He does not seem to get into long-term relationships with his clients. He continued: “when I find that my client has been taken by competitor, I move on to look for others”.

Those providers whose motives were to make a social contribution seemed to have a long-term focus of the business. They seemed to invest their time and money to build markets as well as nurture relationships. For example, RSP3 says: “I knew financial independence was not going to come quickly”. “I can compare my business to a ‘bamboo tree’: ‘it takes time for the roots of bamboo tree to grow but once it takes roots it spreads so quickly”. “For me this is planting time”. “For that reason am ready to charge very little now because I know I will reap it all back in the near future”. It seemed that because RSP3’s perception of the business was long term; she is prepared to wait. She is therefore ready to build a market niche from the scratch. There were BDSPs who had the same long-term perception of their businesses; but who did not expect the results to come quickly. As such, they were patient. It is probably because of RSP1’s long-term focus that she still nurses the hopes of continuing with the business in the near future even though she describes the current status of their business as the lowest it has ever reached.

The way the providers perceived the business in terms of its potential for growth, success, also seemed to influence the strategy they adopted. For example, RSP4 believed that the business has potential. His perception of the business was that “there is a lot of potential”. This contrasted with RSP2’s view of the business. To RSP2, BDS had no potential. He explained: “I have never seen BDS business grows unless one is dealing with large organizations”. So it seemed that RSP2 has no intention of growing the business. However, RSP2 may be expressing his

perceived inability to influence the business; it may also imply that RSP2 does not see himself being able to change the status quo: ‘I have never seen’ showing his lack of willingness to influence the business and to drive the business to success.

RSP3’s perception of the business seemed to suggest the opposite: “I know I am going to succeed”. “For me this is time for planting” and the time for harvesting is going to come”. RSP4 also has the same perception of the businesses. For example, RSP4 explained that even though they are not making as much money as they could, he believes the business is going to be better in the future. Asked whether the business is sustainable or not, he says, “there is a lot of potential. This relationship is shown in figure 6.2.



**Figure 6.2: Start-up motives and BDSPs’ Strategic Response**

#### **6.4 BDSPs’ Background Characteristics and Strategic Response**

Some BDSPs’ personal attributes influenced their approach to business. For example, having knowledge and soft skills appeared to influence the strategic response of the BDSPs. Being knowledgeable means that the provider has the skills and the ability to provide the services that the market requires. But to provide services that the market wants and values requires knowledge of the market. Therefore the service providers need to know the clients well if they are to serve the interests of their clients. The provider can only know the clients well if he/she is reaching out to them; if he/she is able to build a close mutual

relationship with the clients. It requires being in constant touch with the clients. This enables the provider to respond appropriately and swiftly to the changing needs of the clients. But those who do not have the capacity must find a way of extending their capacity and capability by building networks.

Second, establishing a close relationship with clients makes it possible for providers to empathize with their clients. As RSP4 explained, they had a system that ensured they were in constant touch with their clients. They employed extension officers who lived among the farmers. These officers shared the experiences of the farmers; knew their problems and empathized with them. Empathizing with clients makes clients identify with the organization and to feel that they have a stake in the relationship: it makes them own the process. Staying close to customers also ensures customer satisfaction. Overall, those providers who have the right attributes develop appropriate response and hence succeed while those who are unable to do so fail to become sustainable.

Previous work experience also seemed to influence providers negatively. Some providers ventured into the market with wrong assumptions some of which they acquired from their previous work places. For example, RSP3 explained that her corporate background influenced mind set: she entered the market with what she called *a corporate* mentality that it was clients who needed to go to her because they (clients) were the ones who were in need of her services. But she soon realized that the market did not work that way. To succeed, providers who enter the market with preconceived assumptions must be ready to change. RSP3 explained that because she was able to recognize her mistakes and learned from them, she was able to respond appropriately to the market. She became flexible.

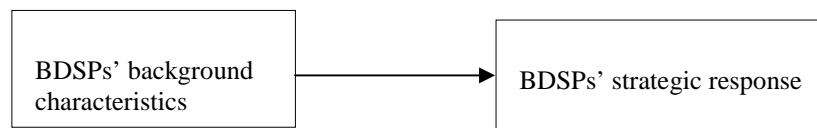
Flexibility enabled BDSPPs to change their approach whenever they made mistakes. For example, RSP3 explained: “I developed a high level of flexibility after I realized that my initial assumptions and strategies could not work in the market. I realized that in order to survive I had to change”. Being flexible means being responsive to the needs of the market; willing to do anything and everything. It means going after the needs of the market rather than what the provider knows. It means adopting a trial and error strategy. It means trying anything and if it does not work, you redesign or change it. In the process, one learns and changes accordingly. This requires an open mind. It involves learning about what works and what does not work and changing accordingly.

The extent to which one was willing to do anything (flexibility) in order to succeed seemed to depend on the provider’s passion and the desire to succeed. For example, RSP3 was very passionate about what she was doing. She explained: “this is where I get my energy from; my boost comes from giving service to people”. “I enjoy doing this”. “If it were for money I would have closed shop long back”.

Belief in oneself was also an important factor that seemed to influence the motivation to continue doing business. RSP3 explained that when she started she was very confident (*almost over confident*) that she was going to succeed. Even though she was facing many hurdles in the course of starting the business, this trait did not seem to waver. RSP3’s attitude summed it all when she explained; “I know the few clients who have experienced my services will sell me”. This is probably why she was spending her energy and time to developing products and building a market from the scratch. This confidence was also expressed by RSP4. RSP4 seemed to have developed confidence in the course of doing business. His

confidence was expressed in the following statement; “there is a lot of potential in the future, the future is bright”.

Figure 6.3 shows that BDSPs’ background characteristics influence strategic response. The figure shows that BDSPs’ background characteristics directly influence their strategic response.



**Figure 6.3: BDSPs’ Background Characteristics and BDSPs’ Strategic Response**

### **6.5 BDSPs’ Strategic Response and Situational Forces**

A number of strategic responses have been identified and discussed. BDSPs’ strategic responses seemed to influence the situational forces in the market and vice versa. It emerged that BDSPs designed their responses depending on the situational force in the market. However, their response to a particular situational force also seemed to have an influence on these forces. For example, because some providers ventured into the markets when the general public was largely unaware of the existence of either BDS or its benefits, they had to create awareness. Some did this by conducting workshops. RSP1 explained that, “when we started in Western Kenya, BDS was a new concept. As such we had to create awareness first. We ran a lot of awareness workshops before we could start off”.

RSP3 also explained that because many entrepreneurs were not aware of the benefits of BDS and/or the existence of BDS providers, they (entrepreneurs) were not benefiting from BDS. For this reason, she undertook to create awareness by

attending many workshops and also by building networks with women organizations and occasionally facilitating workshops. Through these events she came into contact with many potential clients. Second, RSP3 explained that she decided to work with many organizations dealing with women entrepreneurs to enable her reach them (*women entrepreneurs*) and to get a chance to try and change their attitude. She explained: “I have opened an interactive web site which I am updating continually. Through the web site, I hope to reach out to many of my existing and prospective clients”. It emerged that sometimes BDSPs charged very low prices or even gave free services as a temporary strategy, to give entrepreneurs a chance to experience the products for them to be able to see the value of the services. However, through these workshops and seminars and websites both actual and potential clients became more informed.

BDSPs responded to the weak regulatory framework by initiating self- regulations to provide quality checks in the sector. BDSPs have also initiated some kind of lobby groups which are supposed to drive the policy agenda because they perceived that the government was either doing nothing or doing too little to address the challenges in the sector. Weak regulatory framework also seemed to be linked to the nature of competition in the sector which the respondents described as unfair. Unfair competition means that those who are doing genuine business may find it very hard to survive while inefficient providers may thrive through unfair means, what RSP3 described as ‘cutting corners’.

Weak regulation also seemed to influence the nature of relationships both between BDSPs and their clients as well as between BDSPs themselves. For example, RSP2 explained: “I rely on a pool of consultants to get work during bad times when jobs are not forthcoming” as well as subcontract them whenever I have so much work that I cannot handle or to do specific assignments. But this is

purely on a short-term basis since I do not know the quality of their work”. Because of weak regulation, some of BDSPs have taken a proactive role to address some of the weaknesses. The process of self - regulation is meant to shape the conduct of the providers themselves as well as to shape regulatory framework. In this way, the process of self- regulation and lobbying was deemed to shape the situational forces in the BDS market. However, not all providers were actively involved. While others were initiating and driving the process of self-regulation and standardization, others were hardly involved, some were not even aware of such activities.

The strength of the relationships was influenced by past experience which providers described as negative or positive. For example, RSP3 explained that because she had been conned by associates in the past, she is very cautious whenever she is to enter into any kind of association. RSP2 also mentioned that he did work on credit before for clients or associates who failed to pay him, and because of that he was very cautious about the kind of contracts he got into. Second, the alliances and collaborations were described as temporary or permanent. However, while BDSPs do concur that there is a need for some kind of collaboration to push the agenda of BDS forward, not all were involved in the process. For example, while RSP3 explained that she was very actively involved in initiating the collaboration process, unlike RSP1 and RSP2 who were not aware of any kind of collaboration in the industry. For example, RSP3 explained how she is actively involved: “I have even facilitated some of these workshops”.

The presence of the donors emerged as another situational force in the BDS market. SE entrepreneurs’ unwillingness to pay for services was attributed to their lack of appreciation of BDS and to the way the concept of BDS was developed by the donors. In an effort to encourage small-scale entrepreneurs to use BDS,

donors created a culture of dependency by paying everything for entrepreneurs to access training. BDSPs considered this ‘deeply rooted culture of free things’ as having a negative impact on the industry. They suggested a need to change the attitude of the SE clients if they are to pay for BDS. It was established that donor agencies were still in the market reinforces, a factor that continue to reinforce the attitude of ‘free things’. Some BDSPs use subsidy as a way of leveraging themselves; using the subsidy to cover some of the overhead costs which their clients are unwilling to pay (is strategy to minimize their costs at least temporarily). RSP3 explained: “this is what I have discovered that many BDSPs do. And this is what I intend to do as I nurture the market”.

Apparently BDSPs saw donor support as only a temporary strategy. The long-term strategy was to dismantle the attitude of free things from the clients. They explained that one provider could not do this alone, it required the effort of all stakeholders hence the need to initiate and manage collaborations. The intrinsic nature of BDS also posed another challenge. The challenge for the BDSPs was to demonstrate value to the SE clients and make entrepreneurs see and recognize value in those services. Inability to see value in the services was one reason why entrepreneurs were not willing to pay for the services. Different BDSPs used different strategies to make entrepreneurs see and recognize value. RSP3 explained that her strategy was to charge very little and sometimes even to give free services because she believed once the entrepreneurs have experienced the services, they would begin to see value and not only would they buy but they would also sell for you and/or advertise your services, what she called the effect of word of mouth advertising. RSP2 added that many SE clients were more willing to pay for statutory services like compiling tax returns because these were required but were not willing to pay for non - statutory services.



Furthermore, BDSPs concurred that those services that have immediate returns and tangible returns are easier to sell. This may suggest that successful providers are those who are able to demonstrate value to clients. As RSP4 explained; “by negotiating higher prices for their clients as well as assuring them of a steady market, they are able to demonstrate value to their clients and because of this, they have no problem selling their services”.

BDSPs also explained that it was more difficult to sell BDS which are intrinsic and/or intangible; selling intrinsic BDS required clients’ trust in the provider. Different providers used different strategies to build trust and customer loyalty. For example, RSP4 explained that they had earned client loyalty by making them own the process. “We have employed field officers who stay among the farmers; this enables them (officers) to live the experiences of the entrepreneurs”. RSP3 on the other hand explained, “Being in constant touch with my clients has enabled me to build close relationship with them. It has also enabled me to appreciate what they want. I have come to realize that most entrepreneurs want practical solutions to the problems they are facing”. This also suggests the importance of packaging the products the products well. Mutual relationship made it possible for entrepreneurs to develop trust in the providers. Thus trust was an important factor that affected provider- client relationship. But trust must be built through creating a relationship. And it takes time and effort.

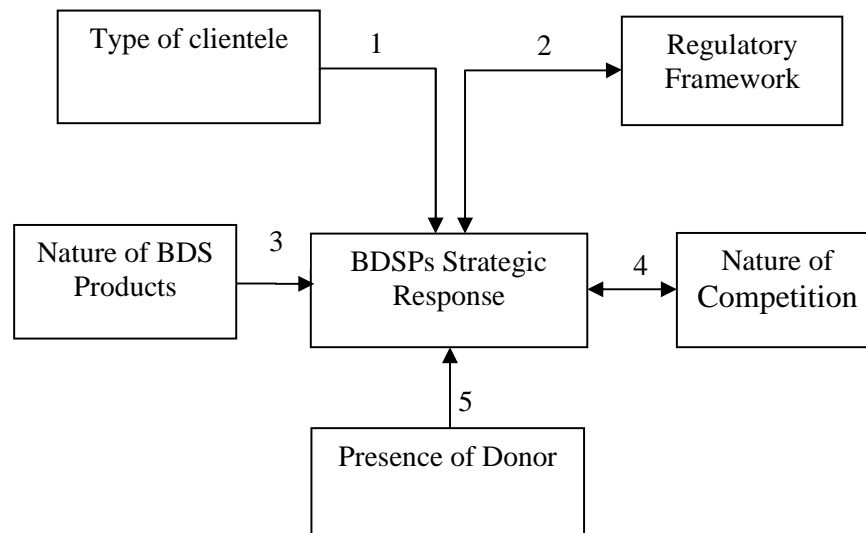
How BDSPs respond to the Situational Forces depends on their personal attributes. As RSP6 explained; “The reason why many BDSPs don’t make it is because they try to sell what they have and not what the market requires”. Also previous work experience seemed to influence the kind of services. Some BDSPs e.g. RSP4 explained, “We wanted to put into practice the skills that we had learnt in order to see whether it would work for small holder farmers or not”. It also

appeared to influence the kind of networks that are formed. Table 6.1 shows the relationship between BDSPs' strategic responses and situational forces.

Table 6.1: How BDSPs respond to Situational Forces in the Market

Situational force	Strategy	Description of the strategy
Lack of awareness	Collaboration Strategy;	Partnering with other organizations in the environment to create awareness; Running awareness workshops and seminars;
	Client strategy	Occasionally give free services to allow SE clients time to experience services;
	Price strategy	Use of word of mouth by clients who have experienced the services to advertise services. Charging very low prices as a temporary strategy to give SE clients time;
Weak regulation	Collaboration Strategy	Forming lobby groups to champion self regulation and regulation in the industry; Forming partnerships with existing consultants; Forming very short-term contracts with existing consultants;
Competition	Collaboration Strategy	<i>Coo petition</i> : Simultaneous cooperation and competition. form a pool of consultants to bid for jobs together; form reference alliances; build partnerships to take advantage of market opportunities;
	Client strategy	Building niche markets from scratch
	Price strategy Product strategy	Giving free services temporarily; Differentiating the products; Offering higher quality products;
Intrinsic and/or intangible nature of BDS	Client Strategy Product strategy	Use of trained clients as show case; build mutual relationship with clients; make clients own the process Providing services that add value to clients;
Negative perception towards BDS	Product strategy	Demystifying the concept of BDS; Setting high professional standards;
	Price strategy	Charging affordable prices;
	Client strategy	Forming close relationships with clients;
Presence of donors	Price Strategy	Use donor subsidy to charge low prices or give free services.
	Product strategy Leveraging strategy	Redesign the products, Using donor support to cover some of the costs; use donor support to launch new products; Using donor subsidy to charge low prices or give free services.

The foregoing discussions present the situational forces in the BDS market in terms of challenges and opportunities that BDSPs had to discern or overcome. Overcoming challenges or discerning opportunities require people who are alert and proactive so that they can recognize the opportunities and act appropriately. It also requires ability to harness appropriate resources and directing efforts to the right paths. The relationships between situational forces and BDSPs' strategic response are summarized in Figure 6.4. Some relationships are unidirectional while others are bidirectional.



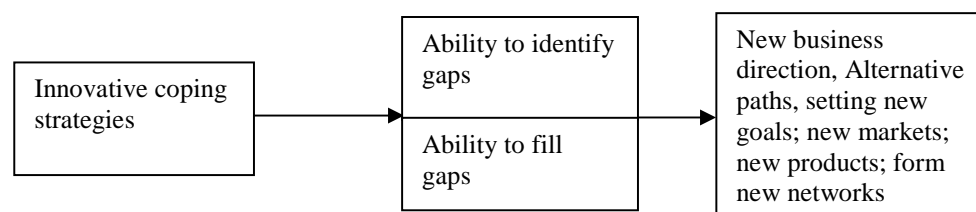
**Figure 6.4: BDSPs' Strategic Response and Situational Forces**

### **6.6 BDSPs' Strategic Response and Ability to Identify and Close Gaps**

The study established that there were critical gaps in the BDS market. Some of these gaps arose due to the wrong mentality that providers venture into the market with. Others arose due to lack of awareness on either the demand side or supply

side of the market. These gaps must be identified and filled for BDS to become sustainable. Furthermore, it was revealed that identifying and filling the gaps depend on the strategic response of the providers. On the demand side, BDSPs who establish close relationship with their clients are likely to identify and fill the gaps on the demand side. For example, RSP4 explained: “Having our field officers stay among our clients has enabled us to live their experience. It has also enabled our clients to develop a sense of ownership and trust”.

On the supply side, BDSPs who entered into strategic collaboration with other providers were able to extend their capacity and capabilities. As RSP3 explained; “working with other associates has opened new paths for me. Also by being constantly in touch with my clients has enabled me to appreciate what they really want”. Apparently, in some cases, BDSPs response to a particular situational factor depended on their own perception. For example, RSP3 explained: “I have come to realize that many consultants use donor subsidy to cover most of their costs. This is what I intend to do; I intend to leverage on donor subsidy, at least as a temporary strategy to cover some of the costs”. Figure 6.5 shows relationship between innovative coping strategies and BDSPs’ ability to identify and close gaps in the market.



**Figure 6.5: Innovative Coping Strategies and BDSPs’ Ability to Identify and Fill gaps**

The figures shows that BDSPs who are able to identify and close gaps through their innovative coping strategies are able to find new paths, new goals, new markets, new networks, and designing new products.

### **6.7 How BDSPs Build Sustainable Business**

The foregoing discussions reveal different dimensions of sustainable BDS. Different BDSPs have different frame of reference with regard to sustainability of their businesses. Some BDSPs had an intrinsic approach to business- they saw and evaluated the business in terms of their personal fulfillment. For example, one provider explained how the business gives her a lot of personal satisfaction. She explained: “I get a lot of satisfaction when I am giving services to people”. “This is where my energy and my boost come from”. Thus for such BDSPs, the measure of sustainability must take this into account.

What made sustainable BDS seemed to vary from one individual provider to another depending on the personal attributes of the provider, the providers’ motives, and their strategic response as well as on the prevailing situational forces in the business environment. It also depended on how sustainability itself was defined. For some providers, the greatest motivation for doing the business is not financial gains but giving service to the people. For example, as one provider explained; if it were for money I would have closed shop long back”. Thus it seems that even though this provider was not getting a lot of financial returns she continued to do the business probably for other reasons. In addition, the fact that this provider was fully aware that she could probably make more money elsewhere but chose to continue doing the business could suggest a high degree of social concern.

Sustainable BDS also depended on the providers' background characteristics. It was established that providers who had previous work experience were able to adopt innovative coping strategies; they were able to build networks and client base. Previous work experience also enabled BDSPs to acquire skills and knowledge and hence made them capable of adding value to the services offered. In addition, through previous work experience, BDS providers gained knowledge of the market and how they could fulfill the needs of their clients. This means selling what clients want and not what the provider has. However, for providers to know what the market wants, they need to stay close to their clients for them to know what their clients want. As one provider explained; "for you to succeed you need to develop close relationship with your client. Clients must have faith in the provider; they must trust you". In addition, the fact that BDS is intangible and that results are not immediate means that clients are taking a risk whenever they buy the services. This suggests that transaction between a BDSP and SE clients require trust; between the client and the provider. But building a trusting relationship is a process. It takes time and effort, implying that providers must wait; they must be patient.

However, previous work experience also influenced the providers negatively by making some providers develop certain negative assumptions and attitudes about the market. Such BDSPs offered services that they (*providers*) perceived were valued by the market as opposed to what the market really wanted. As one provider explained "sometimes some providers venture into the market with wrong assumptions about what the market wants". Having wrong assumptions about what the market wants means that providers will not be selling services that are appreciated by the market.

Sustaining BDS business also seemed to depend on the personal attributes of the providers. It was established that sustaining BDS business required BDSPs who were flexible, innovative, confident and committed. Furthermore, because success of a BDS business may not come very quickly, it required patience and perseverance. Only BDSPs who are passionate for what they were doing could persevere. As already discussed, BDSPs' background characteristics were made up of their personal attributes and their industry background. Industry background enabled BDSPs to acquire relevant knowledge and skills. BDSPs with relevant industry experience together with the 'right' personal attributes are able to design innovative coping strategies.

BDSPs used different strategic responses. It emerged that like in any business environments, BDSPs operated in dynamic environments. For these reasons, BDSPs needed to be flexible; they needed to change their approach to business e.g. it called for changing the products they sell or creating new markets for them to survive. This suggests that flexibility is important for success. One provider explained that she developed a high level of flexibility after she realized that her assumptions and strategies could not work. She became very responsive to the market need, willing to do anything and everything. She adopted a trial and error strategy. She tried anything and if it did not work, she redesigned the product or shifted new networks. Other providers also explained that they had to change their strategies because they realized their initial strategies could not work.

Success in the sector also required collaboration. As one BDSP explained, "I realized that to succeed, I had to ride on someone's back. I realized that I had to work with exiting consultants. Working with exiting consultants opened paths for me. It has also made me to look at things differently". This seemed to suggest the possibilities of collaborations and networks. It also suggests that not having

resources (capacity and capability) cannot prevent one from building a sustainable business since these resources can be obtained through networks and alliances. What is important is the kind of alliances that one builds. The same respondent explained: “one has to be careful; sometimes you are conned by the same associates. It happened to me once so I know it is real”. Working with alliances also opens up new possibilities and new paths. She continued; “Apart from opening new paths for me, working with associates has also opened my eyes. I started to see things differently, that people require products/ services that are specific to them; that works for them. This realization made me to change my strategy and to develop new products”.

Another provider explained that part of his strategy was to rely on associates to get work in hard times and also to do work for him whenever he had more work than he could handle. This suggests that teaming up extended one’s capacity and capabilities hence increased one’s chances of succeeding, of building sustainable business. It also seemed that small independent BDSPs may have higher chances of becoming sustainable because they have the freedom to adjust to changing market conditions. Overall the market environments under which BDSPs operated were classified as favourable or unfavourable. Those who operated in unfavourable situational contexts and were able to design innovative coping strategies found alternative paths to sustain the business activity. Those who could not exited the market. Innovative coping mechanisms enabled BDSPs to chart new directions for their businesses, set new goals and new markets, new products, or form new networks hence sustain the business activity.

A number of situational forces have been discussed, namely, the type of the clients (in terms of their attitude and willingness to pay for services), the nature of the products that BDSPs are selling, the regulatory framework, the nature of



competition and the presence of donors. For example, while in principle BDSPs do concur that provision of BDS should not be subsidized; it seemed that some of them did not mind getting the subsidy for as long as donors had not completely exited the market. In fact, some saw and used donor subsidy (whenever they can) as a temporary strategy to enable them charge lower prices for their services as to give entrepreneurs time to appreciate BDS. BDSPs largely attributed the unwillingness to pay for services by many small-scale entrepreneurs to the continued presence of the donors in the market.

The intangible and/or the long-term nature of most BDS products also made it difficult for providers to sell. It emerged that those BDS products whose benefits were immediate or those which were required by law (statutory) were much easier to sell. Most BDS products are intangible and long-term in nature thus clients are taking a risk whenever they purchase them. Consequently, BDSPs who were aware of this fact and who moved to fill this gap were more likely to sustain their businesses. One strategy that BDSPs used to reduce the level of risks associated with any transaction was creating and nurturing long-term relationships with their clients. As one respondent explained; “I came to realize that people seem to value the relationships/contacts that they have built or created over the years”. Thus ‘customer loyalty’ is an important factor influencing sustainability. This relationship may also make it possible for providers to know the needs of their clients. Because the BDS market is evolving, it requires people who are alert and proactive as well as flexible to change as market conditions may dictate.

In addition, as discussed, there were a number of gaps in the market that BDSPs needed to identify and fill in order to build a sustainable business. In addition, there were a number of situational forces that providers had to deal with. The study shows that BDSPs who use innovative coping strategies are able to identify and

fill the gaps in the market and thus are able to find new paths, new networks, new goals and designing new products. The situational forces (opportunities or threats) influence the ability of the providers to identify and/ or to fill the gaps in the market. The degree to which providers were able to cope with these situational forces seemed to be moderated by the provider's passion or lack of it. Passion appeared to be a moderating force. It determined BDSPs' ability to identify and fill the gaps hence enabling them to find new paths, new goals, new networks and new products/ markets. It seemed that passion (or lack of it) made providers flexible. It drove them to find solutions, alternative paths or goals and to design new products and/or look for new markets. Those who were able to find new paths, new goals, new markets, new networks, and/or design new products were likely to survive and so sustain their businesses. High degree of passion may therefore, be associated with perseverance, flexibility, innovative coping strategies and consequently build sustainable BDS. Those who are passionate tend to persevere and seek ways of extending their capacities and capabilities to succeed. On the contrary, those who started business quick monetary gains appeared to give up or move on to other types of businesses hence were unable to build sustainable business.

It also emerged that while providers may share the motivation to make a social contribution their degree of motivation seemed to vary. For example, one provider seemed so passionate about what she was doing, that even though she was not making much money (*as she says she could*), she seemed to derive a lot of happiness and satisfaction from the business. As she explained; "it is the success of my clients that gives me the most satisfaction-this is where my boost comes from. I get a lot of satisfaction from giving service to people". Thus passion appears here as a moderating variable that makes one put a lot of effort and

persevere in order to succeed; to give a service; to make a social contribution. For such people, financial rewards may be secondary objectives.

On the contrary, for providers whose greatest motivation to venture into the business was to make money; seemed very impatient. Their attitude seemed to suggest lack of passion for the business. They were in the business to make quick returns. For one such provider, the main motive was to make a lot of money quickly so as to move to start 'a serious business'. Thus for him, all other objectives appeared secondary. His action confirmed this; by the time of the fourth interview he had already quit the business and had got salaried employment. For some providers, satisfaction was in the success of their clients. As one respondent puts it; "it is satisfaction of our clients that keeps us going".

Sustainability also seemed to be influenced by a provider's motivation to sustain the business activity. The motivation to sustain the business activity seemed to be linked to the provider's perception of the business- in terms of its (business) potential which was expressed in different ways by different providers. BDSPs' belief in the business i.e. that it (business) could succeed, whether it had potential seemed to give them the motivation to look for ways and means of sustaining the business; doing what it took to ensure success. One such provider explained how she believed that her business was going to succeed. "I know I am going to succeed. For me this is planting time. I can see light at the end of the tunnel". She compared her business to a 'bamboo tree' that once it takes root, it spreads very quickly. Another provider who believed that the business had a lot of potential seemed to derive a lot of satisfaction from doing the business. It appeared that the business that they started as a trial and error had become a fulfilling career. He and his partner seemed to be doing all it takes to make the business successful.

The belief that one can succeed seemed to act as a driving force that pushed providers to act; to look for alternative ways and means of sustaining the business. It appeared that the motivation to sustain the business was influenced by this belief. This probably explained the difference in the perception of different BDSPs towards their businesses. For example, as one provider explained: “I have never seen BDS businesses grow unless where one is dealing with large organizations”. Thus although he seemed to be doing well, he did not believe that BDS business had potential and so did not seem to make much effort to sustain it. This suggests that for him this business was a temporary engagement; something that he was doing as he waited for something else—a ‘serious business’ as he put it. He had a short-term focus of the business seemed to be very impatient.

Furthermore when the above BDSP explained; “when I see a client making so much money, it makes me wonder what I am doing in this business”. This suggests that he was not happy with what he is doing. His actions confirmed this; by the time of the fourth interview he had already left business and got employed. In addition, while providers may have the same goals for doing business, their perception regarding how fast these goals should be realized and this may have an influence on the kind of actions they engage in. On the contrary, the provider believed that BDS business has potential was working very hard to make the business successful. Because this provider believed that their businesses had potential his focus was long-term. He explained: “the future is bright”. Thus it is possible that their long-term focus made them willing to invest their time and energy to realize that potential

Therefore, it seemed that sustaining BDS required people who have the experience, who are knowledgeable (who have the soft skills), committed, open-minded and innovative, people with positive perception of the business; who have

long-term focus as well as patience and perseverance. Furthermore, it seems that sustaining BDS required providers who were able to create close contacts with their clients and have a passion for what they do.

A number of factors also appeared to explain failure to sustain BDS business: For example, one BDSP had this to say about BDSPs who fail to make it: “Sometimes we providers actually miss the point; we go out there to sell the course instead of selling the benefits of the course. In addition, some consultants fear venturing into new areas; as such they try to sell what they have not what the clients want. For example, when some providers go to an organization, they want to give assessments to fit their ability and experience”. For another RSP11, high expectations sometimes make it difficult for some people to succeed. He explained: “I realized that my expectations were too high. You see I had a job that was paying me a salary and so when I stopped working and ventured into business, I expected the business to continue paying me that much. But I came to realize that a business has a life of its own, and before it feeds the owner, it has to feed itself. Another problem is that for many people consultancy is elitist: many consultants are charging very high consultancy fees, yet majority of SE clients are poor”. Inappropriate timing of withdrawal also emerged as a factor that explained the failure of some business. Another provider explained, “the reason why some businesses fail is that some people withdraw from the business too early. If you want your business to feed you, you have got to feed it first”.

Failure to connect with SE clients also emerged as a factor that explained why some BDSPs did not succeed. One BDSP explained in the following sentence: “Many consultants are speaking above their clients. For the clients to appreciate the services, they need to come down to the level of their clients”. As one explained; “The reason why most entrepreneurs have not given BDS a chance is

because they have not seen the real value around it. The reason is the way BDS has been delivered by some consultants. We have not been able to demystify some of the jargon around BDS. Consequently, anytime you approach an entrepreneur you lose them at some point. This is why BDS is seen by many entrepreneurs to be for the elite”.

The reason why some BDSPs were unable to build sustainable business could be summarized as follows:

- i. Inability to connect with clients;
- ii. Inability to identify clients' real wants;
- iii. Failure to invest time and energy into the business (i.e. lack of commitment);
- iv. Inappropriate timings of withdrawals (too soon);
- v. High expectation by providers;
- vi. Poor marketing strategies;
- vii. Inappropriate pricing;
- viii. Fear of venturing into new unexploited areas;
- ix. Failure to establish close relationship with clients;
- x. Lack of motivation to sustain the business;
- xi. Lack of focus.

## **CHAPTER SEVEN**

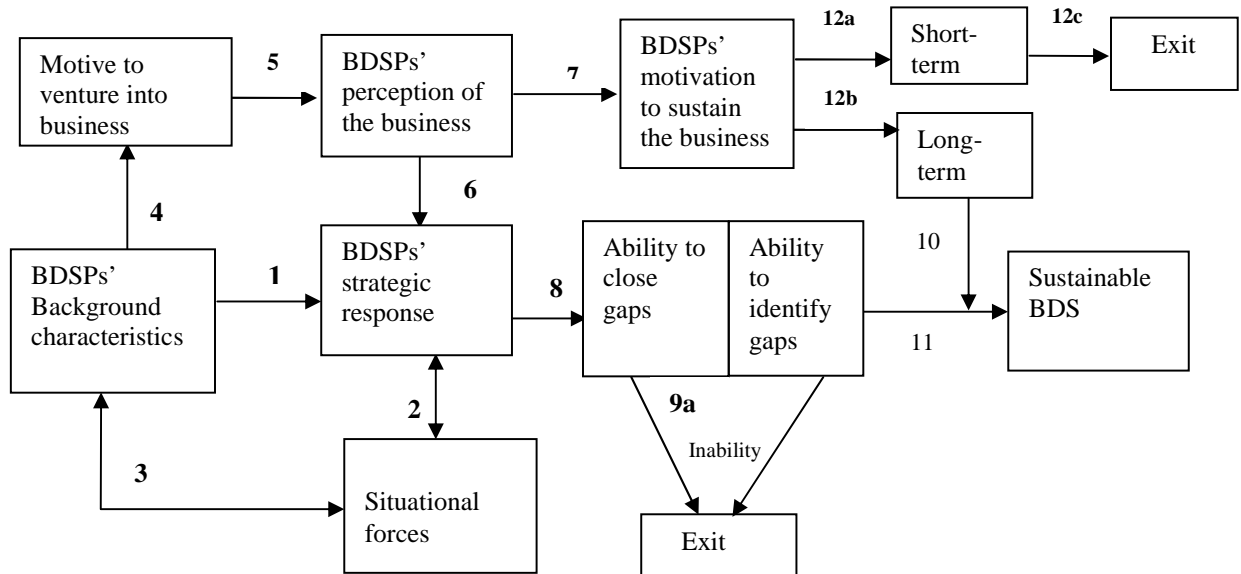
### **DISCUSSION OF FINDINGS**

#### **7.1 Introduction**

The chapter discusses the findings of the study in relation to extant literature. It is divided into nine sections. Section one discusses grounded theory framework of sustainability of BDS. Section two discusses owners/managers' background characteristics followed by situational forces in the BDS market in section three. Section four discusses start-up motives followed by BDSPS' perception of the business in section five. Section six discusses BDSPS' motivation to sustain the business. Sections seven and eight discuss the gaps in the BDS market and BDSPS' Strategic Response respectively. The chapter concludes with a discussion of sustainability of BDS in the context of the emerging themes.

#### **7.1 Grounded Theory Framework of building Sustainable BDS**

The chapter six discussed different factors in the market namely, their background characteristics; their start-up motives; situational forces in the market, BDSPS' strategic response; their ability to identify and close gaps; their perception of the business and the interrelationships between these factors and how this leads to sustainable BDS business and the meaning BDSPs attached to their business. These interrelationships were captured in a framework of relationship showing how sustainable BDS is built. Figure 7.1 gives a summary of the interrelationships.



**Figure 7.1: Grounded Theory Framework of building Sustainable BDS**

The interrelationships generated through grounded theory research were originally termed ‘hypotheses’ by Glaser and Strauss (1967). Some researchers such as Fard and Eslami (2010) argue that the use of proposition is preferred to hypothesis because grounded theory approach produces conceptual relations. Theoretical propositions explain generalized relation between the main categories with other selected categories (Eslami). However, the primary difference between propositions and hypotheses is that propositions involve concepts whereas hypotheses require measures (Whetten, 1989). The study generated 9 propositions explained below:

**Proposition 1:** The study shows that BDSPs’ background characteristics influence their strategic response-**arrow 1**. BDSPs’ background characteristics are made up of two categories their personal attributes and work background or experience. The supporting propositions are:



**Supporting Proposition 1a:** The study shows that BDSPs' personal attributes influence their strategic response. This relationship is consistent with the findings of Kickul and Gundry (2002) which demonstrate that small owners' proactive personality is linked to a strategic response for the small firm that permits flexibility and change in response to surrounding business conditions. Similar results were established by Miller (1983); Kotey and Meredith (1997).

**Supporting Proposition 1b:** The study shows that work background influence strategic responses. These findings are consistent with those of Bahrami (1992) and Volberda (1998) that assert the importance of knowledge and managerial expertise that enables managers to devise appropriate responses.

**Proposition 2:** The study has established a bidirectional relationship between BDSPs' strategic response and Situational Forces- **arrow 2**. The category 'Situational Forces' combined four categories namely; the nature of the BDS product, the presence of donors; regulatory framework and competition. Different studies have established a relationship between strategic response and different variables of the external environment. The supporting propositions are:

**Supporting Proposition 2a:** It was established that the nature of the BDS product influence BDSPs' strategic response. This finding confirms those of Zeithaml and Bitner, (2003) who argue that each customer to some extent has unique individual characteristics and perceptions, he or she will also have an idiosyncratic and heterogeneous demand for services. Thus each act of service provision has to be in a sense tailor made. Sinha (2000) also asserted that the introduction of niche products counteracts the threat of product substitution and new entrants into the new market and competition among existing firms.

**Supporting Proposition 2b:** The study established that the presence of donors influences BDSPs' strategic response. Existing literature shows conflicting influence of presence of foreign firms on domestic firms. Aitken and Harrison (1999) and Chung et al (1998) found negative or no spillover effects of foreign direct investment (FDI).

**Supporting Proposition 2c:** The study that BDSPs' strategic response influences the regulatory framework and vice versa. This relationship is consistent with the findings of Barnet and King (2008); Prakash and Potoski (2006). Prakash and Potoski (2006) noted that firms in an industry can create and voluntarily abide by a set of governing rules. Barnet and King (2008) argued that firms in an industry share an intangible commons and that the need to protect this commons can motivate the formation of a self-regulatory institution.

**Supporting Proposition 2d:** The study that BDSPs' strategic response is influenced by competition and vice versa. This relationship is consistent with the findings of Peng and Bourne (2009) and Bengtsson and Kock (2000). Peng and Bourne (2009) established that two organizations will compete and cooperate simultaneously when each organization has complementary but distinctly different sets of resources and when the field of competition is distinctly separate from the field of cooperation. In addition, Bengtsson and Kock (2000) asserted that intensive competition fosters actors to collaborate in order to attain great market power and reach better positions.

**Proposition 3:** The study shows that BDSPs' background characteristics influence the Situational Forces and vice versa—**arrow 3**. The supporting propositions are:

**Supporting Proposition 3a:** The study shows that BDSPs' personal attributes influence the nature of competition. Kickul and Gundry (2002) demonstrated that small firm owners' proactive personality was linked to a strategic orientation that permitted flexibility and change in response to surrounding conditions.

**Supporting Proposition 3b:** The study shows that BDSPs' personal attributes influence the nature of products they offer. This is implied by Shane's (2000) study that showed that people's prior knowledge of markets and how to serve markets and customer problems were related to opportunities they identified.

**Supporting Proposition 3c:** The study shows that BDSPs' background characteristics influence the regulatory framework and vice versa. Institutional Theory shows how behaviour of organizations is a response not solely to market pressures but also institutional e.g. from regulatory authority such as the state and the professions (Greenwood and Hinings, 1996).

**Proposition 4:** The study shows that BDSPs' background characteristics influence their motive to venture into business- **arrow 4.** BDSPs' background characteristics were conceptualized as made up of two categories; their personal attributes and work background. The supporting propositions are:

**Supporting Proposition 4a:** The study shows that BDSPs' personal attributes influence their start-up motives. These findings are consistent with those of McClelland (1962) that suggested that perhaps creating a new venture provides the pleasure and satisfaction of independence and acceptance of responsibility for outcomes.

**Supporting Proposition 4b:** The study shows that BDSPs' work background influences their start-up motives. This relationship is consistent with the findings of Van Gelderen and Jansen (2006) who noted that some people are motivated to start their business by negative freedom in the sense that they may generally dislike or are currently experiencing a difficult boss or unpleasant role. Herron and Robinson (1993) provided a model that attempted to show how entrepreneurial skills and training is affected by such factors as personality traits and motivation, resulting in entrepreneurial behavior.

**Proposition 5:** The study shows that BDSPs' start-up motives influence their perception of the business (**arrow 5**). It emerged that BDSPs' motive to venture into business influences their perception of the business. For example, those who ventured into the business to give service seem to perceive the business not so much in monetary terms. They seem to see the business as having potential. This relationship has not been established in literature. Thus, the study adds the role of perception as influencing people's decision to venture into business. Apparently, the relationship between motive to venture into business and perception of the business has not been established in extant literature.

**Proposition 6:** The study shows that BDSPs' perception of the business influences their strategic response (**arrow 6**). The study established that BDSPs who perceive the business as having potential are ready to venture into long-term relationship with clients. They invest their time and energy to build market for their product. Apparently, the relationship between perception of the business and strategic response has not been identified in extant literature.

**Proposition 7:** The study shows that BDSPs' perception of the business influences their motivation to sustain the business- **arrow 7**. Those who have

long-term view of the business (**arrow 12 b**) perceive the business positively as having potential have the motivation to sustain the business because they believe in the long run, the business will succeed. Therefore, such people tend to persevere even in times of difficulties and are ready to do whatever it takes to sustain the business activity and thus are able to build sustainable business (**arrow 10**). On the contrary those who have short-term view of the business (**arrow 12a**) lack the motivation to sustain the business hence exit the market (**arrow 12c**). Apparently the relationship between service providers' perception of the business and their motivation to sustain the business and how that influences sustainability of business has not been established in extant literature.

**Proposition 8:** The study shows that ability to identify and/or close the gaps in the market depends on the strategic response of the providers. Those who are unable either to identify or close the gaps or both exit the market- **arrows 9a and 9b**. Apparently, the relationship between BDSPs' strategic response and BDSPs' ability to identify and close gaps showing how inability to identify and/or close gaps leads to exit has not been established in the extant literature.

**Proposition 9:** The study shows that building a sustainable business depends on the providers' ability to identify and close gaps in the market. The relationship is moderated by BDSPs' motivation to sustain the business -**arrow 10** showing that those who do not have the motivation to sustain the business activity exit (people may have the ability to identify and close the gaps but if they lack the motivation to continue doing the business, then they will exit the market-**arrow 11**). Apparently, the relationship between BDSPs' ability to identify and fill gaps and sustainability with the moderating influence of motivation to sustain the business has not been established in the extant literature.

These interrelationships are discussed in details below.

### **7.3 Owners/managers' Background Characteristics**

A number of background characteristics emerged from the study. As discussed, the category 'BDSPs background characteristics' was made up of BDSPs personal attributes and previous work experience. Personal attributes were social concern, risk taking, commitment, flexibility, proactive, perseverance, passion, empathy, patience and self - confidence. Some of the personal attributes of the providers were shaped by the nature of competition, the nature of regulation and by the kind of clients BDSPs were dealing with e.g. empathy. Others appeared to be internal e.g. social concern, passion and proactiveness, while others were externally acquired e.g. through their previous work places. Previous studies have attempted to assign particular personality traits to entrepreneurs in order to arrive at a distinct psychological profile (Wagner & Ziltener, 2008). Employing the results of different studies, a set consisting of five personality traits has been established. This set of traits, which is described as the hallmarks of entrepreneurial personality", consists of need for achievement, risk-taking propensity, locus of control, need for autonomy and self- efficacy (Wagner & Ziltener).

Most entrepreneurial activities take place in a situational context in reaction to signals or stimuli in relation to entrepreneurial activities, which some people respond more strongly to than others (Shane & Venkataraman, 2001). As already explained, industry experience emerged as an important background characteristic. Working in an industry enabled BDSPs to acquire relevant skills for running the business. It was established that BDSPs had had some prior knowledge or industry experience before they ventured into their current business. Working in an industry also gave some BDSPs insider information about available market opportunities which they moved to fill.

Previous work experience had negative impact on the business because it made some BDSPs to develop certain wrong assumptions and attitudes about the market. The role of prior knowledge has been identified as an important individual difference in the identification of entrepreneurial opportunities (Small et al., 2009). Prior knowledge creates a knowledge corridor that allows people to recognize opportunities. Through a qualitative research, Shane, (2000) established that peoples' prior knowledge of markets and how to serve markets and customer problems were related to the opportunities they identified. The current study showed that through previous work, people gained experience and knowledge and skills which they found valuable in running the business.

Passion emerged as an important personal attribute necessary for sustaining a business activity particularly in times of difficulties and challenges. BDSPs who had passion for what they did were able to sustain their business. In addition, BDSPs who have passion for what they do are also committed to the business. They were willing to do anything to make the business succeed. Chen et al., (2009) define entrepreneurial passion as an entrepreneur's intense affective state accompanied by cognitive and behavioral manifestations of high personal value. Vallerand et al., (2003) define passion as a strong inclination toward an activity that people find important, and in which they invest time and energy. Perttula (2003) on the other hand, defines passion for one's work as a psychological state characterized by intense positive arousal, internal drive and full of engagement with personally meaningful work activities. Passion is a strong indicator of how motivated an entrepreneur is in building a venture, whether she/he is likely to continue pursuing goals when confronted with difficulties (Vallerand et al., 2003). Although passion is rarely recognized, it is an important factor in resource allocation decisions made by managers, investors and consumers alike.

BDSPs who succeeded in sustaining their businesses exhibited a proactive behaviour. Proactive personality has been studied in the context of success (success being variously defined by different scholars). Bateman and Crant (1993) define proactive personality as one who is relatively unconstrained by external factors and one who affects environmental change. Thus proactive personalities identify opportunities and act on them, they show initiative, take action and persevere until they bring about a meaningful change. Innovativeness and flexibility also emerged as important attributes. The current study showed that flexible BDPs were able to adapt to changes in the market environment. Being flexible also enabled such providers to learn through their mistakes. According to (Shane & Venkataraman, 2000), innovative activities are important for a firm's growth especially small to medium sized firms. Kickul and Gundry (2002) developed a model to test the interrelationship among small firm owners' personality, strategic orientation and innovation. Their empirical results demonstrated that small firm owners' proactive personality is linked to a strategic orientation that permits flexibility and change in response to surrounding conditions.

The current study revealed that the market for BDS was very difficult and in some case may not even exist, suggesting that it might be far more difficult to succeed in a BDS market; hence success in the BDS market may require more perseverance, passion, effort and more commitment than in other industries. Of the personality attributes identified, social concern stood out as a personality attribute for BDSPs which enabled them to combine profit and non-profit motives within the same business activity. The study organized BDSPs personal attributes into a topology of ability, attitude and reward orientation.



#### **7.4 Situational Forces in the BDS Market**

We established that BDSPs operate under weak regulatory framework which encouraged unfair competition, providing services that were intangible and difficult to sell, alongside donor agencies who continued to give free and/or subsidized services and selling their services to entrepreneurs who did not fully appreciate their services. In examining the type of clientele more closely, the study found out that most MSEs in the Kenyan context did not appreciate BDS for a number of reasons. First, some of MSEs were not aware of the benefits of BDS and/or did not appreciate professionalism. Second, BDSPs attributed MSEs' unwillingness to pay for services to self deception by the MSEs which prevent them from buying and benefiting from the services. These MSEs believe they know everything about running a business hence no need to seek any advice from anybody. Kitching and Blackburn (2002) attributed the unwillingness to pay for training services as a symptomatic culture of self-deception which pervades the small enterprise sector. They noted that although many MSEs recognize the importance of business skills, a great proportion perceive their own skills as adequate. According to Beresford and Saunders (2005), the gap between perception and reality is likely to be a key barrier to education and training providers engaging small (micro) firms sector. Third, many MSEs were operating under serious resource constraints hence found it difficult to pay for the services. A weak regulatory environment was identified as a second major situational challenge facing BDSPs. They attributed the weak regulation to weak or unclear government involvement in the sector.

BDSPs felt that the government was doing too little, if anything, to streamline the sector. Others mentioned that the government did not even understand the sector. The weak regulatory framework made seeking legal redress time consuming and costly thus discouraging many BDSPs from pursuing it. K'Obonyo (1999) noted

that existing regulations and procedures in Kenya were a major bottleneck to small enterprises. This view is supported by Gitu (2001) who observed that problems created by weak regulations could take the form of higher costs, wasted time and energy, restrictions on choice, inflexibility, and stifling of initiatives and opportunities. Beyene (2002) argued that MSEs could immensely benefit from a conducive policy and regulatory environment whether they catered specifically to the domestic market or operated in the global market. BDSPs responded to the regulatory weaknesses by engaging in self regulatory initiatives, although these were yet to take root. Through self regulation BDSPs hoped to shape the regulatory environment. This response by BDSPs is consistent with the findings of Prakash and Potoski (2006) and Barnet and King (2008). Prakash and Potoski (2006) noted that firms in an industry can create and voluntarily abide by a set of self-governing rules. Barnet and King (2008) argued that firms in an industry shared an intangible commons and that the need to protect this commons could motivate the formation of a self-regulatory institution.

The third situational force was the nature of the BDS product. This affected MSEs' willingness to pay. BDSPs had relatively less difficulty selling services that met statutory requirements of their clients such as compiling tax returns and preparing books of accounts. Other services such as training, business counseling and mentoring which had no statutory requirements attached to them were more difficult to sell, owing to a lack of appreciation for the importance of such services. Gagel (2006) noted that most of the business consultants are targeting medium and large enterprises because of lack of capacity or willingness of micro and small enterprises to pay for management services. Fourth, the study established that competition in the sector was largely unfair. BDSPs attributed the nature of competition to the weak regulatory framework and clients' low level of awareness. The weak regulation meant that *anybody* could venture into the

market. In addition we found out that there were no standards in the industry regarding the quality of services. Unscrupulous providers took advantage of the absence of standards by charging low prices and giving substandard products. This was not only spoiling the image of the whole industry but also made it difficult for genuine providers to survive.

Finally with regard to the presence of donor agencies, the study established a paradoxical relationship between donor agencies and BDSPs. On one hand, BDSPs saw the presence of donors as a threat and partly responsible for the entrepreneurs' unwillingness to pay for services. BDSPs viewed donor agencies as competitors and hence looked for ways and means of mitigating their 'unwarranted' presence in the market. On the other hand, some BDSPs had benefited from donor agencies either directly or indirectly. For example, some had attended capacity trainings sponsored by donor agencies while others launched their products with the help of donors. Others still were able to offer subsidized services owing to donor support. As Amha and Ageba (2006) caution, BDS intervention should be based on the new approach where governments, donors agencies and practitioners are facilitators rather than engaging in the direct provision of BDS. Aitken and Harrison (1999) and Chung et al (1998) show conflicting influence of presence of foreign aid on domestic firms, hence the need to engage donor agencies prudently.

The second objective was to analyze how BDSPs in Kenya responded to forces in their environment. In relation to this objective, we established that BDSPs used eight strategies which evolved over time in response to the situational forces in their environments. The strategies were client strategy, product strategy, differentiation, pricing, collaboration, self-regulation, diversification and leveraging on donor support. For example, in response to the challenge of selling

their services, BDSPs used different strategies such as pricing and differentiation where they offered high quality value added products to clients, among others. Therefore, contrary to Sarasvathy's (2001) study that asserted that BDSPs used trial and error strategies with no specific goals or strategic plans, this study found that BDSPs ventured into the market with specific start up strategies and allowed them to evolve as the business grew.

While price was found to be an important factor influencing MSEs' decision to buy BDS products in this study, other studies had varying findings. Miehlabrad (2002) found out that price was rarely the key criterion in an MSE's choice of service provider. The factors driving BDS markets tended to be quality characteristics such as providers' reputation, recommendations from others and the types of services available. As Zeithaml and Bitner, (2003) argue each customer to some extent has unique individual characteristics and perceptions, will also have an idiosyncratic and heterogeneous demand for services. Thus each act of service provision has to be in a sense tailor made. Sinha (2000) also asserted that the introduction of niche products counteracts the threat of product substitution and new entrants into the new market and competition among existing firms.

With regard to competition, we established that BDSPs initiated a number of strategies namely; differentiation, collaboration, building niche markets and diversification. Porter (1985) explains that to be successful, differentiation strategies require that a company distinguishes itself from its competitors along a dimension which is valued by customers. This requires an in-depth understanding of the nature of the organization's clientele and their preferences (ibid, 1985). Some BDSPs took this path by staying in the communities of their clients so as to understand them better and provide services that they valued. Bengtsson and

Kock (2000) maintained that intensive competition fostered collaboration between actors in order to attain great market power and reach better positions. Peng and Bourne (2009) also established that two organizations will compete and cooperate simultaneously when each organization has complementary but distinctly different sets of resources and when the field of competition is distinctly separate from the field of cooperation. This was practiced by BDSPs as they sought to collaborate on issues of common interest such as self-regulation.

### **7.5 Start-Up Motives**

The question of what motivates people to start their own business has been studied extensively (Van Gelderen & Jansen, 2006). A central theme that emerges in all these studies is that the business starter wants autonomy (also labeled independence or freedom), (Schein, 1985; Blais & Toulouse, 1990; Katz, 1994; Feldman & Bolinon, 2000; Shane et al., 2003; Wilson, Marlino, & Kickul, 2004; Van Gelderen & Jansen, 2006). Schein, (1985) and Katz, (1994) classified the motives into two as autonomy/independence and entrepreneurship. Autonomy/independence was defined as the desire for freedom from rules and control of others.

McClelland (1962) identified three characteristics of entrepreneurs that related to their need for achievement: (i) a desire to accept responsibility for solving problems, setting goals and reaching those goals through their own efforts; (ii) a willingness to accept moderate risks, not as a function of chance, but skills; and (iii) a desire to know the outcomes of their decisions. Thus creating a new venture may provide entrepreneurs with the pleasure and satisfaction of independence and acceptance of responsibility for outcomes. Levenhagen and Thomas (1990) made several observations based on in-depth interviews with 13 software entrepreneurs in an attempt to determine the reasons for their leaving existing employment and

starting up new organizations. Their findings revealed that these entrepreneurs felt a conviction and dedication to the values embodied in the core task, a feeling that was in conflict with the values of their previous employer.

In a study to explain why small business starters want autonomy, Van Gelderen and Jansen (2006) identified two types of autonomy motives: (i) Proximal motive which is associated with task characteristics of being self-employed (i.e. decisional freedom); that is the small business starter may be motivated by the decisional freedoms and responsibilities regarding the what, how and when aspects of work. (ii) Distal motives for which autonomy can be instrumental for the fulfillment of still other motives (e.g. to avoid a boss or restrictions, to act in a self-endorsed and self-congruent manner; and to be in charge. Autonomy or independence emerged as a start-up motive for those who venture into BDS. For example, one BDSP explained; “I ventured into this business because I wanted to be independent; I wanted to be financially independent”. Different BDSPs seemed to attach different degree of importance to this motive. For instance, in expressing the importance attached to this motive one respondent explained; “This is the beauty of being your own boss. You don’t have to consult anyone”. Autonomy is also linked to creativity because an autonomy orientation inherently means that one does something different with less concern for what is conventional (Katz, 1994).

Different BDSPs ventured into business for different motives. The start-up motives were classified into three categories as intrinsic (from inside the person), extrinsic (from outside the person), and philanthropic. Philanthropic motives were conceptualized as humanly driven and divinely (or spiritually) driven. *Intrinsic motivators* were; desire for autonomy; desire to explore- meaning doing something new; desire to fulfill childhood dreams; desire to realize ones’

potential; and desire to put skills learnt into practice (implying the willingness to take the risks of the outcomes); desire to do something different; desire to be my own boss. These intrinsic motives seemed to be in line with what Katz (1994) defines as entrepreneurship. Katz (1994) defines entrepreneurship as focusing on something new, involving the motivation to overcome obstacles, the willingness to run risks and the desire for personal prominence in what is accomplished.

*Extrinsic motivators* arose from frustration within the workplace; desire to make money; to use BDS as a stepping stone to do other businesses; in response to market opportunity; and desire to uphold family tradition. Some BDSs ventured into business because of frustrations within their work place. In this case, starting a business was conceptualized as a way of escaping from an unpleasant boss or from unfavorable work situation. Van Gelderen and Jansen (2006) noted that some people are motivated by negative freedom in the sense that they generally dislike or are currently experiencing a difficult boss or unpleasant roles.

Oyhus, (1999) also identified three main motives driving start-ups and their corresponding types of opportunities. The motives include the innovative spirit, the business spirit and the enforced spirit. The innovative type of owner/manager is not a typically active opportunity seeker but rather acts only when the right type of opportunity knocks. The business spirit types of owner-managers are active opportunity seekers. They seek opportunities in different directions and tend to pursue opportunities in spheres where they have at least minimum knowledge or expertise. The objective of this type of owner-managers is simply to do business or make profit. The enforced spirit type of owner-managers on the other hand, are those who due to environmental circumstances (e.g. lack of a job or retrenchment) have been forced to start some business activity to secure livelihood thus are neither risk-taking or opportunity-seeking. These people start businesses which

they consider safe, because a small profit is strategically more important to them than an insecure but high return on capital.

*Philanthropic motives* were identified as desire to give service to small-scale entrepreneurs; desire to give some kind of support to small-scale entrepreneurs; desire to make social contributions; desire to give back something to the community and desire to make a difference in the society, spiritually driven as an answer to a or fulfill a divine call. There are conflicting views in extant literature regarding what drives philanthropy or corporate social responsibility (CSR) (Margolis & Walsh, 2003). Fry, Keim and Meiners (1982) established that philanthropic activities are done for profit motives. They found that marginal changes in advertising expenditures and marginal changes in philanthropic contributions were significantly related. The firms with more public contact tended to spend more at all income levels on philanthropy than firms with little public contact. Their results indicate that philanthropic activities served as a complement to advertising, which was a profit- motivated activity.

Porter and Kramer (2002) argued that philanthropy is increasingly being used as a form of public relations or advertising, promoting a company's image or brand through cause-related marketing or other high-profile sponsorships. They noted that while these campaigns do provide much needed support to worthy causes, they are intended to increase company visibility and improve employee morale as to social impact (Porter & Kramer). Johnson and Greening, (1999) noted that companies are involved in CSR programmes only when they have long-term interests or experience sufficient pressures, which could severely affect their profitability. According stakeholder theory, a firm is nexus of stakeholders. It is a co-operative venture for mutual benefit, a coalition of participants namely; clients, employees, share-owners and suppliers (Douma & Schreuder, 1991) who are all



economic stakeholders of each other, and who all depend on the continuity of the firm for their wealth and well-being (van de Ven & Jeurissen, 2005).

Van de Ven and Jeurissen (2005) argue that the ability of a firm to survive is an important instrumental moral goal in view of the legitimate interests and rights of many stakeholders. This means that policies and strategies of companies directed at the continuity of the firm (operationalized in terms of profitability, market share, growth, future cash flows etc) must be considered as morally justified activities, *prima facie*. They noted that because this has a bearing on CSR, there is not always a positive relationship between responsible behaviour and sustainable business success. The relationship depends on many factors, among them competitive conditions of the firm. Lev, Petrovits and Radhkrishnan (2006) asserted that CSR activities are associated with subsequent sales growth in industries which were highly sensitive to consumer perception. On the contrary, Clarkson (1995) in his 10 year field research (1983-1993) of the 70 biggest Canadian companies show that in the normal course of conducting their businesses, corporate managers did not think or act in terms of corporate social responsibilities.

The current study established that BDSPs perceive SE clients to be largely unaware of BDS or its benefits. Therefore, it is unlikely that BDSPs' philanthropic motivation is influenced by SE clients' bargaining power. Where does this philanthropic motivation come from? The study revealed that some BDSPs engage in philanthropic activities as a divine call. Others seemed to have acquired the desire for philanthropy from their previous work experience; yet for others it was internally driven. For example, one respondent explains; "this is where my boost comes from. I get a lot of satisfaction when I am impacting on someone"; she seems to be expressing her internal disposition about helping

others. This suggests the need to understand BDS philanthropic motives or voluntarism within the socio-cultural context in which the businesses are operated.

In Kenya, the idea of giving something to others is rooted in people's social culture. 'Voluntarism' is seen under the dichotomy of giving and receiving. On the one hand, people contribute money to others through group donation concept locally known as '*Harambee*' (or *Ubuntu* as it is known elsewhere) to pay school fees, medical bills, and to meet wedding and funeral expenses of relatives and friends; and friends of friends. On the other hand, people expect others to help them whenever they are in need. *Ubuntu* is a special sense of group identity and liability, a sense of human interdependence that is driven by social norms such as reciprocity, suppression of self-interest and symbiosis. Mangaliso (2001, 24) defines *ubuntu* as "humanness-a pervasive spirit of caring and community, harmony and hospitality, respect and responsiveness- that individual and groups display for one another.

Nyambegera, Daniels and Sparrow (2001) noted that Kenyans are more of group than individual oriented and are oriented towards harmony with the world around. Thus, it is possible that both philanthropy practiced by BDSPs and the culture of dependency of the SE clients are socially driven (i.e. are a manifestation of deep socio-cultural dispositions of the people). Schein (1985) argues that the culture of any group or societal unit is the total of the collective or shared learning of that unit as it develops its capacity to survive in its external environment and to manage its own internal affairs. One of the powers of culture is derived from the fact that it operates as a set of assumptions that are unconscious and taken for granted (Schein).

Philanthropic and intrinsic motives conform to Maslow's (1954) higher level of needs and Herzberg's (1966) motivators. Maslow (1954) posits a hierarchy of human needs based on two groupings: deficiency needs namely physiological, safety, social, and ego (or esteem) and growth needs, namely; self-actualization. These needs form a hierarchy or ladder and that each need becomes active or aroused only when the next lower level is reasonably satisfied. Once each of these needs has been satisfied, if at some future time a deficiency is detected, the individual will act to remove the deficiency. The individual is ready to act upon the growth needs if and only if the deficiency needs are met.

According to Maslow's theory, human action is basically a rational activity by which we expect to fulfill successive level needs. In his two factor theory of motivation, Herzberg (1966) distinguishes between hygiene factors (which largely correspond to Maslow's lower needs of physiological, security and social) and motivators (which correspond to Maslow's higher needs of esteem and self-actualization). Hygiene factors have the potential to motivate negatively. These lower level set derives from man's desire to avoid pain and satisfy his basic needs. They include the need for such things as food, clothing, and shelter, as well as the need for money to pay for these things. Motivators on the other hand, are a "higher level" set of needs. They have the potential to motivate positively. This set of needs relates to the unique human characteristic that is the ability to achieve and to experience psychological growth". Included here are the needs to achieve a difficult task, to obtain prestige, and to receive recognition.

Unlike in the small business literature where people venture into business for economic necessity (Olomi, 2001; Oyhus, 1999; Nafziger et al., 1994), none of the BDSPs interviewed ventured into the business for economic necessity and/or survival. This may suggest that people may not necessarily venture into BDS

business for survival; that it is financial rewards may not keep people to do BDS business. The study also established that there are people who ventured into BDS market to make a social contribution. For some BDSPs, the philanthropic and intrinsic motives, namely; desire for autonomy; desire to explore; desire to fulfill childhood dreams; desire to realize ones' potential; and desire to put skills learnt into practice, desire to make social contribution and desire to give service to small-scale entrepreneurs appeared to be dominant over the extrinsic motives. Such BDSPs continued doing business even when it may not appear to do well in the traditional economic sense This finding may suggest that success in the BDS sector may require a certain kind of 'call' to sustain it.

Others researches have shown that small scale entrepreneurs may have other overriding objectives. For example, Nafziger et al., (1994) noted that although self-employment/survival may be the overriding goals in the earlier stage of the venture later, growth, success or family succession may take precedence. The study also established that some people venture into provision of BDS as a stepping stone to do other businesses. This finding adds another dimension of 'stepping stone motive' by small-scale entrepreneurs. Bennett and Estrin (2007) showed that informality may be a stepping stone enabling an entrepreneur to experiment cheaply in an uncertain environment. They argued that there are circumstances under which, without this option, the industry would not become established. They analyzed the roles of parameters such as a minimum wage rate and showed that the existence of financial constraints can actually encourage entry in this context. BDSPs' start-up motives were influenced by the background characteristics. The start-up motives in turn appeared to influence the providers' perception of the business.

## **7.6 BDSPPS' Perception of their Business**

BDSPPS had different perceptions of their business. These perceptions were classified as positive (business having potential) or negative (business not having potential). The perceptions also seemed to be linked to each other. For instance, one respondent whose motive to ventured into business consulting to use it as a stepping stone to do other 'serious business', had a reward orientation which was mainly financial. Furthermore, his focus of the business was very short- term; he wanted to get financial rewards as quickly as possible. To him, BDS had no potential. He explained: "I have never seen BDS grow unless one is working with big organizations". On the contrary, respondents who saw BDS as having a lot of potential seemed to had a long-term focus of the business. They seemed very patient. For instance, one such respondent explained; "the benefits of BDS cannot come in the short- term". Start-up motives seemed to influence BDSPPS' perception of the business. This relationship has not been established.

The differences in BDSPPS' perceptions of their businesses are somehow similar to the social action theory proposed by Stanworth and Curran, (1976). According to the social action theory, owners/managers differ significantly in terms of their self-perceptions and meanings attached to business activities. Stanworth and Curran argue that people will choose to run businesses whose structure and size conform to their perceived self- images and their corresponding intrinsic needs. They identified three types of owners/managers, namely; artisans, entrepreneurs and managers. Artisans are business operators who are motivated primarily by the intrinsic satisfaction that arises from personal autonomy, status in society, satisfaction at producing a quality product and offering a personal service. The classical entrepreneur is an owner-manager motivated by a combination of profit and freedom from control by others. They are willing to sacrifice intrinsic rewards in order to maximize personal financial returns. Managers on the other hand, are

motivated by the desire to gain recognition by significant others for managerial excellence; desire to create something new, personal prominence in what is accomplished, need for security and concern to ensure that their offspring will eventually benefit from the enterprise (Stanworth & Curran).

### **7.7 Motivation to Sustain Business**

We established that BDSPs' start-up motives influenced their' perception of the business which in turn influenced their motivation to sustain the business activity. BDSPs whose greatest motive for venturing into business was to make money seemed very impatient. Their view of the business was short term and was geared towards making quick monetary returns. In addition, they seemed to lack of passion for the business. According to the expectancy, action are taken because an individual believes that his or her efforts will lead to successful performance which will bring certain outcomes with direct positive value or which will lead to other valued outcomes (Olson, et al., 1996).

Motivation to sustain the business was not linked to financial sustainability of the business. While financial sustainability was an overriding motivation that kept some BDSPs in business for others it was not. These findings are consistent with those of Wiklund et al., (2003) that showed that noneconomic concerns may be more important than expected financial outcomes in determining the overall attitude towards growth.

For some BDSPs, the belief that the business could succeed; that it had potential was what kept them in the business. This belief gave them the motivation to look for ways and means of sustaining the business; to do whatever it took to ensure to make the business succeed.

## **7.8 Gaps in the BDS Market**

The study revealed a number of demand and supply side gaps in the BDS market which providers need to identify and fill for the business to become sustainable. The gaps include Awareness Gap, Value Gap, Trust Gap, Quality Gap, Capacity Gap; Willingness to Pay Gap, Appreciation Gap, and Ability to Pay Gap, and Perception gap.

A number of factors were established as responsible for the existence of gaps in the BDS market. For instance, SE clients' unwillingness for the services was attributed to their self-deception ('many think that they know'). Furthermore, BDSPs linked the clients' unwillingness to pay for services to lack of appreciation of professionalism by the SE sector. Another factor that was responsible for SE clients' unwillingness for the services was the attitude of the SE clients- about 'free services'. BDSPs attributed this attitude to three factors, namely; first, the way the concept of BDS was developed; that in an effort to encourage SE clients to use BDS, donors paid everything for them to access services- a culture that has become deeply rooted in the minds of SE clients. Phillips and Steel (2003) noted that subsidies to transactions might lead to market distortions by giving wrong signals making investments to be diverted to the wrong types of services.

Although BDSPs noted that donors were beginning to exit the market, their continued presence was a matter of concern to BDSPs. Second, BDSPs perceived that SE clients may be unwilling to pay for BDS because sometimes the services may not meet their needs. For example, some BDSPs mentioned that because of lack of capacity or ignorance about what the market requires or both, some providers who tried to sell what they have and not what clients want. For example, one BDSP explained; "I came to realize that most entrepreneurs want

practical solutions to the problems they are facing” yet not all providers take cognizance of this fact. Three, unwillingness to pay for services, was attributed to the “African culture of dependency”. As another BDSPP explained; “some of these people (SE clients) think that somebody else is responsible for their existence”, which suggests that filling this gap may require a deep understanding of the African socio-cultural disposition that makes some SE clients want to be supported or why they expect to be given free services.

SE clients’ unwillingness to pay for services has been identified by many researchers. For example, Gagel (2006) argues that most of the business consultants are targeting medium and large enterprises because of lack of capacity or willingness of micro and small enterprises to pay for management services with rather medium and long-term impact. The unwillingness to pay for training services has also been attributed to a symptomatic culture of self-deception which pervades the small enterprise sector. Although many SEs recognize the importance of business skills, it appeared that a great proportion perceive their own skills are adequate (Kitching & Blackburn, 2002). According to Beresford and Saunders (2005), the gap between perception and reality is likely to be a key barrier to education and training providers engaging small (micro) firms sector. This perception may be reinforced by owners/managers of small firms’ belief that they are too important to the business to take time away for any form of study (Kitching & Blackburn, 2002). Carter, Mason and Tagg (2004) identified lack of time as the key reason for non-engagement with education and training providers.

Value gap also emerged as another challenge that was facing many BDSPPs. The challenge arose from the fact most BDS were intrinsic and/or intangible. The intrinsic and/or intangible nature of BDS made it more difficult for BDSPPs to demonstrate the value of services and for clients to see value addition. As one



respondent explained; “BDS should be able to add value and BDSs must be able to make entrepreneurs see and recognize value in the services they are selling”. But this was very difficult due to the intrinsic nature of some BDS products. BDSs perceived that SE clients were more willing to pay for statutory services and those services with immediate and direct impact as opposed to those with long-term impact. Services that have long-term impact involve an element of risk whenever a client is purchasing them hence require trust between the provider and the client. This suggests trust between providers and SE clients may be an important factor that influences ability to sustain a business activity..

Cronin, Brady and Hult (2000) investigated the effects of service quality, customer satisfaction and customer’s perception of value on the behavioural intentions. They found that service quality, value and customer satisfaction have a direct and positive influence on customer behaviour. Of these factors value represented the strongest influence followed by customer satisfaction. Cronin and Taylor (1992) also established a direct positive but weak relationship between service quality and purchase intentions. In addition, they established that service quality affects customer satisfaction which in turn had a strong effect on purchase intentions.

Different researchers have looked at different aspects of the service product e.g. Wang, Lo, Chi, and Yang, (2004) looked at customer value; while Dodds, Monroe, and Grewal (1991) focused on buyers’ perception of value. Furthermore, there are different definitions of the same variables across different studies. For example, Gale (1994) considers value to be market perceived quality adjusted for relative product price while Zeithaml (1988) considered value to be the customer’s overall assessment of the utility of a product based on the perception of what is received and what is given. Other aspects of the market have also been

identified e.g. mediating role of client satisfaction on service quality and marketing performance, (Chumpitaz & Pappas, 2004); customer choice, (Brito, Aguilar, & Brito, 2007); effects of service quality, customer satisfaction and customer perception of service value on behavioural intentions (Cronin, Brady & Hult, 2000); professionalization of the business start-up process (Beresford & Saunders, 2005) and effect of perceived quality on loyalty (Cronin & Taylor, 1992).

Parasuraman, Berry, and Zeithml (1998) defined the service-quality concept in terms of five dimensions, namely; reliability, responsiveness, assurance, empathy, and tangibles. These dimensions represent how consumers organize information in their minds. Reliability is the ability to perform the promised service dependably and accurately while responsiveness is the willingness to help customers and to provide prompt service. Assurance refers to employees' knowledge and courtesy, their ability to inspire trust and confidence. Empathy is the caring and giving individualized attention to customers while tangibles are appearance of physical facilities, equipment, personnel and written materials. The fact that different studies have focused on different aspects of the service product means that it may be difficult to generalize the findings across different studies.

The current study established that quality gap arose from two factors, namely; lack of standard measure of quality in the sector and the intangible nature of BDS. Lack of standards emerged not only as a major regulatory weakness making it difficult for clients to evaluate the quality of the services but also partly responsible for the presence of many 'quack' consultants in the industry. Some BDSPs initiated self-regulation as a strategy to protect themselves from unfair competition as well as to protect the image of the industry. They believed that self-regulation could act as quality a check in the industry. BDSPs also

viewed self-regulation as a strategy to protect themselves from unfair competition as well as to protect the image of the industry.

Weak regulatory framework in the BDS sector was cited as partly responsible for the unfair competition in the industry. Those BDSPs who perceived themselves as genuine were concerned that the presence of many ‘quack’ consultants selling substandard products to clients were eroding the public image of the industry. This made some clients shy away from purchasing BDS. According to some BDSPs’, the problem was exacerbated by the clients’ ignorance which made it difficult for them to differentiate superior from inferior services. The study also revealed that some BDSPs were offering what some described as *elitist* services beyond the scope of many small-scale entrepreneurs. As one BDSP explained; “Many consultants are talking above their clients. If the SE clients have to benefit, consultants need to come down to the level of their SE clients; there is need to demystify the whole concept of BDS”.

Some BDSPs mentioned lack of capacity to provide quality services that are valued by clients. As one BDSP explained, “For BDSPs to add value they must have the soft skills and the capacity to provide quality products and also to package them appropriately”. The study revealed some BDSPs did not have either the skills or capacity or both to do so. Collaboration among the providers was cited one way by which BDSPs could overcome resource and capacity constraints among themselves. However, suspicion among the providers sometimes made it this difficult. The study established that BDSPs do not have trust amongst themselves due to past negative experiences. Addressing some of the gaps for instance, changing the attitude of the entrepreneurs and initiating self- regulation require collaboration among all stakeholders. This suggests the need for BDSPs to form collaborations i.e. the need to form networks and alliances.

Lack of trust emerged as a major factor that undermined collaboration between BDSPs. Trust has been identified as one of the factors that determine whether or not firms will enter into strategic alliance. Volery and Mensik (1998); Oughton and Whittman (1997) found that high levels of existing trust between potential partners leads to network formation. Networks have additional benefits. For instance, Gibb (1993) argues that small enterprises can achieve complementary skills and resources that are essential for competitiveness and survival in the market through entrepreneurial networks. According to Uzzi (1997), network ties link business actors in multiple ways as business partners, friends, agents and mentors – providing a means by which resources from one relationship can be exchanged for another. The existing literature suggests that network system might be a major way for small firms to compensate for lack of resources.

Premaratne (2001) established that entrepreneurial networks provide important resources for firms involved in them but that network building is an investment that takes time, money and effort. Using empirical case methodology to examine the benefits of networking for Australian SME owners/managers and the role of trust in their decision- making about networking, Brunetto and Farr-Wharton (2007) showed that networking provides an impetus for SMEs to learn particularly about new business opportunities. They established that learning occurred mostly at a formal level. Their findings further showed that there was far less evidence of SME owners/managers learning from each other a factor, which was mostly attributed to lack of trust across alliances. Furthermore, lack of trust across alliances resulted in low performances generally and in turn the failure of any collaborative venture.

The current study established that other than to overcome resource and capacity constraints, some BDSPs entered into reference alliances with their competitors as a cost cutting strategy and also as a means through which they built their profile. Through reference alliances, some BDSPs built a pool of associates whom they subcontract whenever they had more assignments than they can handle but whom they relied on to get business whenever they did not have enough work. However, the study established that collaboration between BDSPs was weak because of lack of trust among providers. McCormick (1999) noted that with the exception of motor vehicle repair where businesses specialize in one aspect of the work and subcontract the rest, mutual collaboration among small enterprises is weak in most industries.

Lack of trust between SE clients and BDSPs was also cited as responsible for low usage of BDS by SE clients. It emerged that many SE clients had been cheated by quack consultants and as such lost trust in them. One BDSP explained; “some entrepreneurs have been cheated by ‘quack’ consultants. Consequently they have lost trust”. Gagel (2006) noted that micro and small enterprises are suspicious of foreigners and fear the direct and indirect costs to them. Fukuyama, (1995) explained that trust is formed not on the basis of explicit rules and regulations but upon a set of ethical habits and reciprocal moral obligations initiated by the community members. Although trust involves an exchange of information, it is not reducible to information (Fukuyama, 1995). Trust is the building of social capital that reduces transaction costs (Gibb, 2006). Lewicki and Bunker (1996) define trust as a state in which both parties are confident about the other parties’ motives and conduct in situations involving risk.

Zucker (1986) suggests three forms of trust –characteristic based trust (based on members’ characteristics), process- based trust (based on established history) and

institutional-based trust (determined by established practices). Characteristic-based trust arises when people beginning a relationship share similar social and cultural backgrounds. Zucker defines process –based trust as a record of prior exchange often obtained second hand or by imputation from outcomes of prior exchange. Consequently, organizations establish process-based trust by creating a positive reputation.

Clark (1995) identified reputation to be the key selection criteria in the pre-relationship stage. Institutional-based trust on the other hand generalizes beyond a given transaction and beyond specific sets of exchange partners. Institutional -based trust relies on socially produced and legitimized structures (Zucker, 1986). It is based on the creation of third –party intermediaries that actually enforces trustworthy behaviours of business parties or certifies trustworthiness of parties in a business relationship. These intermediary parties are not involved in the business relationship, but they endorse the exchange process. Membership in a professional organization or possession of a license to practice is sources of institutional-based trust (Zucker). Clark (1995) notes that consulting companies membership in a professional organization may lead to information asymmetry reduction and development of a business relationship. It has been acknowledged that when firms enter into a network, they face the problem of having to build and maintain trust among respondents, environment devoid of traditional hierarchical and/or market relationship that normally governs behaviour and practices (Newell & Swan, 2000; Sheppard & Tuchinsky, 1996).

The study revealed that quality gap arose from several reasons. One, quality gap arose from lack of standards and/or weak regulation in the BDS industry. Lack of standards emerged as a major regulatory weakness that made it difficult for clients to evaluate the quality of services. Weak regulatory framework was cited

as partly responsible for the presence of many ‘quack’ consultants in the industry. Weak regulatory framework also increased the transaction costs. Furthermore, it makes legal redress slow and very costly affair. Interests in self-regulatory institutions, whereby firms in an industry create and voluntarily abide by a set of governing rules have gone through a renaissance (Prakash & Potoski, 2006).

Barnet and King (2008) extended the theories of self-regulation of physical commons and analyzed self-regulation of intangible commons in a chemical industry. They noted that firms in the same industry share an intangible commons that binds them to a shared fate and that when the intangible commons is damaged it poses a serious threat to the success and survival of the firms that share it. They argue that interdependence between firms can be problematic; that just as one firm's successes can “spill over” to other firms, so too can its problems. Thus the need to protect this commons can motivate the formation of a self-regulatory institution. Their study showed that despite the incentive of a free ride, firms agreed to participate in self-regulation that provided a benefit to the industry as a whole. They demonstrated that firms can voluntarily come together to protect an intangible industry commons despite the risk of free riding (Barnet & King).

Hannan and Carroll (1992) on the other hand, note that interdependence can be favourable, for instance, where one firm's success helps to legitimize an emerging industry and so makes it easy for all such firms' access to resources. Other barriers to engaging micro and small businesses in training include cost, lack of awareness, relevance and overly bureaucratic application process (Forrester, Payne & Ross, 2004). Cost, lack of awareness, relevance and bureaucratic application processes has also been cited by Beresford and Capizzi,

(2000); Devins et al (2002) as factors that prevent SEs from engaging in training. They attribute lack of engagement in training to the provisions failure to connect with the micro business world. Furthermore, there remains a major supply side failure of mainstream offerings to reflect the interests of the micro-business managers and to present them in a coherent way (Devins et al., 2002).

BDSPs seemed to think that the general public was largely unaware of BDS and/or its benefits. This perception seemed to influence BDSPs' approach to business. In addition, there was also divergence in the way some BDSPs viewed the market. While some BDSPs perceived SE clients as ignorant; other BDSPs perceived them differently. For example, one respondent explained: "clients know what they want and they have their standards and if you are not able to meet this standard, you cannot make it". Entrepreneurs' inability to pay for services was also attributed to their resource constraints that many were operating under. For example, one respondent explained: "sometimes these small-scale entrepreneurs are simply unable to pay for the services". Perception gap described BDSPs' perception towards BDS business in general, and their businesses in particular as well as what they thought clients wanted. BDSPs' perception regarding the performance of their business seemed to differ from the way donor agencies viewed performance of BDS business. BDSPs' perception about how their businesses were performing appeared to be linked to their start-up motives and whether or not they were achieving these motives.

The study revealed that ability to identify and/or fill the gaps depended on BDSPs' strategic response which in turn was partially shaped by the situational forces, background characteristics of BDSPs and their motivation to sustain the business. While some of the gaps have been identified in extant literature, they have not been organized in a comprehensive, coherent and logical manner. The



findings on gaps are scattered. Different studies identified different gaps. Furthermore, existing studies do not explain how these gaps are identified or relate to sustainability of business. The current study captured and organized the gaps in a comprehensive way showing their causes, their consequences and how they are filled by providers who are able sustain their businesses in the context of a developing economy. The study also revealed that ability to identify and fill the critical gaps in the BDS market must be coupled with the passion and motivation to sustain services in a market where demand must be painstakingly actualized over time. Furthermore, some of the gaps acquire a different meaning in a developing country context e.g. culture gap and ability to pay gap.

### **7.9 Strategic Response to the Market Forces**

As discussed, strategic response referred to how positively BDSPs responded to the changes in the market environment; be they opportunities and/or threats. BDSPs responded to each situational force differently and that their strategic responses seemed to evolve over time. Furthermore, the effectiveness of the responses also differed from BDSP to another and over time. In addition, the degree of flexibility with which each BDSP responded to different situational force also varied. BDSPs seemed to change their strategies in response to changing market conditions although the degree differed from one provider to another. This is similar Sarasvathy's (2001) effectual reasoning where entrepreneurs venture into the market with no specific goals or strategic plans but allowed them to emerge as they took the products to the market and as they interacted with the customers.

Unlike the entrepreneurs described by Sarasvathy (2001), some BDSPs appeared to have ventured into the market with specific strategic plans and changed their strategies when they realized that the original strategies could not work. For

example, one respondent explained: “the moment I realized that my approach could not work, I decided to change not only my approach to the market but my products and my networks as well. I became very flexible. I decided to try anything and if it does not work I try something else. I adopted a trial and error strategy. In the process I made many mistakes but in making the mistakes my eyes were opened.” It also emerged that even BDSPs who did not succeed to build sustainable business also changed their approach to business in response to changing market conditions. This suggests the need to develop appropriate strategic responses.

BDSPs used the following strategies; client strategy, product strategy, focuses strategy, price strategy and coo petition strategy (whereby they competed and cooperated at the same time). Similar to the coo petition strategy (Peng & Bourne, 2009), BDSPs formed strategic alliances with each other as a cost cutting strategy but sometimes as a way to build their profile. As a cost cutting strategy some BDSPs used a pool of associates whom they subcontracted whenever they had more work than they could handle but they also relied on their associates to get work particularly whenever they did have not enough work. As a strategy to increase their likelihood of winning the contracts BDSPs sometimes bid for contracts together. BDSPs also used reference alliances; some relied on referrals from their fellow associates to get business. The current study therefore, extends the concept of coo petition to a different industry (BDS industry). However, unlike in the healthcare industry where the field of competition is distinctly separate from the field of cooperation, this does not seem to be the case in the BDS market.

Peng and Bourne (2009) used a detailed case study of two healthcare networks in Taiwan and established the existence of competition and cooperation exist at the

network level and how they work. They demonstrated how the two firms first initiated competition, followed by cooperation and then coo petition. They established that two organizations will compete and cooperate simultaneously when each organization has complementary but distinctly different sets of resources and when the field of competition is distinctly separate from the field of cooperation. They also established that two networks will find it easier to balance competition and cooperation when each network has compatible but distinctly different structures. The rationale of coo petition was based on two perspectives namely the resource based view and intensive competition and strategic positioning. Drawing from the resource based view they argue that both homogeneity and heterogeneity in resources partly explain coexistence of competition and cooperation (Peng & Bourne, 2009). On the one hand, because firms acquire resources from alliance partners, resource homogeneity such as product similarity implies that two competing firms share more commonality in product development, process innovation and quality control. On the other hand, resources such as knowledge, skills and tangible assets are not homogeneous across the population of firms. As such, heterogeneity of resources can foster cooperative relationships when unique resources can be advantageous both for cooperation and competition a view supported by Bengtsson and Kock (2000).

Taking the perspective of intensive competition and strategic positioning, Bengtsson and Kock (2000) maintain that intensive competition fosters actors to collaborate in order to attain great market power and reach better positions. For example, competing firms collaborate in order to strive for increased power over suppliers and to reach a strategic niche in the customer market. Bengtsson and Kock, (2000) argue that cooperation and competition can exist simultaneously and both can contribute to achieving organizational goals. By examining coo petition in three industries, they found that firms compete in activities close to the

customer and cooperate in activities far from customer. Brandenburger and Nalebuff (1996), explains that the essence of coo petition is cooperating with others to increase the size of the pie and then competing in cutting it up The cooperative aspect arises from the fact that each firm needs to access the other firm's know-how while the competitive aspect is a consequence of each firm's attempts to use its partner's know-how for private gain (Khanna et al., 1998).

The current study revealed that BDSPs' strategic response was directly influenced by the situational forces and vice versa, BDSPs' background characteristics and indirectly by start-up motives via their perception of the business. For instance, the absence of regulation in the industry motivated BDSPs to form lobby groups as well as to initiate self - regulation which in a way was shaping the regulatory framework. Self-regulation was in conformity with institutional theory that shows how the behaviour of organizations is a response not solely to market pressures but also institutional pressures (e.g. from regulatory agencies such as the state and the professions, and from the general expectations and the actions of leading organizations (Greenwood & Hinings, 1996). The institutional perspective on organizations emphasizes the stability and persistence of organizational forms in a given population or field of organizations (Zucker, 1987).

In Kenya, existing regulations and procedures have been observed to be a major bottleneck to small enterprises (K'Obonyo, 1999). Most written regulations in Kenya owe their origin to the colonial period when regulations were aimed at controlling and regulating growth of indigenous enterprises. After independence, other related requirements were introduced by the Kenya Government to ensure certain types of businesses were deliberately for Kenyans of African origin. Over the years the regulations and administrative procedures multiplied and with passage of time have proved a major impediment, partially to the establishment

and growth of African owned businesses that they were intended to support, protect and promote (K'Obonyo). Problems created by bad regulations can take the form of higher costs, wasted time and energy, restrictions on choice, inflexibility, stifling initiatives and opportunities (Gitu, 2001)

The current study also showed that the presence of the donors in the market has both negative and positive impacts. On the positive side, some BDSPs had benefited either directly or indirectly from donors. Some had attended trainings that were either fully or partially funded by donors. Others had launched their products in the market with donor support. On the negative side, the providers felt the presence of donors was distorting the market hence making it difficult for BDS business to be commercially sustainable. They attributed the SE entrepreneurs' unwillingness to pay for services largely to free or subsidized services by donors. Existing literature shows conflicting influence of presence of foreign firms on domestic firms. Aitken and Harrison (1999) and Chung et al (1998) found negative or no spillover effects of foreign direct investment (FDI). Aitken and Harrison (1999) explain these contradictory findings using the concept of 'market stealing' or crowding out. They argue that even though technology spillover may exist, more efficient foreign firms may draw demand from less efficient domestic firms, thus forcing them to cut production. This negative competitive effect may outweigh the positive technology spillovers giving rise to negative net effect from foreign presence or entry on domestic firm performance.

BDSPs' strategic response was influenced by their background characteristics. Having knowledge and soft skills appeared to influence the strategic response of the BDSPs. BDSPs who were knowledgeable and had the skills and the ability to provide the services that the market requires were able to respond appropriately to the market. In addition, those who established close relationships with clients

were able to identify the real needs of their clients, were able to empathize with their clients as well as appreciate what their clients wanted hence were able to respond appropriately to the changing market conditions. Also those BDSPs who were proactive, flexible and innovative designed and redesigned their products to suit the market changing market conditions. Furthermore, through work experience, some BDSPs established network of clients and associates.

Empirical findings have established links between owners/managers' background characteristics and the strategies that they adopt. Kotey and Meredith (1997) found that certain profiles of owners/managers' personal values correspond with certain strategic response. Porter (1991) maintains that management will always have some influence on strategy. Overtime; managers can create and sustain competitive advantage by continuous innovation, and upgrading of resources (Porter). Porter's views supports those of Bamberger (1983) who strongly argued that business strategies are the products of managers' visions which in turn originate from their personalities. Management has even greater influence on strategy in smaller firms where they are also the owners of the firm than in large firms (Miller, 1983) but greatest influence in dynamic, unpredictable and changing environments (Miller & Toulouse, 1986). Frese, (2000) also note links between entrepreneurial success and the personal action strategies of the operators- i.e. proactive behaviour in planning and development being more likely to lead to success than reactive responses to unanticipated events (success being variously defined in terms of survival and growth).

Kickul and Gundry (2002) developed a model to test the interrelationship among small firm owners' personality, strategic orientation and innovation. Their empirical results demonstrated that small owners' proactive personality is linked to a strategic response to the small firm that permits flexibility and change in

response to surrounding business conditions. They showed that by employing a prospector strategy, these proactive owners have a direct impact on the goals and direction of their organizations. Moreover, their strategic response also influences the types of innovations developed and implemented within the internal and external framework of the small business environment. Their study further suggests that organizations with a prospector managers are not only more likely to identify opportunities for developing new products or markets but also willing to make internal changes and transformation within their organizational structure that facilitates further growth and success.

Bahrami (1992) and Volberda (1999) both assert the importance of a broad base knowledge and a broad scope of managerial expertise that enables managers to devise appropriate responses. They argue that heterogeneity in backgrounds and experiences needed in a flexible firm is related to the need to face competitive environments. More heterogeneous managerial expertise enhances absorptive capacity of organization for recognizing the need for change (Calori et al., 2000; Volberda, 1998). Heterogeneity and broad managerial mindsets foster the ability to create and support ideas. Bahrami (1992) points out the crucial role of the cosmopolitan mindset as a way of incorporating different cultural assumptions and premises.

As explained, BDSPs' strategic response also appeared to be influenced by start-up motives though indirectly via BDSPs' perception of the business. BDSPs who saw no potential in the business, ventured into BDS as a short-term engagement mainly for quick monetary gains. The short-term focus also seems to influence their choice of clients as well as their relationship with the clients. Such providers did not seem to get into long-term relationship with clients. On the contrary, BDSPs whose overriding motive was to make a social contribution appeared to

have long-term focus of the business. They seemed to perceive the business as having potential and as such were willing to develop the market from the scratch and were willing to create long-term relationship with clients. The relationship between strategy and start-up motives via BDSPs' perception of the business. In addition, their reward orientation also seemed to be more non-monetary as opposed to monetary rewards.

Although several factors that explain sustainable competition, and hence growth and/ or survival have been identified in the literature (see Porter, 1985), in the BDS market they may take a different dimension. BDS market is unique in the sense that in some instances the market is still evolving and in some cases may not be ready for business or if it exists may only be latent. Thus BDSPs might be required to create the market unlike in the other industries where market already exists. In other industries, where the market does exist, the role of the business manager is only to create a market share. Therefore, as discussed in section 7.6, identifying and closing some of the gaps in the BDS market may require unique strategic response and more effort (e.g. more commitment, perseverance and more time) from the providers and may involve more risks because while in other markets the gaps may be clear (e.g. the need to get the right location, money and time) this may not be the case in the BDS market.

#### **7.10 Understanding Sustainability of BDS**

A number of theories have been developed to explain the motivation for starting and sustaining business activity. For instance, in a study designed to understand the underlying causes of growth, (Olomi, 2002) noted a possible link between positive growth motivation and actual growth. However, the study did not establish links between motivation and other descriptors of the operator-enterprise entity; he concluded that other active factors could be external influences.



As discussed, start-up motives seemed to influence BDSPs' perception of the business which in turn seemed to influence their motive to sustain the business. For instance, the respondent who explained that he had never seen BDS business grow unless someone was dealing with large organizations that did not have any motive to sustain the business. This provider ventured into it but only as a stepping stone to do other 'serious businesses'. To him, BDS was not a 'serious' business; this could also mean that he did not see doing BDS as a full time or a life- long career. On the contrary another respondent who explained that BDS had potential was ready and willing to do anything to make the business succeed. The respondent explained: "I can see light at the end of the tunnel. For me this is planting time. This business is like a bamboo tree'; it takes time to establish the roots but once its takes root, it spreads very fast".

The study showed how BDSPs' perception of the business intervenes between their start-up motives and their motivation to sustain the business activity. This relationship has not been established in the extant literature. Furthermore, because in some instances, BDS market may not even exist or be ready for business sustaining business in the BDS market may be more difficult than in other traditional markets. Thus what motivates people to sustain business in BDS market may be different from what motivates people to sustain a business in other markets.

The study revealed that sustainability is relative. It depended on BDSPs' background characteristics, their start-up motives and BDSPs' strategic response which in turn influenced their ability to identify and fill the gaps. The study revealed that BDSPs had different views regarding sustainability of their business

which mostly reflected their motives for venturing into business. For example, those whose main motivation was to make quick money seemed to lay more emphasis on financial sustainability compared to those whose overriding objective was to make a social contribution. However, achieving financial sustainability does not necessarily ensure long-term continuity of the business.

The desire to sustain the business activity seemed to be influenced by BDSPs' start-up motives, the providers' expectation as well as their perception of the business. According to Van Gelderen and Jansen (2006), people start businesses in order to be autonomous among other reasons and in many cases; the success of their firm is instrumental in achieving that goal. Therefore, they argue that if small business starters are after autonomy, then the attainment of autonomy should be part of measures of success. This suggests the need to take into considerations the motives for venturing into business in evaluating sustainability. They further posit that for some business starters autonomy may be associated with firm growth as a big firm may be less vulnerable and dependent than a small one (Van Gelderen & Jansen).

Contrary to established extant literature that shows that small business owners do so for survival and economic necessity (Olomi, 2001) this was not necessarily the case with BDS business; some BDSPs were motivated by higher intrinsic and philanthropic motives. In addition, BDSPs' perception of sustainability seemed to be different from the donor agencies'. While donor agencies seemed to lay emphasis on financial variables as a major indicator of BDS sustainability, this was not necessarily the case with all BDSPs. The study established that there were some BDSPs whose start-up motive was philanthropic. Consequently, such BDSPs went out of their way to make their business succeed; some engaged in other business activities alongside BDS business in order to generate income

which they used to sustain the BDS business. For some BDSPs philanthropic activities (giving services to people) was an opportunity to fulfill a divine call.

As already explained sustainability is a complex concept and is multidimensional in scope. It is contingent on BDSPs' motivations, their background characteristics, their perception of the business and their approach to business as well as the external relationships that they form. For example, one respondent said about this his expectation of the business: "I realized that my expectations were too high. You see I had a job that was paying me a salary and so when I stopped working and ventured into the business, I expected the business to continue paying me that much. But I came to realize that a business has a life of its own, and before it feeds you, you have to feed it first".

Withdrawing from the business 'too early' (*inappropriate timing of withdrawals*) may be a mistake that some unsuccessful BDSPs make. Some BDSPs expected to draw from the business before they invested 'anything' into it and/or before the business established itself. Furthermore, having 'too high' expectations about the business may be a 'killer' factor because it indicates a mismatch between the actual potential of the business and the owner's perception of the business potential. This may lead the owner to either withdraw 'too early' and/or 'too much' from the business.

The study also showed that sustainability was influenced by the external factors (conceptualized as situational forces) in the business. First, BDSPs saw the presence of donors as a threat and one that was partly responsible for the entrepreneurs' unwillingness to pay attitude. Consequently, even when BDSPs collaborated with donors to launch new products (venture into the market), they largely saw donors as competitors rather than complementing them. Although

BDSPs agreed in principle that provision of BDS should not be subsidized, they however did not mind getting donor subsidy (for as long as donors were still in the market). Some BDSPs (irrespective of whether the business is financially sustainable or not) leveraged on donor subsidy. Donor subsidy enabled them to temporarily cover some of the overhead costs (particularly those costs associated with long-term investments such as creating awareness which they could not recover from normal business operations). To the donors however, 'providers' continued reliance' on subsidy was an indicator of non-sustainability. Two, for some BDSPs sustainability seemed to be somewhat connected to the personal fulfillment.

Three, for other BDSPs, sustainability of the business seemed to depend on achieving financial gains. These findings are consistent with Acharya and Acharya (2006) whose study on sustainability of micro-finance institutions revealed that small-scale farmers used utilitarian approach and defined sustainability in terms of direct economic and social benefits to themselves. In a study to establish how small farmers think of sustainability and what their views were about the factors that contribute towards sustainable micro-finance in rural areas, the findings of Acharya and Acharya demonstrated that small farmers generally did not think in terms of institutional sustainability when they obtained loans from cooperatives. The farmers defined sustainability in terms of their own personal benefits. Their study showed that what was sustainability for the banker was not so for the small-scale farmers. The farmers' frames of reference were more utility-focused and directly connected to their lives, livelihood, and the level of benefit, income, and economic survival of the family. However, unlike Acharya and Acharya's findings, where small-scale farmers were basically concerned with family survival, the current study revealed that BDSPs were not

necessarily motivated by economic survival but by higher intrinsic and philanthropic motives.

The study also points to a link between BDS and microfinance. BDSPs studied had had some involvement with a microfinance institution. Some had worked in microfinance institutions before they ventured into the consulting business. Even those who had not worked formally in microfinance institutions had attended some training or workshop sponsored by donor agencies in collaboration with some microfinance institution. Through a review of over 30 linked programs, Sievers and Vandenberg (2007) showed that linkage between microfinance does exist. The authors argued that indeed synergies do exist but only if the linkage are properly structured. They noted that a well-structured linkage must be voluntary (the enterprise free to take both or only one service) and that the two types of services must be managed separately.

A significant source of sustainable small business success is accessibility to formal and informal business networks and markets (Anon, 2003). One of the factors that determine whether or not firms will enter into strategic alliance is their level of trust. Trust is formed not on the basis of explicit rules and regulations but upon a set of ethical habits and reciprocal moral obligations initiated by the community members (Fukuyama, 1995). It is the building of social capital that reduces transaction costs (Gibb, 2006). MacMillan (1983) also suggests that building contacts and networks are the fundamental factor in determining the success of any firm because through entrepreneurial networks, the entrepreneur can gather information, look for customers and suppliers and obtain the other resources that he or she needs.

Another factor that influences a firm's growth especially small to medium sized firms is a firm's innovative activities (Shane & Venkataraman, 2000). In the literature on organizational innovativeness, a number of patterns have been identified. Innovativeness in a firm is determined by a variety of organizational and individual factors which include the characteristics and diversity of the firm's top management team and the degree of concentration and formalization of decision-making. Innovation is one important way that organizations can adapt to changes in markets, technology, and competition (Dougherty & Hardy, 1996). From a social science point of view, organizational adaptation is the ability of an organization to change itself or the way in which it behaves in order to survive in the face of external changes which were not predicted when the organization was designed (Tomlinson, 1976). In line with this definition is March's (1995) assertion that adaptation is essential to survival and that those companies that do not adapt seem destined to expire.

Kickul and Gundry (2002), noted that many new processes and innovations undertaken may be essential to the future growth and sustainability of the small firms. They argue that the ability to arrive at new methods, to target customers through new promotional and distribution channels as well as developing boundary supports may allow the business to add value by increasing brand awareness and levels of efficiency (Kickul & Gundry). Their empirical results demonstrated that small owners' proactive personality is linked to a strategic response for the small firm that permits flexibility and change in response to surrounding business conditions. They showed that by employing a prospector strategy, these proactive owners have a direct impact on the goals and direction of their organizations. Amabile et al., (1996), all innovations begin with ideas. If a firm can convert an original idea into an original design/process that in turn gives

the said firm an advantage in the market place, then the firm is being innovative and is likely to grow and succeed.

Frese (2000) also noted links between entrepreneurial success and the personal action strategies of the operators, that proactive behaviour in planning and development is more likely to lead to success than reactive responses to unanticipated events (success being variously defined in terms of survival and growth). In a study conducted by Yusuf (1995) owners/managers identified good management, access to financing, personal qualities of the entrepreneur, and satisfactory government support are perceived by owner-managers as the most critical success factors in their businesses.

The current study revealed that sustainability of BDS requires sustaining the providers' passion, perseverance, commitment, and effort all of which are driven by the belief that it was possible to attain one's goals/ motives. The desire to sustain the business activity also seemed to be driven by the belief in oneself (that 'I can make it') and the belief that the business activity has potential. The desire to sustain the business activity appeared to make the provider flexible and ready to do anything to make the business succeed, success being defined in terms of achieving the providers' start-up motives. These motives were classified as extrinsic, intrinsic and philanthropic motivates but overall seemed to relate to higher needs (see Maslow's, 1954; Herzberg's, 1966 theories of motivation).

Provider's personal attributes defined as the traits of the providers included the following: self-confidence, flexibility, level of passion, alertness, ability to empathize, innovativeness, and risk-taking. Previous work experience defines the kind of experience, knowledge and skills that a provider acquired. Previous work experience also enabled a provider to establish a network of alliances and

clientele. As discussed, BDSPs' strategic response referred to how providers respond to the situational forces in the BDS market be they opportunities or threats. It also showed how BDSPs created and maintained relationships with their clients and/or other providers. BDSPs' strategic response was directly influenced by the situational forces and vice versa, their background characteristics and indirectly by start-up motives via BDSPs' perception of the business. Situational Forces include nature of competition, the presence of donor agencies, regulatory framework, and type of SE clients, and the nature of BDS products.

BDSPs' strategic response influences their ability to identify and/or close the gaps in the market. BDSPs who are unable to identify and/or close the gaps exit the market. In addition, continuity of the business activity depended on BDSPs' motive to sustain the business activity which in turn was influenced by their start-up motives as well as their perception of the business. BDSPs' who perceived the business positively (favourably) were likely to sustain the business activity. Those who perceived business negatively (unfavourably) were unlikely to have the motivation to continue doing the business hence were likely to exit the market. However, because some BDSPs used BDS consulting as a 'stepping stone' to other businesses, exiting the market may not indicate failure of the business. Cressy (2006) defined failure in the context of the small business, as the inability of the entrepreneurial team to meet the objectives they have set themselves. He argues that the concept of firm failure was relative to the objectives of the entrepreneur.

BDSPs' ability to identify and close the gaps was identified as an important factor that influenced sustainability. The study established number of gaps in the market that BDSPs needed to identify and fill for their businesses to become sustainable.



The ability to identify and fill these gaps depended on BDSPs' strategic response among other things. BDSPs' who were unable to identify or fill the gaps or both were unable to sustain the business activity hence exited the market.

BDSPs' motivation to sustain the business referred to whether or not the provider was motivated to continue doing the business. The study showed that not all BDSPs had the intention to sustain the business even though their business may be financially viable, i.e. although some BDSPs had the ability to identify and fill the gaps, they had no motivation to sustain the business hence they exited the market. The motivation to sustain the business was expressed in terms of the level of commitment to the business, perseverance and patience. For example, one BDSP explained: "Am willing to do everything and anything to make the business succeed". Also the degree of motivation appeared to depend on how BDSPs perceive the business. She added: "I know I am going to succeed. I know a time is going to come when I will not have to struggle like this". This suggests that regardless of whether the business is doing well or not, the provider's motive to sustain the business influences continuity of the business. Thus the motive to sustain the business appeared to be an intervening variable between ability to identify and fill the gaps and ability to build a sustainable business.

## **CHAPTER EIGHT**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

#### **8.1 Introduction**

This chapter presents summary, conclusions and recommendations of a study that sought to explain sustainability of BDS in the Kenyan context. Three research questions were specified at the beginning of the study in chapter one namely; (i) what motives people to venture into BDS business in Kenya? (ii) How and why do some BDS providers succeed in building sustainable BDS while others are not able to do so? (iii) What do BDSPs who succeed in building sustainable business do differently (if any) from those whose businesses are not sustainable? The chapter is divided into four sections. The first section presents summary and conclusions; the second section presents recommendations while the third section discusses limitations of the study. Finally, section four gives suggestions for further research.

#### **8.2 Summary and Conclusions**

##### **BDS Start-Up Motives different from those of other MSEs in Developing Countries**

The study revealed that as in all business sectors, people venture into BDS business for different motives. The motives were classified into three, namely, extrinsic, intrinsic and philanthropic motives. Those who venture into the business for extrinsic motives focused mainly on financial gains. Such people tend to have short-term focus on the business and tended to exit the business when financial rewards were not realized. To them, success seems to be based on quick economic gains/returns.

Contrary to existing literature that shows that small-scale entrepreneurs involvement in business is a matter of economic necessity and security a (Olomi, 2001), the study established that there are people who venture into BDS business mainly for intrinsic (e.g. fulfilling their childhood dreams, exploring their potential) and philanthropic (e.g. giving service to people) motives. Interestingly no BDSP interviewed mentioned that they ventured into business for economic necessity and/or survival. The intrinsic and philanthropic motives partly explain why some operators of BDS business are able to persevere through difficult times and even operate at what would seem to others as a loss. This suggests that the measure of success should not be generalized across business sectors or within a business sector, but should be person specific. In particular the measure of success should take into consideration the provider's motivation for venturing and sustaining the business activity.

### **BDS Start-Up Motives influence Commitment and Strategy**

Start-up motives influence providers' strategic response. For example, the study revealed that those who use BDS business as a 'stepping stone' to other businesses tend to work only with successful clients. In addition, they do not seem to build long-term relationship with their clients and/or other consultants. The 'stepping stone' motive also seems to influence the way they handle competition i.e. they do not try to get clients back if they lose them to competitors. On the contrary, those who venture into BDS business to make a social contribution are willing to build long-term relationships with their clients. For example, they appear to be willing to start the market from the scratch, willing to work even with clients who may not be able to pay (currently) and build them up. Such providers are even willing to occasionally give free services to clients who are not able to pay. In addition, start-up motives also influence commitment to the business. For example, those who venture into the business to make social

contribution seem to be very committed to the business, willing to do anything and everything to make the business succeed.

### **“Stepping Stone” as a Start-Up Motive**

The finding adds a new dimension of ‘stepping stone motive’ to the existing small business start-up motives. Bennett and Estrin (2007) showed that informality may be a stepping stone, enabling an entrepreneur to experiment cheaply in an uncertain environment. They argued that there are circumstances under which, without this option, the industry would not become established. They analyzed the roles of parameters such as a minimum wage rate and showed that the existence of financial constraints can actually encourage entry in this context. The current study established that there are people who venture into BDS business to attain certain short-term objectives, namely to acquire skills of running a business and also to accumulate seed capital to start another business) and once these are achieved they (BDS providers) wind up the business. The inclusion of venturing into BDS as ‘stepping stone’ to do other businesses questions the assumption that small businesses are started for continuity. The ‘stepping stone motive’ to small business start-up motives therefore calls for a re-look at ‘death’ of small businesses; that is to say that death of a business does not necessarily mean failure of the business.

### **Sustainability of BDS is a Relative and Multi-Dimensional Concept**

The study established that the meaning of sustainability is relative to the providers’ start-up motives and their perception of the business which in turn influences their motivation to sustain the business. Sustainability of BDS business is not just financial nor is it for economic survival but rather depends on the fulfillment of individual service provider’s motives.

### **Uniqueness of BDS leads to unique Bases for Sustainability**

Perhaps more than in other business undertakings, sustaining BDS business demands keeping alive the passion, the commitment and the motivation to do business. The study shows that success not only requires passion and commitment for the service providers but also to sustain that passion and commitment over time. The study developed a framework of relationships between different variables in the BDS market showing how sustainable BDS is built. The framework can provide guidelines for a deeper understanding of the BDS industry and guide future research.

### **Sustainable BDSPs Practice Philanthropy despite their Resource Poverty**

The study shows that unlike the traditional economic theory that assumes that people venture into business mainly to make profit (Hirshleifer, Glaser, & Hirshleifer, 2005) and the small business literature that shows that small-scale entrepreneurs venture into business for economic necessity and survival (Olomi, 2002) no BDSP who was interviewed mentioned economic necessity or survival as start-up motive. The study also established that there are BDSPs who venture into business for philanthropic motives. The inclusion of philanthropic motives suggests that BDS business might not be for ‘everybody’; and certainly not for people whose motivation is quick monetary gain. Additionally, a particular motive for doing business may not apply across businesses and so should not be generalized.

In addition, in contrast to large organizations where philanthropic activities may be more externally driven and where organizations give from ‘plenty’ the study established that there are BDSPs who give services to others despite their resource constraints (i.e. they give from ‘little’) without expecting to get something back

and often going unnoticed. Therefore, corporate social responsibility (CSR) activities by large organizations can be conceived more in terms of justice (i.e. that large organizations are 'giving back to society' because they have 'taken something from society'). On the other hand, philanthropic giving by BDSs can be seen more in terms of benevolence (charitable giving). In addition, the study revealed that there are people who venture into BDS as a divine call. Such people see their social contribution not just as moral obligation but rather as a divine with transcendental value.

The philanthropic and intrinsic motives emerging from this study imply that evaluating sustainability and performance of BDS should not focus entirely on the traditional economic theory of recovering costs but should also take into account the provider's motives for venturing into and sustaining the business. While it is true that BDSs do strive to recover their costs of operations and make profits, this may not be the major reason why some BDSs stay in business. The reason for staying in business may be personal fulfillment and/or social impact. This finding therefore, challenges performance evaluation of a business based purely on classical economic principles. While some of the economic indicators are relevant in the context of BDS, the study shows that there are other indicators which are not be taken into account such as the intrinsic satisfaction derived from fulfilling ones' motivation for venturing into and sustaining a business activity and the transcendental (divine) value attached to doing the business which are however important in understanding sustainability of BDS business. The finding also suggests that a particular measure of performance and/or success should not be generalized across business sectors or even within the business sector.

According to Smith and Nystad (2006), firms are obligated to make payment in kind for using society's infrastructure, land, air, water, plants and animals to

generate profit. They have a duty to reimburse society for the negative externalities their activity generates. There are different views regarding motives for underlying philanthropic activities. According to Porter and Kramer (2002), philanthropy is increasingly being used as a form of public relations or advertising, promoting a company's image or brand through cause-related marketing or other high-profile sponsorships. They see philanthropy as an instrument to achieve the ultimate goal of profit maximization by improving the competitive context of the firm.

Other empirical studies show that large organizations engage in philanthropic activities for profit motives (Fry, Keim & Meiners, 1982). Ethical theories on the other hand, argue that the relationship between business and society is embedded with ethical values (Smith & Nystad, 2006). Based on this argument, firms are morally obliged to give back to societies in which they exist. Thus, many companies have a business culture that upholds certain business principles according to which CSR is perceived as a moral duty of the firm (Smith & Nystad). For example, Ven van de and Graafland (2006) examined the relationship between management's view on CSR and firm's actual CSR efforts and found that moral motive which holds that CSR is a moral duty of companies towards society induces a stronger involvement than strategic motive which holds that CSR contributes to the financial success of the company in the long run.

There are contextual and structural differences between large organizations and small firms. Small firms are less visible and more anonymous than large firms in the labour and consumer market (Ven van de & Graafland, 2006). In addition, the negative impact of small firm's business activities are likely to be less (particularly in the context of BDS business) compared to large organizations. So it can be argued that large organizations are under more pressure from the

stakeholders to act ethically (coercion ethics) as compared to small firms (voluntary ethics).

According to the shareholder theory and behavioural theory, a company in forming its organizational goals and decisions (including philanthropic goals in the context of the current study) take into account the conflicting interests of various stakeholder groups. The degree to which a particular stakeholder's interest is taken into account depends on its bargaining power. In addition, while small-scale entrepreneurs spend their personal resources in philanthropic activities; large organizations spend 'anonymous company resources' on training (Gagel, 2006). Consequently because philanthropic activities by small organizations may be more internally driven compared to large firms, the intrinsic value placed on them (philanthropic activities) may be higher than that placed on large firms.

The above findings give a new dimension of philanthropy from the small firm perspective -giving service to others from 'little', without expecting to get something back and without seeking publicity; and where giving is driven by ones' personal beliefs. These findings suggest that BDS philanthropy should be separated from the common CSR practiced by big firms. As Gibb (2005) cautions, there is an important cultural difference between small and large firms which researchers, scholars and decision - makers must be conscious of. He further notes that even small business sector is fairly heterogeneous and that individual firms are at different stages of development; and that the sector includes a diverse range of enterprises in terms of organization, activities, size, motives, ownership, etc.

In addition, since some BDSs combine both philanthropic motives and profit motives, it means that variables that drive market mechanism alone cannot be



used to evaluate sustainability of BDS. That is -evaluation of sustainability of BDS business should not be based purely on mercantile principles because BDS business is also socially driven hence should also take into account the social impact of the business. Thus, there is need to understand why some small-scale entrepreneurs have philanthropic motives; and to understand the concept from the socio-cultural context within which businesses are operating.

### **Conventional Meaning of Business “Failure” Questioned**

The philanthropic and the stepping stone motives to starting a business imply that failure to sustain a business should not be evaluated and understood in the traditional sense of business failure (failure to recover costs) but should take into consideration the motive for venturing into the business activity. For example, the ‘stepping stone motive’ points to the fact that continuity may not always be an overriding objective of all business promoters. These findings imply that even in other business sectors, failure of a business should not always be associated with failure to make profit and/or ‘death’ of the business. The findings further imply that business labeled as ‘failed’ in other business sectors may not be so in the BDS sector and vice versa. According to small business literature, one of the failure indicators of small businesses is their inability to survive beyond their fifth birthdays. However, as Cressy (2006) argues the concept of firm failure is relative to the objectives of the entrepreneur.

### **Perception influences Continuity of BDS Business**

Motivation to sustain the business activity appears to make the providers flexible and proactive; ready to do anything, driven by their belief that it is possible to make the business succeed; success being defined in various terms including achieving the providers’ start-up motives. The study established that the service provider’s perception is an important factor that influences continuity of the

business. The desire to sustain the business activity seemed to be driven by the providers' self - awareness and self - belief (that 'I can make it in this business') and by a positive perception of the business (that the business has potential and so it is worth doing and so it is worth my time). The expectancy theory posits that the propensity to act in a certain way is contingent on an expectation that the act will be followed by a certain outcome and the relation between that outcome and the goals of the individual (Vroom, 1964). Knowing how service providers' perception of their business influences their motivation to sustain the business activity may have important theoretical implication for encouraging and developing entrepreneurs. In this regard the study findings can help policy - makers to design appropriate policy interventions for the sector.

### **Identifying and filling Industry and other Context Specific Gaps is critical for Sustainability of BDS**

The study shows that the key to building sustainable BDS is ability to identify and fill nine critical demand and supply side gaps in the BDS market coupled with the provider's passion, commitment and motivation to sustain the business activity in a market where demand must be painstakingly actualized over time. The gaps include value gap, awareness gap, and quality gap, willingness to pay gap, trust gap, appreciation gap, and ability to pay gap, capacity gap, culture gap and perception gap. Although some of these gaps have been identified in existing literature e.g. unwillingness to pay for services (Gagel, 2006); perception gap (Kitching & Blackburn); lack of time (Carter et al., 2004), they are fragmented.

The current study has captured and organized these gaps in a comprehensive way in the context of BDS market showing how they are identified, their consequences and how they are filled by service providers who succeed in building sustainable business. Additionally, the study shows that BDSPs' ability to identify and/or fill

the gaps depend on their strategic response which is influenced directly by BDSPs' background characteristics and situational forces and indirectly by the start-up motives via BDSPs' perception of the business. Apparently, the relationship between BDSPs' strategic response and BDSPs' ability to identify and close gaps showing how inability to identify and/or close gaps leads to exits has not been established in the extant literature.

Successful BDSPs strategically identify and fill the gaps in the market using client, product, price, trial and error, diversification strategy and simultaneous collaboration and competition. Although strategy as a concept has been identified in literature, BDS market is a unique in a number of ways. For instance, the presence of donors in the market; the way the concept of BDS was developed and how that is linked to the 'culture of dependency' of the SE clients are unique forces that influence the strategic response of the providers. In addition, the links between BDSPs' perception and strategic response has not been established in existing literature. The study also extends the knowledge of (simultaneous cooperation and competition (Peng & Bourne, 2008) in the context of BDS market where collaboration seems to be of informal nature.

Some of these gaps take a different dimension in the context of a developing economy like Kenya. For example, unwillingness to pay for services is partly attributed to the way BDS concept was developed (that donors created a culture of dependency by paying for people to access training) and the socio-cultural dependency of SE clients that makes them want to be supported/to access services for free. Therefore, filling this gap requires one to understand the socio-cultural disposition of people (in the context of the current study why SE clients want to get services for free). Schein (1985) argues that the culture of any group or societal unit is the total of the collective or shared learning of that unit as it

develops its capacity to survive in its external environment and to manage its own internal affairs. One of the powers of culture is derived from the fact that it operates as a set of assumptions that are unconscious and taken for granted (Schein).

In addition, unlike in other business sectors where the gaps are clear to the providers, this may not be so in the BDS market hence identifying and filling them might be more difficult and might require more effort, commitment and patience than in other business sectors. Thus, it takes time and personal sacrifices to invest in building personal relationship and trust with the clients. Examples of such gaps include value gap, perception and quality gap. The implication here is that BDS business is not for every entrepreneur, and certainly not for those whose motive for venturing into business is to make quick returns.

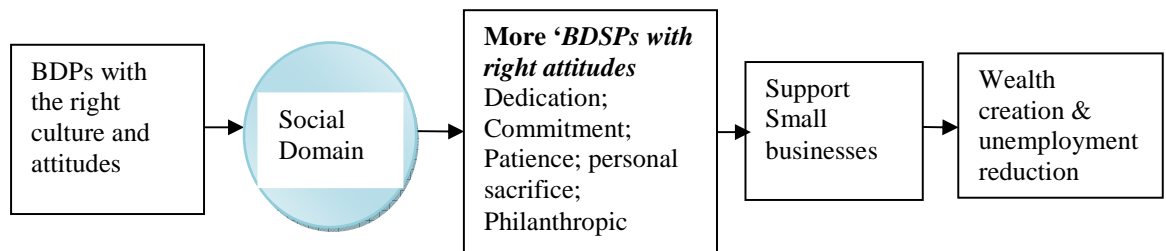
### **8.3 Recommendations**

The findings of this study offer both theoretical and practical contributions for consultants of small firms, the government, small-scale entrepreneurs and academicians. First, the study showed that there are people who venture into BDS as a 'stepping stone to do other businesses'. The inclusion of the 'stepping stone motive' to the small business start-up objectives calls for a relook at small business failure.

Second, the study showed that those who are driven by philanthropic motives will persevere and sustain the business even if their business may not be sustainable in the traditional economic sense. The study showed that there may be individuals or small-scale firms engage in philanthropic activities but who may go unnoticed. The study recommends that some kind of mechanism should be put in place to help identify and encourage people with philanthropic motivation because they

have a mission to impact on other people, which could contribute to poverty reduction. Additionally these findings justify spending public resources to promote such ventures and/or individuals.

Third, the study showed that perception of service providers is a major factor that influences how they do business and whether or not they stay in business. The study recommends that policy makers should make a deliberate effort to improve perception regarding potential opportunities in the small business sector. The study further recommends that BDSPs with the *right* entrepreneurial culture and attitudes should work together to lobby for enhancement of BDS environment as shown in figure 8.1.



**Figure 8.1: BDSPs' Perceptions of their Business Environment**

Figure 8.1 shows that BDSPs with *right* entrepreneurial culture within the wider BDS social domain can lobby for an enhanced BDS environment from policy makers. In addition to a more enhanced suitable BDS environment, lobbying can help sensitize other BDSPs with *right* entrepreneurial culture and attitudes. This would indirectly benefit small businesses that are the consumers of BDS and consequently help create wealth and reduce unemployment.

Fourth, the study revealed several gaps in the BDS market showing how they are identified and filled. It showed that identifying and filling these gaps require right entrepreneurial culture and attitudes namely; dedication, commitment, philanthropy and patience; and that it takes time and personal sacrifices to invest in building personal relationship and trust with all stakeholders in the market. The implication here is that sustaining BDS is not for every entrepreneur, and certainly not for those whose motive for venturing into business is to make quick monetary gains. The study established that there are BDSPs with the right entrepreneurial cultures and attitudes in the industry. The study therefore recommends that such entrepreneurs should be identified and encouraged.

Fifth, the study established that in addition it was established that filling some of the gaps require collaboration among service providers e.g. capacity gap and trust gap while some others require the action of the industry as a whole e.g. culture gap and quality gap among others. The study recommends that there should be a policy framework that can encourage and guide collaboration of all stakeholders in the industry. In addition the study recommends that policy makers should take a holistic view of the market that ensures that the gaps are addressed at all levels.

Sixth, the study revealed the paradoxical role of donor agencies in the sector. The study showed that the continued subsidies by donors distort the market by compromising SE clients' willingness to pay for services hence make it difficult for private BDS providers to achieve financial sustainability. This finding calls for donor agencies to relook at their terms of engagement in the sector.

Finally, the study revealed that there are regulatory weaknesses in the BDS sector. The study therefore recommends that policy makers should look into ways and means of strengthening these regulatory weaknesses. In particular, the study

points to the need to look into possibility of introducing standards and quality checks to protect the consumers of BDS. In addition, the study points to the need to introduce at least some minimum qualification for people who want to venture into the industry. The study also established that laws governing contracts were weak pointing to the need to enforce these laws for the benefit of all parties in engaging in BDS transactions. It also emerged that the government may not understand how the sector operates. Therefore, there is need for strong collaboration between the government sector and all the stakeholders in the sector. The fact that some BDSPs have already initiated some form of self-regulation is a good starting point.

#### **8.4 Limitations of the Study**

The results of this study should be interpreted and understood within the confines of the following limitations. First the study predominantly concentrated on business skills development and business consultancy and so the findings and conclusions drawn may not apply to other types of BDS such ICT, Technology or Legal. Therefore, there is limitation on the extent to which these results could be generalized across all BDSPs in Kenya. In addition, the findings and conclusions drawn here might not apply to other business sectors. Consequently, a similar study is necessary in other types of settings in order to validate and/or enhance the findings of this study. Second, the BDSPs interviewed had had some interaction with donor agencies which seemed to have influenced their response to the forces in their environment; hence what have been conceptualized here may not be applicable in other contexts.

Third, the study identified and conceptualized several demand and supply side gaps as perceived by BDS providers. The responses of BDS providers were triangulated with those of the SE clients. However, the SE clients interviewed

were identified by the BDSPPs; hence the researcher could not control their selection. Lastly, an in-depth analysis of SE clients' perspectives (demand side gaps) was not done because their responses were used only to corroborate those of the BDSPPs who were the focus of the study. Consequently, a similar other in-depth of SE clients' perspectives study is necessary in order to validate and/or enhance the findings of this study

### **8.5 Suggestions for Further Research**

First, the study identified several supply side and demand side gaps in the BDS market. A baseline study could be done to establish who BDSPPs are, what they do and the impact of what they (BDSPPs) do. In addition, an in-depth study of the gaps could be done to capture the perspectives of the consumers of BDS and other stake holders in the market. Second, the study revealed that there are BDSPPs who venture into business for philanthropic motives among other motives. However, the study did not establish what kinds of BDSPPs are driven by philanthropic motives. Further studies could be done to establish what kinds of BDSPPs are driven by philanthropic motives, the factors that influence this motive and its consequent implications in terms of overall sustainability. Third, the study could also be replicated in other settings i.e. in other sectors and industries where small businesses flourish in order to establish how sustainability is built in those sectors.

Fourth, the study revealed that some BDSPPs venture into business to achieve short-term objectives and upon attainment of these objectives they terminate the business; however, the study did not establish whether or not something more could be forth coming from continuing with such businesses. In addition, the study did not establish the relative strength of the various motives that emerged as this required measuring. Further studies could be done to determine the relative strength of the start-up motives.



Fifth, given the ‘stepping stone motive’, a study of ventures that have been perceived to have ‘failed’ could be done to establish whether or not the promoters of these so called ‘failed’ businesses did not just wind them up upon attainment of their objectives, and also to establish whether or not a relationship does exist between the ‘stepping stone motive’ and the desire to wind up a business. Sixth, the study established that there is weak collaboration (normally described as normative isomorphism) between BDSPs in the sector. Further research could be done to explore the nature and extent of isomorphism and the factors that drive or hinder its development within the BDS sector. Seventh, further research could be done to establish the influence and the strength of socio-cultural dispositions of customers (in particular how the so called ‘*ubuntu*’ disposition) impacts on the performance of small businesses. Finally, the study generated several propositions showing how different factors in the BDS market are interrelated (*see figure 7.1*); further studies could be carried out to test these interrelationships.

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## **APPENDICES**

### **Appendix 1: Letter of Introduction**

STRATHMORE UNIVERSITY  
Faculty of Commerce  
P.O Box 59857, 00200 Nairobi, Kenya  
Telephone; 254-606155  
Date: January 2008

Dear Sir/Madam,

Ref: Request to Participate in My PhD Research

My names are Hellen Otieno. I am a PhD student at Strathmore University conducting research on how BDS Providers build Sustainable business: Empirical Evidence from Kenya. I would like to kindly request you to participate in my research. The research will be conducted through an interview process. A minimum of about three to four interviews are estimated for this study. I am therefore kindly asking you to spare some time out of your busy schedule for the interviews. The information obtained will be treated with utmost confidentiality while results will be used for academic purpose only. Upon request the findings of the research will be availed to you.

Thanking you in advance for your co-operation.

Yours Sincerely

Hellen Otieno



## **Appendix 2: Incidents from the Open Coding Process**

The following were the incidents from open coding process:

1. I wanted to give service to small-scale entrepreneurs;
2. I wanted to have financial independence as well;
3. I realized I was making so much money for my employer so I decided to make that money for myself;
4. I realized I had a lot of potential that I could not realize in a structured organization;
5. I had risen so fast at in the company where I was employed and so I realized I could not move further up the ladder;
6. We realized there was a lot of poverty in Western Kenya so we wanted to make a difference in these people's lives; we wanted to contribute to poverty reduction in the region.
7. I together with some of my colleagues who shared the same vision decided to come together and give BDS trial;
8. Having worked on a project with a donor agency gave us an insider information;
9. We saw a market opportunity and so we responded to it;
10. I wanted to use BDS to enable gain skills of running a business in the future;
11. Starting my business gave me an opportunity to fulfill my childhood dreams;
12. I wanted to do something different;
13. I wanted to explore;
14. I was encouraged by positive feedback from clients
15. I wanted to learn the skills of doing business;
16. I did not like the way things were managed at my former work place so I decided to move out and start my own consultancy;
17. I got tired of working at a micro-finance institution;
18. I thought doing BDS could give me an opportunity to make a contribution to the world by using Christian approach to business,
19. The business was like a divine call from God; I thought that God wanted me to do something different
20. We decided to start small because we were not sure whether we would succeed;
21. I used word of mouth advertising;
22. I decided to concentrate on HR issues which are my strength;
23. We got a donor to partner with and this enabled us to charge very low prices temporarily;

24. We charged very low price initially to give entrepreneurs time to experience the products;
25. We did not want to carry everybody;
26. I decided to focus on the women clients;
27. I decided to focus on specific clientele;
28. I work with successful client only;
29. When I started, I thought I was going to use some of my networks I had formed while still working at my former work place to get business but this did not work;
30. We entered into market relationship with our clients;
31. Initially we were offering all kinds of services,
32. We did market survey to identify clients through exhibitions and workshops,
33. Intangible nature of BDS makes it very difficult to sell;
34. I came to realize that compulsory services like compiling tax returns are easier to sell compared to non compulsory services;
35. BDS is a long-term process and so success cannot come in the short- term;
36. Some BDSPs are forced to sell BDS as a package because single services are more expensive hence more difficult to sell;
37. When we started BDS was a new concept
38. Most small-scale entrepreneurs' are unwilling to pay for services;
39. Many SE entrepreneurs think they know how to run business;
40. Most SE clients do not appreciate of professionalism;
41. Most SE clients like to do things 'kienyeji';
42. The kind of clients we are dealing with are very sensitive to prices;
43. Some SE entrepreneurs do not appreciate BDS;
44. Some SE entrepreneurs are facing serious resource constraints and so are unable to pay for services;
45. Some SE entrepreneurs lack of awareness about the benefits of BDS;
46. Many SE clients have developed a culture of wanting to get services for free;
47. The culture of wanting free things is partly African;
48. Some of these SE clients think somebody is responsible for their existence;
49. When you train SMEs through a large organization you are much better off because it will be the large organization paying you and not the SMEs
50. Our officers live among the farmers hence we are able to keep close contact with our clients;
51. Staying close to our clients has enabled us to empathize with our clients;
52. We have made our clients to have a sense of ownership in the process;

53. We have built mutual relationship with our clients;
54. I visit my clients regularly;
55. I get regular feedback from my clients;
56. Through talking regularly to clients I have come to know what the real needs of my clients;
57. I have attended many capacity building workshops and through these I have come into contact with many potential clients,
58. Interacting with many small scale entrepreneurs has made me appreciate what they want;
59. We try to manage the market relationship well;
60. We have formed a business club and this has given us opportunity to meet and share the views of our clients;
61. I get feedback from my clients after every assignment;
62. I have an interactive website through which I keep contact with my clients;
63. I talk with my clients regularly;
64. This is Kenya where nobody trusts anybody;
65. Cheating is there; I know people who have been conned; I have been conned,
66. The presence of quark consultants is spoiling the image of the industry;
67. There is need to build trust in the industry;
68. I don't know what other consultants do so I am very hesitant to enter into any kind of contract with anybody;
69. I have done work for clients and fellow consultants who defaulted in paying me;
70. I cannot join alliance because I do not know the quality of their work;
71. The clients need to see value for them to be willing to pay;
72. Satisfying customers is what keeps us going;
73. I try to make tailor made services to suit the needs of my clients;
74. There is need for consistency in services, clients need to be assured of services tomorrow;
75. Our clients are happy;
76. BDSPs need to add value to the their clients;
77. We try to give quality products;
78. We are making a positive impact for our clients,
79. We have made a real change to clients who are now assured of market and at the same time getting higher prices for their produce;
80. Some BDSPs offer standardized services that don't add value to the clients;
81. We used those whom we had trained as show case;
82. When I started I was very confident that I was going to succeed;

83. We realized there was opportunity to make money so we decided to bid for the job;
84. You need perseverance- there are times I have really been struggling;
85. When I started the business I thought I knew it all;
86. When we started we did not know we would succeed- lack of confidence;
87. I told my partner let us try and see, if we succeed we continue if not we move to something else;
88. BDS is long-term so one has got to be patient;
89. I know I am going to succeed;
90. Am very passionate about what am doing;
91. We were not sure whether we would succeed but told my partner let us try and see;
92. To succeed you have got to be innovative;
93. For you to succeed you need to have the soft skills;
94. We have registered another business as a precaution against any eventuality
95. To me the business has potential;
96. BDS has no potential; I have never seen BDS succeed unless one is dealing with large companies;
97. I know a time is going to come when I will not have to struggle like this;
98. I know I am going to succeed; now is time for sowing, a time for harvesting is going to come;
99. For you to succeed in this business; you need to stay at it and nurture the process;
100. I feel bad when I see a client doing so well yet I know I can do better than him or her, it makes me wonder what am doing in the business;
101. Sometimes you wish you had a mentor then you would avoid some of the expensive mistakes;
102. I am able to cover all business expenses and even making some savings;
103. Somebody needs to underwrite some of the initial costs of investing in BDS market;
104. I realized that my assumptions about the market were wrong;
105. We have made some positive impact;
106. Many people still do not understand the benefits of BDS;
107. I want to make money quickly so that I can move to a serious business
108. My boss allowed me to make certain decisions and supported whatever decisions I made;
109. Working under a democratic boss enabled me to develop confidence;
110. The nature of my job enabled me to attend many courses and seminars and through these I met and interacted with many people;

111. I formed a network of potential clients and associates;
112. I was working as clients' manager and this enabled me to interact with many people;
113. I learnt the group dynamics at a micro-finance organization;
114. I ventured into the market with corporate mentality,
115. I would go out look for job but never made any follow ups because I thought they are the ones who needed my services hence should look for me;
116. In an attempt to encourage entrepreneurs to use BDS donors paid everything to the entrepreneurs to access training and this has made SE unwilling to pay for services;
117. The presence of donors perpetuates the attitude of unwillingness to pay;
118. Some donors still give support to small-scale entrepreneurs;
119. Some donors are slowly beginning to exit the market;
120. Some BDSPs have also benefited from donors by attending trainings sponsored by donor agencies;
121. Some BDSPs launched their programmes with donor support;
122. I have discovered what many providers do- they leverage on donor support;
123. For as long as donors are in the market small-scale entrepreneurs do not see why they should pay for services when they can get them for free;
124. The hand of the government is very far away from the sector;
125. I do not see the government doing anything unless something drastic happens;
126. The government ought to regulate the sector;
127. There is need for self regulation to complement what the government is doing;
128. There is need for some kind of advocacy to push the BDS agenda forward;
129. Some providers are speaking 'above the clients'
130. BDS is an elitist kind of service, there is need for providers to come down to the level of their clients;
131. I have no problem getting work, in fact I always have more work than I can handle;
132. There is weak enforcement of contracts;
133. The government is doing very little;
134. The government does not even understand the sector;
135. I am not aware of what the government is doing to support BDS sector;

136. I don't think the government is doing anything;
137. The government needs to have a policy that encourages entrepreneurs to start growth oriented business;
138. After working in the organization for six years I thought I had gained enough experience;
139. When I started this business I made many stupid mistakes because there was no one to learn from;
140. The mistakes I made opened my eyes;
141. Through work experience I gained the soft skills;
142. I wanted to acquire the skills of running a business;
143. I wanted to put into practice the group dynamic skills that I acquired while working at a micro-finance organization;
144. After working for so many years in the banking industry I began to ask myself what else I could do;
145. There are cases of cheating. I have been conned by people whom I bid together but later I realized they have gone behind my back and taken the job alone;
146. Sometimes other consultants price undercut you;
147. The issue of 'quark consultants is real, lack of regulation means anybody can venture into provision of BDS;
148. Some providers are compromising standards;
149. Because there are no standards some providers charge low price but compromise quality;
150. There is weak legislative framework,
151. There is need to have some kind of professional body like lawyers or accountants in the sector to govern how people conduct business;
152. There is need for self regulation;
153. There is need for some kind of certification to vet who ventures into the market,
154. Certification and standards would protect clients and genuine providers;
155. The moment anybody can venture into this market;
156. The presence of quark consultants are spoiling the image of the entire industry;
157. We started to focus on the youths because we realized there was unmet demand there;
158. I have trained SMEs through large organizations but such large organizations are very few and there is stiff competition for such
159. I realized that my strategy could not work so I had to change my strategy

160. I realized that the networks I had formed while working at ABC Motors could not give me work so I had to form new networks;
161. I had to build a market from the scratch- the women entrepreneurs
162. We realized that we had carried everybody so we had to change our strategy
163. There was no commitment on the part of the other partners;
164. I feel bad when I see a client doing so well yet I know I can do better than him or her, it makes me wonder what am doing in the business
165. I have a big social heart, I get a lot of boost when I am impacting on someone;
166. I wanted to use BDS to enable acquire skills to do other businesses
167. I would say we were lucky because we were lucky because we had insider information;
168. I wanted to make a social contribution but to have financial independence as well
169. My husband and the family supported me
170. We offer variety of products
171. I use a pool of existing associates sometimes to get a job or when I have too much work that I cannot handle;
172. We used those entrepreneurs whom we had trained as show case;
173. We were able to build mutual relationship with our clients;
174. We now have few but serious clients;
175. I know the few clients who use my services will 'market me';
176. I decided to build a niche market from the scratch;
177. Some providers sell what they have not what clients want;
178. BDS is long term and so you must nurture the process;
179. When I started, I knew the returns were not going to come quickly so I am prepared to wait;
180. I know clients who have been coned;
181. I have been coned before, so the issue of cheating is real;
182. I am able to cover my all my operation costs and save something;
183. I am saving a large portion of the profits because I want to start a serious business in the future;
184. We have registered another business as a precaution against any eventuality;
185. We set preconditions for managing the relationship;
186. If it were for money I would have closed shop a long time;
187. There is need to build synergies in the sector; there are certain things you cannot do alone;
188. We have started the process of self regulation and I am the chairperson of the steering committee;

189. There is a body that has been initiated to start the process of collaboration and I have facilitated one of the workshops;
190. I do not know of any kind of association in the industry;
191. I get a lot of satisfaction in doing the business- this is where my energy comes from;
192. Satisfying customers is what keeps us going;
193. We have generated a lot of interests in entrepreneurs;
194. There is need to know clients real needs as opposed to providers' assumed needs; some consultants are trying to sell what they have, that is why they cannot make it;
195. I am a member of the association that is coming up with self regulation.
196. I attend as many capacity building workshops as possible
197. I am not a member of any of the association – I don't even know that one exists
198. When I realized that my initial strategy could not work, I decided to try everything and anything and if it does not work I try something else flexible and proactive
199. We did not want to carry everybody- we wanted to focus on the missing middle;
200. When we started we realized we had carried everybody so we decided to reduce the number so we raised fees to remain only with serious members
201. To me BDS has no potential;
202. We are making a positive impact and our clients are happy,
203. BDS is a long term process success cannot come in the short term,
204. BDS is long term so one has got to be patient
205. You need perseverance- there are times I have really been struggling;
206. The mistake some people make is that they want to draw from the business too early;
207. For the business to feed you, you must feed it first;
208. To me BDS has potential;
209. I do not let anything come between me and my business;
210. I give the business the highest possible standard;
211. The government is doing very little;
212. The government does not even understand it
213. I am not aware of what the government is doing to support BDS sector
214. I don't think the government is doing anything;
215. I do not know who paid for us to be trained or how much was paid;
216. I did not know about the existence of this organization before, I was introduced by a friend;



217. I came to realize after being trained that was the 'enemy of my own business';
218. I did not pay for the training that I attended and I do not know who paid;
219. We did not have information about these trainings before;
220. I do appreciate the training very much, before I attended the training I did not know that I was the enemy of my business;
221. I value training because I know that even though you can do business without training, you cannot do it better than somebody who has been trained;
222. Actually doing business without training is like 'walking without eyes', like a blind person who does not know where he or she is going;
223. I like the way the training was conducted in phases; every time you were attending a particular module it was like a kind of refresher course;
224. I learnt many things that I did not know about the business before;
225. I value professionalism;
226. I would certainly recommend the training to a friend to get these services; training is good, it broads people' eyes and prepares you for what you can meet in the future;
227. Training prepares you for challenges which you can meet in the future;
228. I think BDS is important because even if your business is doing well, it will give you opportunity to expand your business;
229. Training is important because new things are coming up every day and so you need to update your skills
230. I would have been willing to pay for the services if they were being sold in the market.
231. We were not paying for services ourselves,
232. The training was sponsored by some NGOs; however, I would have been willing to pay for them if they were being sold in the market.
233. Now am willing to pay for the services because I am making enough money; before I was not able to pay;
234. I would be willing to pay for the services but it depends on how reasonable the prices are
235. At the moment I have no problem paying, I am now banking money in millions, before I was banking in thousands and I had difficulty paying for the services;
236. I would have no problem paying because I know these services are very important;
237. I had no problem paying then because my business was doing well then;

238. Now I cannot pay for the services because my business is not doing as well as it was doing before;
239. I had problems paying for the services then, the fees charged then was a bit too high and I was not making that kind of money.
240. I was very happy with the services I received and for that reason I can recommend someone;
241. The training met my expectations;
242. I was very happy with training especially because it came at intervals and that acted like a refresher course for me.
243. The training did not meet my expectations; I think I went in with a broad expectation but the training was too focused;
244. The training was too shallow for me, it would have been good for beginners;
245. The training added value to my business; then I was making money in thousands now I am making money in millions; the training added a lot of value,
246. I would say the training moved my business from point A to point B, without it I would still be where I was;
247. The training made a big improvement in my business, because I did not have any knowledge of finance, I did not know how to keep records; I was wasting so much money without realizing; the training added value because I learnt new things;
248. After attending the training I was able to expand my business;
249. After the training I was able to save the proceeds which I was not doing before;
250. The quality of life of my household has improved because my business started to do well.
251. I know about groups that have been conned; our firm was a victim; we paid somebody to train our staff, he did not conduct the training and did not refund us the money.
252. Trust is a big issue in the industry;
253. We trusted them because there is no day they cheated us.

